

**Lester B. Pearson School Board**  
**Financial Statements**  
**June 30, 2018**

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Accumulated Operating Surplus	6
Statement of Change in Net Debt	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 19
Supplementary Information	20 - 21

## Independent Auditor's Report

---

Raymond Chabot  
Grant Thornton LLP  
Suite 2000  
National Bank Tower  
600 De La Gauchetière Street West  
Montréal, Quebec  
H3B 4L8

T 514-878-2691

To the Council of Commissioners of  
Lester B. Pearson School Board

We have audited the accompanying financial statements of Lester B. Pearson School Board, which comprise the statement of financial position as at June 30, 2018 and the statement of operations, the statement of accumulated operating surplus, the statement of change in net debt and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lester B. Pearson School Board as at June 30, 2018 and the results of its operations, the change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Raymond Chabot Grant Thornton LLP<sup>1</sup>*

Montréal  
October 2, 2018

---

<sup>1</sup> CPA auditor, CA public accountancy permit no. A117472

# Lester B. Pearson School Board

## Statement of Financial Position

June 30, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash	1,224,675	2,110,357
Operating grants receivable (Note 5)	32,790,286	32,522,404
Grants receivable specific to the acquisition of property and equipment	14,447	
Financing grants receivable	32,172,703	34,113,080
Accounts receivable (Note 6)	27,294,779	19,252,033
	<u>93,496,890</u>	<u>87,997,874</u>
<b>LIABILITIES</b>		
Accounts payable (Note 7)	42,009,951	52,760,038
Deferred revenues related to property and equipment acquisition (Note 8)	5,866,144	6,200,859
Deferred revenues	10,930,328	8,661,953
Accrued employee future benefits (Note 9)	16,506,464	17,266,603
Environmental liabilities	1,805,644	2,190,170
Other liabilities (Note 10)	231,569,739	203,598,022
	<u>308,688,270</u>	<u>290,677,645</u>
<b>NET DEBT</b>	<u>(215,191,380)</u>	<u>(202,679,771)</u>
<b>NON-FINANCIAL ASSETS</b>		
Property and equipment (Note 11)	244,501,053	237,986,443
Prepaid expenditures	39,782	51,326
	<u>244,540,835</u>	<u>238,037,769</u>
<b>ACCUMULATED OPERATING SURPLUS</b>	<u>29,349,455</u>	<u>35,357,998</u>

The accompanying notes are an integral part of the financial statements.

# Lester B. Pearson School Board

## Statement of Operations

Year ended June 30, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>Revenues</b>		
Ministère de l'Éducation et de l'Enseignement supérieur (MEES) operating grants	<b>191,057,964</b>	176,575,425
School taxes	<b>64,618,800</b>	62,439,428
Other operating revenues	<b>35,380,328</b>	55,387,977
Transportation grants – MEES	<b>6,115,866</b>	5,532,463
	<u><b>297,172,958</b></u>	<u>299,935,293</u>
<b>Expenditures</b>		
Teaching services	<b>142,032,535</b>	142,852,024
Educational support activities	<b>71,186,287</b>	67,564,443
Extra-curricular activities	<b>12,534,468</b>	11,919,589
Transportation	<b>13,641,310</b>	13,374,671
Administrative activities	<b>12,478,617</b>	11,898,668
Energy	<b>5,561,037</b>	5,275,588
Amortization of property and equipment	<b>14,007,243</b>	13,557,521
Maintenance and caretaking	<b>16,614,026</b>	15,094,857
Financing costs	<b>143,265</b>	197,137
Subsidized schools in the public interest	<b>10,578,368</b>	9,832,021
Other	<b>5,164,487</b>	1,964,096
Net change in the provision for fringe benefits	<b>(760,139)</b>	397,582
Loss on disposal of property and equipment		172,119
	<u><b>303,181,504</b></u>	<u>294,100,316</u>
<b>Excess of revenues over expenditures (expenditures over revenues)</b>	<u><b>(6,008,546)</b></u>	<u>5,834,977</u>

The accompanying notes are an integral part of the financial statements.

**Lester B. Pearson School Board**  
**Statement of Accumulated Operating Surplus**

Year ended June 30, 2018

---

	<u>2018</u>	<u>2017</u>
	\$	\$
Accumulated operating surplus, beginning of year	<b>35,357,998</b>	29,523,021
Excess of revenues over expenditures (expenditures over revenues)	<b>(6,008,546)</b>	5,834,977
Accumulated operating surplus, end of year	<b><u>29,349,452</u></b>	<b><u>35,357,998</u></b>

---

The accompanying notes are an integral part of the financial statements.

