

Consolidated Financial Statements of

**PEEL DISTRICT  
SCHOOL BOARD**

Year ended August 31, 2014

# Peel District School Board

August 31, 2014

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## Management Report

Year-ended August 31, 2014

### Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Peel District School Board are the responsibility of the Board management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act as described in Note 1a) to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Audit Committee of the Board meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters. The Board approves the consolidated financial statements based on the recommendation of the Audit Committee.

The consolidated financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.

  
\_\_\_\_\_  
Director of Education  
\_\_\_\_\_  
Chief Financial Officer

November 25, 2014

#### Trustees

Janet McDougald, Chair  
Suzanne Nurse, Vice-Chair  
Stan Cameron  
Beryl Ford  
David Green  
Meredith Johnson

Steve Kavanagh  
Sue Lawton  
Brad MacDonald  
Jagdeep Mann  
Jeff White  
Rick Williams

Director of Education and Secretary  
Tony Pontes

Associate Director,  
Instructional Support Services  
Scott Moreash

Associate Director,  
Operational Support Services  
Jaspal Gill

## **Independent Auditor's Report**

To the Board of Trustees of  
Peel District School Board

We have audited the accompanying consolidated financial statements of the Peel District School Board, which comprise the consolidated statement of financial position as at August 31, 2014, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation of these consolidated financial statements in accordance with the basis of accounting described in Note 1a) to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated 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 consolidated 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 consolidated financial statements of Peel District School Board as at and for the year ended August 31, 2014 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1a) to the consolidated financial statements.

## **Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 1a) to the consolidated financial statements, which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
November 25, 2014

# Peel District School Board

## Consolidated statement of financial position

### as at August 31, 2014

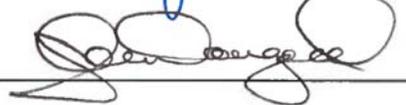
(In thousands of dollars)

	2014	2013
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	-	6,631
Accounts receivable	81,320	77,739
Accounts receivable - Government of Ontario approved capital (Note 2)	860,603	839,144
Assets held for sale (Note 3)	-	1,347
	<b>941,923</b>	<b>924,861</b>
<b>Liabilities</b>		
Temporary borrowings (Note 8)	42,170	-
Accounts payable and accrued liabilities	109,371	98,979
Deferred revenue (Note 4)	16,968	27,527
Retirement and other employee future benefits payable (Note 6)	88,266	91,583
Net debenture debt (Note 7)	758,699	783,327
Deferred capital contributions (Note 5)	1,542,452	1,487,097
	<b>2,557,926</b>	<b>2,488,513</b>
Net debt	<b>(1,616,003)</b>	<b>(1,563,652)</b>
Prepaid expenses	6,786	6,188
Tangible capital assets (Note 12)	1,923,527	1,827,305
	<b>1,930,313</b>	<b>1,833,493</b>
<b>Accumulated surplus</b>	<b>314,310</b>	<b>269,841</b>

Contractual obligations and contingent liabilities (Note 15)

Approved by the Board

  
 \_\_\_\_\_ Chief Financial Officer

  
 \_\_\_\_\_ Chair of the Board

The accompanying notes to the consolidated financial statements  
are an integral part of this financial statement.

# Peel District School Board

## Consolidated statement of operations and accumulated surplus year ended August 31, 2014

(In thousands of dollars)

	Budget	2014 Actual	2013 Actual
	\$	\$	\$
<b>Revenue</b>			
Provincial grants			
For student needs	1,509,490	1,527,495	1,507,317
Other	74,670	81,256	57,090
School-generated funds	32,500	32,407	24,555
Federal grants and fees	2,085	2,624	1,935
Investment income	1,550	3,649	1,904
Other fees and revenues	13,297	26,128	21,885
	<b>1,633,592</b>	<b>1,673,559</b>	1,614,686
<b>Expenses (Note 11)</b>			
Instruction	1,242,946	1,245,850	1,209,440
Administration	45,850	44,530	43,120
Transportation	36,838	38,705	40,152
Pupil accommodation	254,489	262,340	250,008
School-generated funds	32,500	32,135	25,017
Other	3,703	5,530	3,835
	<b>1,616,326</b>	<b>1,629,090</b>	1,571,572
Annual surplus	17,266	44,469	43,114
Accumulated surplus, beginning of year	244,470	269,841	226,727
<b>Accumulated surplus, end of year</b>	<b>261,736</b>	<b>314,310</b>	269,841

The accompanying notes to the consolidated financial statements  
are an integral part of this financial statement.

# Peel District School Board

## Consolidated statement of change in net debt year ended August 31, 2014

(In thousands of dollars)

	Budget	2014 Actual	2013 Actual
	\$	\$	\$
<b>Annual surplus</b>	<b>17,266</b>	<b>44,469</b>	43,114
Tangible capital asset activities			
Purchase of tangible capital assets (Note 12)	(179,189)	(164,064)	(123,253)
Amortization of tangible capital assets (Note 12)	65,594	67,842	63,664
Transfer to assets held for sale (Note 3)	-	-	1,347
Proceeds on sale of tangible capital assets (Note 12(d))	-	-	8,144
Gains on sale of tangible capital assets allocated to deferred revenue (Note 12(d))	-	-	(5,939)
	<b>(113,595)</b>	<b>(96,222)</b>	(56,037)
Other non-financial asset activities			
Acquisition of prepaid expenses	-	(6,786)	(6,188)
Use of prepaid expenses	-	6,188	5,353
	-	(598)	(835)
Increase in net debt	(96,329)	(52,351)	(13,758)
Net debt beginning of year	(1,563,652)	(1,563,652)	(1,549,894)
<b>Net debt, end of year</b>	<b>(1,659,981)</b>	<b>(1,616,003)</b>	(1,563,652)

The accompanying notes to the consolidated financial statements  
are an integral part of this financial statement.

# Peel District School Board

## Consolidated statement of cash flows year ended August 31, 2014

(In thousands of dollars)

	2014	2013
	\$	\$
<b>Operating activities</b>		
Annual surplus	44,469	43,114
Items not involving cash		
Amortization of tangible capital assets (Note 12)	67,842	63,664
Amortization of deferred capital contributions (Note 5)	(65,641)	(62,170)
Transfer to assets held for sale (Note 3)	-	1,347
Gains on sale of tangible capital assets allocated to deferred revenue (Note 12(d))	-	(5,939)
	<b>46,670</b>	<b>40,016</b>
Change in non-cash assets and liabilities		
Accounts receivable	(3,581)	(903)
Assets held for sale	1,347	(1,088)
Accounts payable and accrued liabilities	10,392	(1,890)
Deferred revenue operating	(2,602)	1,085
Retirement and other employee future benefits payable	(3,317)	(22,240)
Prepaid expenses	(598)	(835)
	<b>48,311</b>	<b>14,145</b>
<b>Capital activities</b>		
Proceeds on sale of tangible capital assets (Note 12(d))	-	8,144
Purchase of tangible capital assets (Note 12)	(164,064)	(123,253)
	<b>(164,064)</b>	<b>(115,109)</b>
<b>Financing activities</b>		
Debenture debt repaid and sinking fund contributions	(24,628)	(23,083)
Increase in accounts receivable - Government of Ontario - approved capital	(21,459)	(11,085)
Long term liabilities issued	-	9,742
(Decrease) increase in deferred revenue capital	(7,957)	11,000
Transfer from deferred capital contributions to deferred revenue	-	(1,170)
Deferred capital contributions received	120,996	99,897
	<b>66,952</b>	<b>85,301</b>
Decrease in cash and cash equivalents during the year	(48,801)	(15,663)
Cash and cash equivalents, beginning of year	6,631	22,294
<b>(Temporary borrowings)/cash and cash equivalents, end of year</b>	<b>(42,170)</b>	<b>6,631</b>
<b>(Temporary borrowings)/cash and cash equivalents, end of year is compromised of</b>		
Cash and cash equivalents	11,200	11,039
Temporary borrowings (Note 8)	(53,370)	(4,408)
<b>(Temporary borrowings)/cash and cash equivalents, end of year</b>	<b>(42,170)</b>	<b>6,631</b>

The accompanying notes to the consolidated financial statements  
are an integral part of this financial statement.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

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### 1. Significant accounting policies

The consolidated financial statements are prepared by management in accordance with the basis of accounting described below:

#### a) Basis of accounting

The consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11, Accounting Policies and Practices Public Entities ("Regulation 395/11"), of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario ("Province"). A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian Public Sector Accounting Standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Regulation 395/11 of the Financial Administration Act. Regulation 395/11 requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services be recorded as deferred capital contributions and be recognized as revenue in the consolidated statement of operations over the periods during which the tangible capital asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. Regulation 395/11 further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian Public Sector Accounting Standards which requires that:

- (i) Government transfers, including amounts previously recognized as tax revenue which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with Public Sector Accounting Standard PS3410; and
- (ii) Externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with Public Sector Accounting Standard PS3100.