## Lester B. Pearson School Board Statement of Change in Net Debt

Year ended June 30, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
Net debt, beginning of year	<u>(202,679,771)</u>	<u>(207,301,494)</u>
Excess of revenues over expenditures (expenditures over revenues)	<u>(6,008,546)</u>	<u>5,834,977</u>
Variations due to property and equipment		
Property and equipment purchases	<b>(20,521,853)</b>	(18,409,092)
Amortization of property and equipment	<b>14,007,243</b>	13,557,521
Loss on disposal of property and equipment		172,119
Proceeds on disposal of property and equipment		3,384,792
	<u>(6,514,610)</u>	<u>(1,294,660)</u>
Variation due to prepaid expenditures	<u>11,544</u>	<u>81,406</u>
Decrease (increase) in net debt	<u>(12,511,612)</u>	<u>4,621,723</u>
Net debt, end of year	<u><b>(215,191,383)</b></u>	<u>(202,679,771)</u>

The accompanying notes are an integral part of the financial statements.

## Lester B. Pearson School Board

### Statement of Cash Flows

Year ended June 30, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures (expenditures over revenues)	<b>(6,008,546)</b>	5,834,977
Non-cash items		
Doubtful accounts	<b>776,781</b>	7,913
Provisions for future payroll benefits	<b>(760,139)</b>	397,582
Prepaid expenditures	<b>11,543</b>	81,406
Amortization of deferred revenues related to property and equipment acquisition	<b>(349,162)</b>	(367,835)
Amortization of property and equipment	<b>14,007,243</b>	13,557,521
Loss on disposal of property and equipment		172,119
Variations due to operating assets and liabilities	<b>13,454,526</b>	(1,806,395)
Cash flows from operating activities	<b><u>21,132,246</u></b>	<b><u>17,877,288</u></b>
<b>INVESTING ACTIVITIES</b>		
Cash outflow from the acquisition of property and equipment	<b>(22,017,928)</b>	(20,705,461)
Proceeds on disposal of property and equipment		3,384,792
Cash flows from investing activities	<b>(22,017,928)</b>	(17,320,669)
<b>Net increase (decrease) in cash</b>	<b>(885,682)</b>	556,619
Cash, beginning of year	<b><u>2,110,357</u></b>	<u>1,553,738</u>
Cash, end of year	<b><u><u>1,224,675</u></u></b>	<u><u>2,110,357</u></u>

The accompanying notes are an integral part of the financial statements.



# Lester B. Pearson School Board

## Notes to Financial Statements

Year ended June 30, 2018

---

### **1 - GOVERNING STATUTES AND PURPOSE OF THE SCHOOL BOARD**

The School Board was incorporated under decree 1014-97 of the Education Act on August 13, 1997. The financial statements have been prepared to satisfy the requirements of Section 284 of the Education Act (CQLR, c. I-13.3).

The mission of the School Board is to organize, for the benefit of the persons who come under its jurisdiction, the educational services provided for by the Education Act and by the basic school regulations made by the government. The mission of the School Board is also to promote and enhance the status of public education within its territory, to see to the quality of educational services and the success of students so that the population may attain a higher level of formal education and qualification, and to contribute, to the extent provided for by law, to the social, cultural and economic development of its region.

### **2 - SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are prepared by the School Board in accordance with Canadian public sector accounting standards in the *CPA Canada Public Sector Accounting Handbook*, and use of any other source of generally accepted accounting principles must be consistent with these standards. The information provided in the financial statements is based on best judgments and estimates.

#### **Accounting estimates**

The preparation of the School Board's financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the recognition of assets and liabilities, presentation of assets and contingent liabilities at the date of the financial statements and the recognition of revenues and expenditures for the period presented in the financial statements. Estimates and assumptions were used to evaluate the main items, such as useful lives of property and equipment, accrued liabilities, allowance for future benefits and environmental liabilities. Actual results may differ from management's best estimates.

#### **Financial assets**

##### *Cash and cash equivalents*

The School Board's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn.

##### *Accounts receivable*

Accounts receivable, excluding commodity taxes receivable, are initially recorded at cost and revalued at the net recoverable value with the use of an allowance for doubtful accounts. The annual variation of this provision is included in the expenditures.