As a result, revenue recognized in the consolidated statement of operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

#### b) Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity comprises all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by the Peel District School Board (the "Board").

School-generated funds, which include the assets, liabilities, revenues and expenses of various organizations that exist at the school level and which are controlled by the Board, are reflected in the consolidated financial statements.

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

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### 1. Significant accounting policies (continued)

#### c) *Trust funds*

Trust funds and their related operations administered by the Board are not included in the consolidated financial statements as they are not controlled by the Board.

#### d) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of less than 90 days.

#### e) *Deferred revenue*

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

#### f) *Deferred capital contributions*

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, are recorded as deferred capital contributions, as defined in Regulation 395/11. These amounts are recognized as revenue in the consolidated statement of operations and accumulated surplus at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

- (i) Government transfers received or receivable for capital purpose;
- (ii) Other restricted contributions received or receivable for capital purpose; and
- (iii) Amounts previously recognized as property taxation revenues which were historically used to fund capital assets.

#### g) *Retirement gratuities and other employee future benefit*

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance, health care benefits, dental benefits, retirement gratuity, worker's compensation and long-term disability benefits. The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

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### 1. Significant accounting policies (continued)

#### g) Retirement gratuities and other employee future benefit (continued)

##### (i) (continued)

For self-insured retirement and other employee future benefits that vest or accumulated over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

(ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

(iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

#### h) Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

Leases, which transfer substantially all of the benefits and risks incidental to ownership of property, are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Tangible capital assets, except land, are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements with finite lives	15 years
Buildings and building improvements	40 years
Portable structures	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5 - 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 - 10 years
Leasehold improvements	Over lease term

Assets under construction and assets that relate to pre-acquisition and pre-construction costs are not amortized until the asset is available for productive use.

Land permanently removed from service and held for resale is recorded at the lower of cost and estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value. Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the consolidated statement of financial position.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

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### 1. Significant accounting policies (continued)

#### *h) Tangible capital assets (continued)*

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

Tangible capital assets removed from service and/or held for resale are not amortized. They are recorded at lower of carrying value and estimated net realizable value.

#### *i) Government transfers*

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

#### *j) Investment income*

Investment income is reported as revenue in the year earned.

When required by the funding government or related act, investment income earned on externally restricted funds, such as pupil accommodation, educational development charges and special education, forms part of the respective deferred revenue balances.

#### *k) Debenture debt*

Debenture debt is recorded net of related sinking fund asset balances.

#### *l) Budget figures*

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Trustees ("Trustees") on June 11, 2013. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model.

#### *m) Use of estimates*

The preparation of consolidated financial statements in conformity with the basis of accounting described in Note 1a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the years. Accounts subject to significant estimates include assumptions in estimating historical cost and useful lives of tangible capital assets, in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits liabilities. Actual results could differ from those estimates.

### 2. Accounts receivable - Government of Ontario approved capital

The Province replaced variable capital funding with a one-time debt support grant in 2009 - 2010. The Board received a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive yearly capital grants to support capital programs which would be reflected in this account receivable.

The Board has an account receivable from the Province of \$860,603 (2013 - \$839,144) as at August 31, 2014 with respect to capital grants.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

### 3. Assets held for sale

As of August 31, 2014, \$Nil (2013 - \$1,171) related to buildings and \$Nil (2013 - \$176) related to land were recorded as assets held for sale. During the year, one (2013 - one) school property was sold, and no property (2013 - one property with a net book value of \$1,347) was reclassified during the year. Net proceeds of \$6,162 (2013 - \$5,757) was received on the sale of this property, which had a carrying value of \$1,347 (2013 - \$259), resulting in a gain of \$4,815 (2013 - \$5,498). \$6,162 (2013 - \$5,757) was deferred for future capital asset purchases according to Ontario Regulation 193/10.

### 4. Deferred revenue

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position.

Deferred revenue set aside for specific purposes by legislation, regulation or agreement, as at August 31, 2014, comprises the following:

	Balance, August 31, 2013	Externally restricted revenue net of adjustments	Revenue recognized in the year	Transfer to deferred capital contributions	Balance, August 31, 2014
	\$	\$	\$	\$	\$
Legislative grants	10,288	271,214	(252,581)	(24,994)	<b>3,927</b>
Other Ministry of Education	4,663	73,862	(76,983)	(32)	<b>1,510</b>
Other provincial grants	159	130	(93)	-	<b>196</b>
Proceeds of disposition	10,765	6,162	-	(8,550)	<b>8,377</b>
Assets held for sale	1,171	(1,171)	-	-	-
Other	481	17,537	(14,697)	(363)	<b>2,958</b>
<b>Total deferred revenue</b>	<b>27,527</b>	<b>367,734</b>	<b>(344,354)</b>	<b>(33,939)</b>	<b>16,968</b>

### 5. Deferred capital contributions

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with Regulation 395/11 that have been expended by year end. The contributions are amortized into revenue over the life of the asset acquired.

	2014	2013
	\$	\$
Deferred capital contributions, beginning of year	<b>1,487,097</b>	1,450,540
Additions to deferred capital contributions	<b>120,996</b>	99,897
Revenue recognized in the year	<b>(65,641)</b>	(62,170)
Transfers to deferred revenue	-	(1,170)
<b>Deferred capital contributions, end of year</b>	<b>1,542,452</b>	<b>1,487,097</b>

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

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### 6. Retirement and other employee future benefits

#### *Plan changes*

In 2013, plan changes were made to the short term leave and disability sick plan. Under the new short term leave and disability plan, 11 unused sick leave days may be carried forward into the following year only, to be used to top-up benefits received under the short term leave and disability plan in that year. A new provision was established as of August 31, 2013 representing the expected usage of sick days that have been carried forward for benefit top-up in the following year.

Retirement life insurance and health care benefits have been grandfathered to retirees who retired prior to August 31, 2013. Effective September 1, 2013, any new retiree accessing retirement life insurance and health care benefits will pay the full premiums for such benefits and will be included in a separate experience pool that is self-funded.

#### *Actuarial assumptions*

The accrued benefit obligations for employee future benefit plans as at August 31, 2014 are based on actuarial valuations completed for accounting purposes as at August 31, 2013. These actuarial valuations are based on assumptions about future events. The economic assumptions used in these valuations are the actuary's best estimate assumptions.

	<b>2014</b>	<b>2013</b>
Wages and salary escalation - inflation component	<b>0.00%</b>	0.00%
Health care escalation	<b>4.00%-8.75%</b>	4.00%-8.75%
Dental care escalation	<b>3.00%-4.75%</b>	3.00%-4.75%
Discount on accrued benefit obligations	<b>2.85%</b>	3.40%

Sick leave utilization is based on experience and probability tables.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

### 6. Retirement and other employee future benefits (continued)

The retirement and other employee future benefits liability is summarized as follows:

	Retirement benefits	Other employee future benefits	2014 Total employee future benefits	2013 Total employee future benefits
	\$	\$	\$	\$
Accrued employee future benefits obligations	70,595	20,708	91,303	89,687
Unamortized actuarial (losses) gains at August 31	(3,037)	-	(3,037)	1,896
<b>Employee future benefits liability, end of year</b>	<b>67,558</b>	<b>20,708</b>	<b>88,266</b>	<b>91,583</b>

Retirement and other employee future benefits expense is summarized as follows:

	Retirement benefits	Other employee future benefits	2014 Total employee future benefits	2013 Total employee future benefits
	\$	\$	\$	\$
Current year benefit costs	-	5,142	5,142	(34)
Interest on accrued benefit obligations	2,363	524	2,887	3,027
Recognized actuarial (gain)	-	-	-	(12,849)
Cost of plan amendments	-	-	-	1,273
Amortization of actuarial losses	29	189	218	-
Recognition of unamortized actuarial gains on plan amendments/curtailments	-	-	-	(2,012)
<b>Employee future benefit expense <sup>(1)</sup></b>	<b>2,392</b>	<b>5,855</b>	<b>8,247</b>	<b>(10,595)</b>
<b>Actual payments for the year</b>	<b>8,296</b>	<b>3,268</b>	<b>11,564</b>	<b>11,644</b>