# Lester B. Pearson School Board

## Notes to Financial Statements

Year ended June 30, 2018

---

### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Liabilities**

##### *Contributions for property and equipment acquisitions*

The investment subsidy and contributions received for acquisitions of property and equipment subject to amortization are deferred and amortized in the statement of operations on the same basis and over the same period as the related property and equipment in accordance with the stipulations of the government transfers.

##### *Deferred revenues*

Amounts received for revenues that will be earned in a subsequent period are deferred and presented as deferred revenues in liabilities in the statement of financial position.

Revenues can be recognized as deferred revenues if they meet the following three stipulations:

- Under purpose stipulations, the School Board has little or no discretionary power on how the transferred resources are used;
- Under time stipulations, the School Board has little or no discretionary power on the period or periods during which the received amounts must be used or consumed;
- Under accountability stipulations, execution is constantly monitored and failure to comply with the transfer conditions results in sanctions, such as repayment of the transferred resources.

##### *Pension plans*

Members of the School Board's staff participate in the Régime de retraite des employés du gouvernement et des organismes publics (RREGOP), the Régime de retraite des enseignants (RRE) or the Régime de retraite du personnel d'encadrement (RRPE). These multiemployer plans are defined benefit plans with guaranteed retirement and death benefits. The School Board's contributions to these government retirement plans are assumed by the Government of Quebec and are not included in the financial statements.

##### *Allowance for employee benefits*

Long-term obligations under other employee benefit plans, such as sick leave, vacation, accumulated overtime, wages insurance coverage and other benefits (maternity and paternity leave) are recognized at cost in liabilities. The annual change in the provisions is recognized in expenditures.

##### *School Board's share of the long-term debt subject to a pledge of grant held by the Comité de gestion de la taxe scolaire de l'île de Montréal (CGTSIM)*

The School Board's share of the long-term debt subject to a pledge of grant held by the CGTSIM is recognized as the amounts are received, adjusted for the amortization of the discount or premium, up to the amount of capital to repay on maturity.

# Lester B. Pearson School Board

## Notes to Financial Statements

Year ended June 30, 2018

### 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Environmental liabilities*

Obligations resulting from the decontamination of contaminated sites under the responsibility of the School Board, or that may likely fall under its responsibility, are recognized as environmental liabilities as soon as the contamination exceeds environmental standards, that it is expected that future economic benefits will be given up and that a reasonable estimate of the amount can be made.

The liabilities for contaminated sites include estimated costs of contaminated site management and decontamination. The School Board used various methods to estimate the rehabilitation and management costs, including site characterization studies or comparative analyses. For each contaminated site, the estimated cost is increased to reflect the degree of accuracy associated with the method used. The costs are evaluated based on the best information available and reviewed annually.

Furthermore, the Government of Quebec stated that it would assume the costs of decontamination of contaminated lands existing as at March 31, 2008 and inventoried as at March 31, 2011, as well as the variances of these liabilities as at June 30, 2018. Consequently, the School Board is able to recognize an account receivable from the Government of Quebec to offset the costs associated with these environmental liabilities. All liabilities recognized after March 31, 2011 for non-inventoried land at that date are assumed by the School Board and recorded in its results for the related fiscal year.

#### **Non-financial assets**

##### *Property and equipment*

Property and equipment are non-financial assets acquired, built, developed or improved, whose useful life extends beyond the period, and are intended to be used sustainably for the production of goods or delivery of service.

Property and equipment are recognized at cost. With the exception of land, the cost of property and equipment is amortized according to the straight-line method over the following periods:

	<u>Periods</u>
Land development	10 or 20 years
Buildings and major building improvements	15 to 50 years
Material and equipment	3 to 15 years
Specialized pedagogical equipment	10 or 20 years
Complex networks	20 years

Property and equipment under construction, development or improvement are not amortized until they are put into service.

# Lester B. Pearson School Board

## Notes to Financial Statements

Year ended June 30, 2018

---

### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Works of art and historical treasures consist primarily of paintings, sculptures, drawings and installations and their cost is expensed in the year of acquisition.

Items of property and equipment that are contributed or acquired for a nominal value are recognized at their fair value at the time of acquisition.