<sup>(1)</sup> Excluding pension contributions to OMERS, a multi-employer pension plan described below.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

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### 6. Retirement and other employee future benefits (continued)

#### *Retirement benefits*

##### *a) Retirement gratuities and early retirement incentive plan*

Prior to 2012, the Board policy provided gratuities to full-time and permanent part-time employees, who had completed 10 years of continuous service with the Board and had attained the age of 60 years, or who were eligible for a pension under the provisions of the Teachers' Superannuation Act or OMERS, are payable on retirement. The amount of gratuity payable was calculated on the basis of 20% for 10 years of service, plus 2% for each additional year of service to a maximum of 50% of the annual salary being paid at the time of retirement.

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

The following staff are not eligible for retirement gratuities:

- (i) Members of C.U.P.E. Local 1628 hired after October 12, 1978;
- (ii) Members of C.U.P.E. Local 2544 hired after June 30, 1978;
- (iii) Members of the Media Technicians Association hired after April 24, 1979;
- (iv) All non-unionized staff hired after August 31, 1978; and
- (v) Teaching assistants and professional student support personnel.

The following staff are not eligible for early retirement incentive plans:

- (i) All staff who were not eligible for early retirement incentive plan payments as of August 31, 2012.

Retirement gratuities and early retirement incentives paid were as follows:

	<b>2014</b>	2013
	\$	\$
Elementary staff	<b>3,974</b>	3,189
Secondary staff	<b>4,147</b>	2,504
Other staff	<b>175</b>	1,639
	<b>8,296</b>	7,332

The payment formula allowed for \$0.25 per dollar of an employee's salary as of August 31, 2012, prorated with accumulated sick days and years of service at August 31, 2012.

In 1995, the Board established a retirement gratuity reserve to fund the retirement gratuity liability for all new teachers hired since 1995, which forms part of the Board's appropriated accumulated surplus. For the year ended August 31, 2014, there was a contribution to the internally appropriated accumulated surplus of \$3,000 (2013 - \$Nil). As at August 31, 2014, the internally appropriated accumulated surplus amounted to \$24,537 (2013 - \$21,537).

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

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### 6. Retirement and other employee future benefits (continued)

#### *Retirement benefits (continued)*

##### *a) Retirement gratuities and early retirement incentive plan (continued)*

Some employees of the Board, upon application, are eligible for the early retirement incentive plan. This option may be granted when approved by the Board and consists of a one-time payment based on the plan design for the employee group. The plan design includes payments based upon the year of eligibility for an unreduced pension and age of the employee. Payments range from \$2 to \$10 or are based on a percentage of salary from 5% to 25%. Payments are typically paid on January 1 of the year following retirement. Included in the \$8,506 (2013 - \$7,332) amounts listed above is an amount of \$278 (2013 - \$149) pertaining to this plan.

##### *b) Retirement life insurance and health care benefits*

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums are based on the Board experience and retirees' premiums are subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, will no longer qualify for Board subsidized premiums or contributions.

##### *c) Ontario Teachers' Pension Plan*

Teachers and related employee groups are eligible to be members of the Ontario Teachers' Pension Plan. Employer contributions for these employees are provided directly by the Province. The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's consolidated financial statements.

##### *d) Ontario Municipal Employees Retirement System*

All non-teaching employees of the Board are eligible to be members of OMERS, which is a multi-employer defined benefit contribution plan.

The plan provides defined benefit pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. The Board contributions for the year amounted to \$20,365 (2013 - \$19,057). As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

##### *e) Workplace Safety and Insurance Board obligations*

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Board Act ("Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

##### *f) Long-term disability benefits*

The Board provides long-term disability benefits, including payment of life insurance premiums benefits during the period an employee is unable to work or until their normal retirement date. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

### 6. Retirement and other employee future benefits (continued)

#### g) Sick leave benefits

As a result of changes made in 2013 to the short term sick leave and disability plan, a maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the financial statements are \$650 (2013 - \$1,273).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2014. This actuarial valuation is based on assumptions about future events.

### 7. Net debenture debt

Net debenture debt reported on the consolidated statement of financial position comprises the following:

	2014	2013
	\$	\$
OFA 2008 Debenture, New Pupil Places Stage 1 4.86 %, 25-year debenture, maturing June 27, 2033	178,220	183,775
OSBFC 2006 A1 Debenture 5.070%, 25-year debenture, maturing April 18, 2031	160,530	166,370
OSBFC 2001 A2 Debenture, Sinking Fund 6.25%, 15-year debenture, maturing October 19, 2016	150,000	150,000
OFA 2010 Debenture, New Pupil Places 4.947%, 25-year debenture, maturing May 15, 2035	82,133	84,320
OSBFC 2004 A1 Debenture 5.48%, 25-year debenture, maturing November 26, 2029	76,564	79,635
OFA 2006 Debenture, Good Place to Learn 4.56%, 25-year debenture, maturing November 15, 2031	38,391	39,800
OFA 2010 Debenture, Good Places to Learn/Primary Class Size/ Prohibitive to Repair 5.232%, 25-year debenture, maturing April 13, 2035	36,682	37,632
OFA 2008 Debenture, Good Places to Learn/Primary Class Size 4.90%, 25-year debenture, maturing March 3, 2033	33,547	34,616
OFA 2009 Debenture, Good Places to learn/Primary Class Size 5.062%, 25-year debenture, maturing March 13, 2034	28,785	29,614
OFA 2013 Debenture, Good Places to learn Stages 1, 2 and 3 3.663%, 25-year debenture, maturing June 25, 2038	9,619	9,742
	<b>794,471</b>	<b>815,504</b>
Less sinking fund assets	<b>35,772</b>	<b>32,177</b>
Net debenture debt	<b>758,699</b>	<b>783,327</b>

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

### 7. Net debenture debt (continued)

Principal and interest payments relating to net debenture debt of \$758,699 outstanding as at August 31, 2014 are due as follows:

	Principal and sinking fund contributions	Interest payments	Total
	\$	\$	\$
2014 - 2015	24,279	41,285	65,564
2015 - 2016	25,407	40,157	65,564
2016 - 2017	120,879	34,284	155,163
2017 - 2018	25,786	28,351	54,137
2018 - 2019	27,095	27,042	54,137
Thereafter	535,253	201,661	736,914
<b>Net debenture debt</b>	<b>758,699</b>	<b>372,780</b>	<b>1,131,479</b>

Included in net debenture debt are outstanding sinking fund debentures of \$150,000 (2013 - \$150,000) secured by sinking fund assets with a carrying value of \$35,772 (2013 - \$32,177) (market value - \$36,719; 2013 - \$32,417). Sinking fund assets comprise short-term notes and deposits, government and government-guaranteed bonds and debentures and corporate bonds.

The terms of the sinking fund agreement require equal annual principal payments, as required by the Municipal Act. The actual amount to be paid out will be dependent upon the performance on the sinking fund assets. The sinking fund matures on October 19, 2016. The Board intends to refinance the sinking fund debenture at this time in accordance with the sinking fund debenture by-law.

Interest on net debenture debt amounted to \$41,966 (2013 - \$42,766).

### 8. Temporary borrowing

In accordance with Section 243(1) of the Education Act, the Board has a resolution to authorize the borrowing, by way of promissory note, bankers' acceptance or operating overdraft, up to a maximum of \$250,000. The outstanding amount at any given time would substantially represent the uncollected or uncollected balance of estimated revenues.

The Board has available credit facilities of \$100,000 and as of year-end had borrowings against these facilities \$53,370 (2013 - \$4,408). The interest on temporary borrowings, when drawn, would range from the bank's prime lending rate minus 0.75%. Any temporary borrowings would be unsecured and due on demand.