The amounts received from organizations are recognized in liabilities as deferred revenues and are gradually transferred to the operating results and amortized on the same basis and over the same period as the related property and equipment. However, the contributions received for the acquisition of land are recognized in revenues in the year of acquisition.

If circumstances indicate that an item of property and equipment no longer contributes to the School Board's ability to provide goods and services or that the value of the item's future economic benefits is less than its net carrying amount, the cost of the item of property and equipment is reduced to reflect the decline in value.

#### *Prepaid expenditures*

Prepaid expenditures represent payments made before the financial year-end for services which the School Board will benefit from during or beyond the upcoming financial year. These costs will be added to the expenditures when the School Board benefits from the services paid for.

#### **Revenue recognition**

Subsidy revenue from the MEES and other ministries and organizations is recognized in the period during which the transfers are authorized and the School Board has satisfied the eligibility criteria for that period's budgetary rules. In management's opinion, the payment authorization is an integral part of the government transfer authorization process and, accordingly, subsidy revenue is not recognized until the payer has sufficient budget credits approved by the National Assembly. Subsidy revenue recognition may be deferred to a subsequent period when the School Board has satisfied certain conditions, which are described in the Deferred revenues accounting policy.

The revenues from the school taxes and the subsidies in lieu of taxes are managed by the CGTSIM and recognized according to the share and confirmation received by the CGTSIM.

The School Board's main sources of revenues, other than contributions, are the student fees, the external sales and the recovery of direct costs that are accounted for in Other operating revenues. Revenues are recognized when the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred;
- The price is fixed or determinable;
- Collection is reasonably assured.

Revenues are recognized as the services are rendered. Deferred revenues represent funds received for which revenues have not yet been earned.

# Lester B. Pearson School Board

## Notes to Financial Statements

Year ended June 30, 2018

---

### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Inter-entity transactions**

Inter-entity transactions are transactions between entities controlled by the Government of Quebec or entities under shared control.

Assets received without consideration from a Government of Quebec reporting entity are recognized at the carrying amount. Services received at no cost are not recognized. Other inter-entity transactions are carried out at the exchange amount, that is, the amount of the consideration given for the item transferred or service provided as established and agreed to.

### **3 - ACCOUNTING CHANGES**

On April 1, 2017, the School Board adopted the following five new accounting standards:

- PS 2200, Related party disclosures;
- PS 3210, Assets;
- PS 3320, Contingent assets;
- PS 3380, Contractual rights;
- PS 3420, Inter-entity transactions.

#### **Related parties and inter-entity transactions**

Section PS 2200, Related party disclosures, defines a related party and establishes disclosures required for related party transactions. This new standard results in the following changes:

- The identification of relationships: relationships have been expanded to include the School Board's main directors, such as the Director General, the Director General's close family members and entities under the sole or shared control of these persons;
- Related party transaction disclosures: the standard requires the following disclosures about related party transaction on the basis of the following two characteristics:
  - \* They have occurred at a value different from that which would have been arrived at if the parties were unrelated; and
  - \* They have (or could have in the case of unrecognized transactions) a material financial effect on the financial statements.

Required disclosure includes, in particular, the nature of the related party relationship and the amounts in question. If disclosure is required, it is not identifiable, which avoids having to identify the parties involved. These new changes do not have a significant impact on the School Board's items with respect to listing related parties and disclosure of additional information in the Financial Report.

Section PS 3420, Inter-entity transactions, establishes recognition and disclosure standards applicable to transactions between entities that comprise a government's reporting entity from both a provider and recipient perspective.

# Lester B. Pearson School Board

## Notes to Financial Statements

Year ended June 30, 2018

---

### **3 - ACCOUNTING CHANGES (Continued)**

Adoption of these standards did not have any impact on the School Board's operations and financial position. As applicable, the impacts are limited to disclosures in the notes to financial statements.

#### **Assets, contingent assets and contractual rights**

Section PS 3210, Assets, provides guidance for applying the definition of assets set out in PS 1000, Financial statement concepts, and establishes general disclosure standards for assets. The major categories of unrecognized assets must be disclosed.

When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, the reason(s) for this should be disclosed.

Section PS 3320, Contingent assets, defines and establishes disclosure standards on contingent assets. Disclosure is required when the occurrence of the confirming future event is likely.

Section PS 3380, Contractual rights, defines and establishes disclosure standards on contractual rights. Disclosure about contractual rights is required and should include a description of their nature and extent and the timing.

Adoption of these standards did not have any impact on the School Board's operations and financial position. As applicable, the impacts are limited to disclosures in the notes to financial statements.

### **4 - BUDGET FORECAST PRESENTATION**

Under the Education Act (CQLR, c. 1-13.3), the School Board has prepared budget forecasts for the current year which were duly adopted by the Council of Commissioners.

These budget data are not prepared with the same level of detail as the actual data presented in the financial statements.

## Lester B. Pearson School Board

### Notes to Financial Statements

Year ended June 30, 2018

#### 4 - BUDGET FORECAST PRESENTATION (Continued)

The summary of budget forecasts initially adopted by the Council of Commissioners is compared with the corresponding actual data:

	2017-2018	
	Budget	Actual
	\$	\$
Revenues		
MEES operating grants	186,004,842	197,173,830
Other grants and contributions	2,754,186	2,387,444
School taxes	63,951,481	64,618,800
Tuition and course-related fees	7,875,000	6,342,623
Sales of goods and services	20,591,739	23,129,183
Other revenues	14,688,870	3,521,078
	<u>295,866,118</u>	<u>297,172,958</u>
Expenditures		
Teaching services	154,294,300	142,032,535
Educational support activities	61,121,484	71,186,287
Extra-curricular activities	26,174,432	26,175,778
Administrative activities	14,202,681	12,478,617
Property and equipment activities	30,627,415	36,182,306
Other	9,858,333	15,886,120
Net change in the accrued provision for fringe benefits	350,000	(760,139)
	<u>296,628,645</u>	<u>303,181,504</u>
Excess of expenditures over revenues	<u>(762,527)</u>	<u>(6,008,546)</u>

#### 5 - OPERATING GRANTS RECEIVABLE

	2018	2017
	\$	\$
MEES		
Youth, adult education and vocational education	19,477,128	19,299,018
Subsidy – financing (employee future benefits)	12,628,720	12,641,226
Debt service	(24,306)	71,718
Transportation	225,062	(386,386)
Contaminated lands	430,808	851,859
Other grants	44,356	39,332
Ministère du Travail, de l'Emploi et de la Solidarité sociale	8,518	5,637
	<u>32,790,286</u>	<u>32,522,404</u>

## Lester B. Pearson School Board

### Notes to Financial Statements

Year ended June 30, 2018

#### 6 - ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
	\$	\$
Accounts receivable – CGTSIM	10,802,901	
Accounts receivable – other	15,528,407	18,104,376
Sabbatical leave receivable	105,791	78,611
Commodity taxes receivable	857,680	1,069,046
	<u>27,294,779</u>	<u>19,252,033</u>

#### 7 - ACCOUNTS PAYABLE

	<u>2018</u>	<u>2017</u>
	\$	\$
Advance from the CGTSIM		9,025,080
Accounts payable and accrued liabilities	14,447,980	11,101,711
Salaries and benefits payable	23,984,116	27,715,756
Sabbatical leave payable	1,642,490	1,579,225
Holdbacks on contracts	1,925,365	3,328,266
Deposits on tenders	10,000	10,000
	<u>42,009,951</u>	<u>52,760,038</u>

#### 8 - DEFERRED REVENUES RELATED TO PROPERTY AND EQUIPMENT ACQUISITION

	<u>2018</u>	<u>2017</u>
	\$	\$
Balance, beginning of year	6,200,859	6,559,307
Revenues recognized as deferred contributions	14,447	9,387
Deferred contributions recognized as revenues for the year	(349,162)	(367,835)
Balance, end of year	<u>5,866,144</u>	<u>6,200,859</u>

#### 9 - ACCRUED EMPLOYEE FUTURE BENEFITS

Among the long-term obligations under employee future benefit plans, the School Board has a sick leave program. Until June 30, 2016, in accordance with the various collective agreements, this program allowed certain employees to accumulate unused sick days to which they were entitled annually and monetize them in the event of termination, retirement or death. Moreover, in the context of early retirement, employees could elect to use these accumulated sick days as fully paid days of absence. Since July 1, 2016, employees may no longer accumulate sick days acquired after that date. Sick days will be paid annually on June 30th if they are not used at that date.