The Board also has \$1,700 (2013 - \$617) in renewable, irrevocable standby letters of credit with a Canadian chartered bank. The letters of credit provide security for capital construction being done on behalf of the Board. There is an annual service fee of 1.0% until they are either utilized or cancelled upon completion of the project.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

### 9. Debt charges and interest

	2014	2013
	\$	\$
Principal payments on net debenture debt, including contributions to sinking funds	23,084	21,948
Interest payments on net debenture debt	42,316	43,011
	<b>65,400</b>	<b>64,959</b>

Included in debt repayment and sinking fund contributions on the consolidated statements of cash flows in total of \$24,628 (2013 - \$23,083) are principal payments on net debenture debt, including contributions to sinking funds of \$23,084 (2013 - \$21,948) and sinking fund interest revenue of \$1,544 (2013 - \$1,135).

### 10. Education development charges

Effective June 2009, the Board and the Dufferin-Peel Catholic District School Board passed by-laws to collect lot levies charged for the purchase of new sites within the Region of Peel. Effective June 2014, the Board and the Dufferin-Peel Catholic District School Board passed by-laws which replaced the previously effective by-laws. The levies collected by the municipalities are forwarded to the school boards' monthly. During the year, \$14,013 (2013 - \$8,954) was received for the educational development charges and used for the purchase of sites. The entire amount is included in other fees and revenues on the consolidated statements of operations and accumulated surplus.

### 11. Expense by object

The following is a summary of the expenses by object reported on the consolidated statement of operations and accumulated surplus:

	Budget 2014	Actual 2014	Actual 2013
	\$	\$	\$
Salary and wages	1,136,959	1,141,968	1,119,192
Employee benefits	179,351	182,744	168,806
Staff developments	5,326	4,668	3,366
Supplies and services	76,960	74,027	69,394
Interest charges on capital	41,611	41,966	42,766
Rental expenditures	4,102	2,481	3,717
Fees and contract services	71,410	75,020	73,158
School-generated funds	32,500	32,135	25,017
Other	2,513	6,239	2,492
Amortization of tangible capital assets	65,594	67,842	63,664
	<b>1,616,326</b>	<b>1,629,090</b>	<b>1,571,572</b>

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

### 12. Tangible capital assets

	Cost					Accumulated amortization					Net book value		
	Opening September 1, 2013	Additions	Disposals/ deemed disposals	Transfer to (from) CIP	Assets removed from service	Closing August 31, 2014	Opening September 1, 2013	Amortization	Disposals/ deemed disposals	Assets removed from service	Closing August 31, 2014	August 31, 2014	August 31, 2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Land	317,952	41,087	-	555	-	<b>359,594</b>	-	-	-	-	<b>359,594</b>	317,952	
Land improvements	13,613	2,960	-	-	-	<b>16,573</b>	3,873	1,076	-	<b>4,949</b>	<b>11,624</b>	9,740	
Buildings and building improvements	1,915,744	38,521	-	69,216	(7,111)	<b>2,016,370</b>	496,006	55,360	(3,082)	<b>548,284</b>	<b>1,468,086</b>	1,419,738	
Portable structures	41,387	-	7,926	-	-	<b>33,461</b>	27,675	1,965	7,926	-	<b>21,714</b>	<b>11,747</b>	13,712
First time equipping	48,014	7,614	4,228	-	-	<b>51,400</b>	23,311	4,971	4,228	-	<b>24,054</b>	<b>27,346</b>	24,703
Furniture	1,385	93	142	-	-	<b>1,336</b>	877	136	142	-	<b>871</b>	<b>465</b>	508
Equipment	7,023	242	824	-	-	<b>6,441</b>	3,685	1,128	824	-	<b>3,989</b>	<b>2,452</b>	3,338
Computer hardware	12,243	755	841	-	-	<b>12,157</b>	2,849	2,440	841	-	<b>4,448</b>	<b>7,709</b>	9,394
Computer software	1,806	127	312	-	-	<b>1,621</b>	588	342	312	-	<b>618</b>	<b>1,003</b>	1,218
Vehicles	2,216	-	-	-	-	<b>2,216</b>	1,374	308	-	-	<b>1,682</b>	<b>534</b>	842
Asset permanently removed from service	769	-	-	-	7,111	<b>7,880</b>	769	-	-	3,082	<b>3,851</b>	<b>4,029</b>	-
Leasehold improvements	1,716	59	-	-	-	<b>1,775</b>	1,148	116	-	-	<b>1,264</b>	<b>511</b>	568
Construction in progress	25,592	72,606	-	(69,771)	-	<b>28,427</b>	-	-	-	-	<b>28,427</b>	<b>25,592</b>	
<b>Total</b>	<b>2,389,460</b>	<b>164,064</b>	<b>14,273</b>	<b>-</b>	<b>-</b>	<b>2,539,251</b>	<b>562,155</b>	<b>67,842</b>	<b>14,273</b>	<b>-</b>	<b>615,724</b>	<b>1,923,527</b>	<b>1,827,305</b>

a) *Assets under construction*

Assets under construction having a value of \$28,427 (2013 - \$25,592) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) *Write-down of tangible capital assets*