	<u>2018</u>	<u>2017</u>
	\$	\$
Sick leave	6,552,779	6,826,316
Vacation	6,257,614	5,962,932
Fringe benefits	2,336,329	2,407,070
Accumulated overtime, wages insurance coverage and other	1,359,742	2,070,285
	<u>16,506,464</u>	<u>17,266,603</u>



## Lester B. Pearson School Board Notes to Financial Statements

Year ended June 30, 2018

### 10 - OTHER LIABILITIES

	<u>2018</u>	<u>2017</u>
	\$	\$
CNESST's retrospective program provision	<b>684,537</b>	944,910
School Board's share of the debt that is subject to a subsidy commitment held by the CGTSIM	<b>225,411,342</b>	201,047,932
Other	<b>5,473,860</b>	1,605,180
	<b><u>231,569,739</u></b>	<b><u>203,598,022</u></b>

The long-term debt of school boards on the Island of Montréal is managed by the CGTSIM. The School Board's share of the long-term debt that is subject to a subsidy commitment is confirmed by the CGTSIM.

### 11 - PROPERTY AND EQUIPMENT

	<u>2018</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
	\$	\$	\$
Land development			
Land	11,572,621		11,572,621
Land development	8,117,701	2,242,323	5,875,378
Buildings			
Buildings	252,716,227	164,854,626	87,861,601
Major building improvements	151,832,773	23,322,771	128,510,002
Material and equipment	30,516,762	21,891,429	8,625,333
Specialized pedagogical equipment	5,034,951	2,996,965	2,037,986
Complex networks	27,178	9,046	18,132
	<b><u>459,818,213</u></b>	<b><u>215,317,160</u></b>	<b><u>244,501,053</u></b>
	<u>2017</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
	\$	\$	\$
Land development			
Land	11,572,621		11,572,621
Land development	7,330,357	1,818,449	5,511,908
Buildings			
Buildings	252,635,500	160,980,505	91,654,995
Major building improvements	136,867,009	18,635,348	118,231,661
Material and equipment	26,166,907	17,346,051	8,820,856
Specialized pedagogical equipment	4,696,787	2,521,895	2,174,892
Complex networks	27,178	7,668	19,510
	<b><u>439,296,359</u></b>	<b><u>201,309,916</u></b>	<b><u>237,986,443</u></b>

# Lester B. Pearson School Board

## Notes to Financial Statements

Year ended June 30, 2018

---

### **11 - PROPERTY AND EQUIPMENT (Continued)**

The total of property and equipment includes \$3,518,476 of property and equipment in progress or development (\$4,358,357 as at June 30, 2017); \$355,207 for land development (\$43,073 as at June 30, 2017) and \$3,163,269 for major improvements and transformation (\$4,315,284 as at June 30, 2017). No amortization is taken on those property and equipment.

### **12 - RISK MANAGEMENT AND FINANCIAL RISKS**

#### **Risk management policy**

The School Board is exposed to various risks related to its financial instruments. The following provides a measure of risks at the date of the statement of financial position, that is as at June 30, 2018.

#### **Financial risks**

##### *Credit risk*

Credit risk is the risk of a counterparty defaulting on contractual obligations. The School Board's credit risk is mainly associated with accounts receivable, excluding commodity taxes. To reduce its credit risk, the School Board regularly analyzes the balance of its user accounts receivable and reserves an allowance for doubtful accounts, as necessary, based on the estimated realizable value.

The carrying amount of the School Board's main financial assets represents the maximum amount exposed to credit risk.

##### *Interest rate risk*

The interest rate risk is the risk that the financial instruments will vary unfavourably according to interest rate fluctuations, whether the interest rates are fixed or variable. Fixed interest rate financial instruments expose the School Board to a fair value risk and those with variable interest rates, to a cash flow risk.

##### *Liquidity risk*

The liquidity risk of the School Board is the risk that it has difficulties honouring its obligations in relation to its financial liabilities.

As a result, the School Board is exposed to liquidity risk on the totality of the financial liabilities accounted for in the statement of financial position.

Liquidity risk management is to maintain a sufficient amount of cash and cash equivalents and to ensure that the School Board has a sufficient amount of authorized sources of financing. The School Board established budget and cash forecasts to ensure it has the necessary funds to fulfil its obligations.