The write-down of tangible capital assets during the year was \$Nil (2013 - \$Nil).

c) *Asset inventories for resale (assets permanently removed from service)*

The Board has two (2013 - one) building properties that qualifies as assets permanently removed from service. The net book value ending balance as of August 31, 2014 includes \$4,029 (2013 - \$Nil) of assets permanently removed from service.

d) *Sale of assets*

Net proceeds of \$Nil (2013 - \$8,144) was received on the sale of property, which had a carrying value of \$Nil (2013 - \$2,205), resulting in a gain of \$Nil (2013 - \$5,939). \$Nil (2013 - \$5,939) was deferred for future capital asset purchases according to Ontario Regulation 193/10.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

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### 13. Trust funds

Trust funds administered by the Board amounting to \$1,303 (2013 - \$1,249) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

### 14. Insurance coverage

#### a) Ontario School Board Insurance Exchange ("OSBIE")

The Board is a member of OSBIE, a reciprocal insurance company licensed under the Insurance Act. OSBIE insures property damage and certain other risks with an unlimited coverage per occurrence.

The ultimate premiums over a five-year period are based on the reciprocal's and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current one-year term expires January 1, 2014.

#### b) Other

The general public liability coverage for the Board is held by a public insurance company with a limit of \$5,000 per occurrence with a policy that is renewed annually.

### 15. Contractual obligations and contingent liabilities

Contractual obligations for the construction of buildings, which are not reflected on the consolidated statements of financial position, amounted to approximately \$71,604 (2013 - \$49,335). Substantially all of these obligations will be financed by cash grants from the Province, reserve funds and by the issue of debentures, the annual principal and interest charges of which will be recovered under existing legislation from grants.

The Board has commenced various capital projects for which the Region of Peel and local municipalities require security letters of credit, as indicated in Note 8.

The Board is negotiating settlements of disputes arising from purchases of properties used for school sites. Adjustments, if any, arising from the outcome of these settlements, will be recorded in the year in which they become known.

In the normal course of business, various claims and litigious matters are pending by and against the Board. In the opinion of the Board's management, these claims will not materially affect the Board's financial position, although no assurances can be given with respect to the ultimate outcome of any such claims. Any settlements will be recorded when the claims are resolved.

The minimum rentals payable under long-term leases in effect at August 31, 2014 for premises and equipment leases are as follows:

	\$
2014 - 2015	1,816
2015 - 2016	1,509
2016 - 2017	894
2017 - 2018	856
2018 - 2019	258
	<hr/> 5,333

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2014

(In thousands of dollars)

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### 16. Partnership in STOPR Transportation consortium

On December 14, 2007, the Board entered into an agreement with the Dufferin Peel Catholic District School Board in order to provide common administration of student transportation in the region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the school boards. Under the agreement, decisions related to the financial and operating activities of the STOPR Transportation Consortium are shared. No party is in a position to exercise unilateral control.

The following provides condensed financial information:

	2014		2013	
	Total	Board's portion	Total	Board's portion
	\$	\$	\$	\$
Operations				
Revenues	61,007	40,563	59,913	39,554
Expenses	56,224	38,705	58,592	40,032
Annual surplus (deficit)	4,783	1,858	1,321	(478)

### 17. Repayment of "55 School Board Trust" funding

On June 1, 2003, the Board received \$13,896 from the "55 School Board Trust" for its capital-related debt eligible for provincial funding support pursuant to a 30-year agreement it entered with the trust. The "55 School Board Trust" was created to refinance without recourse the outstanding not permanently financed ("NPF") debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, the "55 School Board Trust" repaid the Board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

The flow-through of \$1,035, in respect of the above agreement, is recorded in these consolidated financial statements (2013 - \$1,035).