# Lester B. Pearson School Board

## Notes to Financial Statements

Year ended June 30, 2018

---

### **13 - COMMITMENTS**

In the course of its operations, the School Board has entered into various long-term agreements. The most significant agreements have led to the following contractual obligations:

- An amount of \$18,145,663 for construction, renovations and land improvement agreements to be completed during 2018-2019;
- An amount of \$734,145 for long-term lease agreements for the rental of photocopier machines, maturing between 2018 and 2022. Minimum lease payments for the next five years are \$268,893 in 2019, \$201,687 in 2020, \$153,224 in 2021, \$92,371 in 2022 and \$17,970 in 2023;
- An amount of \$785,073 for professional development;
- An amount of \$420,445 for apprenticeship programs;
- An amount of \$49,169,154 for school transportation contracts maturing between June 2019 and June 2022.

### **14 - CONTINGENCIES**

As at June 30, 2018, outstanding claims against the School Board amount to \$1,519,471 (\$1,250,294 as at June 30, 2017) and consist of various claims on construction contracts. In respect to these claims, management has recorded a provision of \$609,245.

### **15 - RELATED PARTY TRANSACTIONS**

In addition to the related party transactions which are already reported in the financial statements and recognized at the exchange amount, the School Board is related to all the departments, special funds, organizations and enterprises controlled directly or indirectly by the Government of Quebec or under the common control or subject to the significant influence of the Government of Quebec. The School Board has not entered into any commercial transactions with any of these related parties, other than in the normal course of its operations and under normal commercial terms. These transactions are not reported separately in the financial statements.

## Lester B. Pearson School Board

### Supplementary Information to Note 4

Year ended June 30, 2018

(Unaudited)

The following supplementary information has been compiled. We have not performed an audit or examination with respect to the supplementary information and, accordingly, we express no assurance thereon.

	<u>2018</u>	<u>2017</u>
	\$	\$
<b><i>BREAKDOWN OF OPERATING EXPENDITURES</i></b>		
Teaching services		
Kindergarten	8,135,421	8,393,644
Elementary	53,784,240	51,054,325
Secondary	48,544,279	49,609,496
Technical vocational	21,966,233	24,478,971
Educational intervention	3,039,270	2,958,608
Adult education	6,563,092	6,356,980
	<u>142,032,535</u>	<u>142,852,024</u>
Educational support activities		
Management of schools and centres	20,745,154	19,636,957
Educational material	4,496,737	4,120,206
Complementary services	27,767,467	26,002,468
Pedagogical services	10,873,389	10,816,473
Animation and pedagogical services	2,252,922	2,232,780
Professional development	605,778	483,551
Social, cultural and sports activities	4,444,840	4,272,008
	<u>71,186,287</u>	<u>67,564,443</u>
Extra-curricular activities		
Living allocation	37,750	
Food services	887,807	1,035,899
Transportation	13,641,310	13,374,671
Daycare	11,608,911	10,883,690
	<u>26,175,778</u>	<u>25,294,260</u>
Administrative activities		
Council of Commissioners	311,208	303,109
Management	9,673,789	9,404,334
Corporate services	2,405,533	2,146,330
Professional development	88,087	44,895
	<u>12,478,617</u>	<u>11,898,668</u>

# Lester B. Pearson School Board

## Supplementary Information to Note 4

Year ended June 30, 2018

(Unaudited)

	2018	2017
	\$	\$
<b><i>BREAKDOWN OF OPERATING EXPENDITURES</i></b>		
<b><i>(Continued)</i></b>		
Property and equipment activities		
Furniture and equipment	381,305	135,668
Amortization of furniture and equipment	5,021,825	5,038,527
Building upkeep	5,343,558	4,414,523
Amortization of buildings	8,985,418	8,518,994
Caretaking services	9,408,566	9,381,645
Energy	5,561,037	5,275,588
Rental	285,226	275,374
Computer development – not capitalized	422,892	319,787
Security	772,479	567,860
	<u>36,182,306</u>	<u>33,927,966</u>
Other		
Financing costs	143,265	197,137
Special projects	4,551,560	1,049,983
Subsidized schools in the public interest	10,578,368	9,832,021
Retroactivity	147,882	135,895
Job security	24,673	30,378
Allowance for doubtful account variation	220,526	180,768
Environmental liability – revaluation	16,174	391,429
Loan of service	(19,705)	(77,152)
Miscellaneous	223,377	252,795
	<u>15,886,120</u>	<u>11,993,254</u>
Net change in the accrued provision for fringe benefits	(760,139)	397,582
Loss on disposal of property and equipment		172,119
	<u>303,181,504</u>	<u>294,100,316</u>