

Consolidated Financial Statements of

**PEEL DISTRICT  
SCHOOL BOARD**

Year ended August 31, 2015

# Peel District School Board

August 31, 2015

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## Management Report

Year ended August 31, 2015

### 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**

November 23, 2015

  
**Chief Financial Officer**

#### Trustees

Janet McDougald, Chair  
Suzanne Nurse, Vice-Chair  
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**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, 2015, 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, 2015 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

Licensed Public Accountants

November 23, 2015

# Peel District School Board

## Consolidated statement of financial position

### as at August 31, 2015

(In thousands of dollars)

	2015	2014 (Note 19)
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	72,878	33,103
Accounts receivable	82,257	81,320
Accounts receivable - Government of Ontario approved capital (Note 3)	834,165	860,603
	<b>989,300</b>	<b>975,026</b>
<b>Liabilities</b>		
Temporary borrowing (Note 9)	97,838	75,273
Accounts payable and accrued liabilities	109,408	109,371
Deferred revenue (Note 5)	19,103	16,968
Retirement and other employee future benefits payable (Note 7)	82,104	88,266
Net debenture debt (Note 8)	747,558	758,699
Deferred capital contributions (Note 6)	1,600,984	1,542,452
	<b>2,656,995</b>	<b>2,591,029</b>
<b>Net debt</b>	<b>(1,667,695)</b>	<b>(1,616,003)</b>
Prepaid expenses	8,277	6,786
Tangible capital assets (Note 13)	2,029,166	1,923,527
	<b>2,037,443</b>	<b>1,930,313</b>
<b>Accumulated surplus</b>	<b>369,748</b>	<b>314,310</b>

Contractual obligations and contingent liabilities (Note 16)

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, 2015

(In thousands of dollars)

	Budget	2015 Actual	2014 Actual
	\$	\$	\$
<b>Revenue</b>			
Provincial grants			
For student needs	1,655,299	1,642,685	1,527,495
Other	8,810	12,303	81,256
School-generated funds	30,200	30,756	32,407
Federal grants and fees	2,085	2,372	2,624
Investment income	1,850	2,428	3,649
Other fees and revenues	18,313	38,945	26,128
	<b>1,716,557</b>	<b>1,729,489</b>	1,673,559
<b>Expenses (Note 12)</b>			
Instruction	1,325,060	1,291,320	1,245,850
Administration	44,419	44,798	44,530
Transportation	39,545	40,687	38,705
Pupil accommodation	256,347	262,569	262,340
School-generated funds	30,200	31,133	32,135
Other	3,796	3,544	5,530
	<b>1,699,367</b>	<b>1,674,051</b>	1,629,090
Annual surplus	17,190	55,438	44,469
Accumulated surplus, beginning of year	296,060	314,310	269,841
<b>Accumulated surplus, end of year</b>	<b>313,250</b>	<b>369,748</b>	314,310

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, 2015

(In thousands of dollars)

	Budget	2015 Actual	2014 Actual
	\$	\$	\$
<b>Annual surplus</b>	<b>17,190</b>	<b>55,438</b>	44,469
Tangible capital asset activities			
Purchase of tangible capital assets (Note 13)	(113,965)	(177,369)	(164,064)
Amortization of tangible capital assets (Note 13)	67,375	71,730	67,842
	<b>(46,590)</b>	<b>(105,639)</b>	(96,222)
Other non-financial asset activities			
Acquisition of prepaid expenses	-	(8,277)	(6,786)
Use of prepaid expenses	-	6,786	6,188
	-	<b>(1,491)</b>	(598)
Increase in net debt	<b>(29,400)</b>	<b>(51,692)</b>	(52,351)
Net debt beginning of year	<b>(1,616,003)</b>	<b>(1,616,003)</b>	(1,563,652)
<b>Net debt, end of year</b>	<b>(1,645,403)</b>	<b>(1,667,695)</b>	(1,616,003)

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, 2015

(In thousands of dollars)

	2015	2014 (Note 19)
	\$	\$
<b>Operating activities</b>		
Annual surplus	55,438	44,469
Items not involving cash		
Amortization of tangible capital assets (Note 13)	71,730	67,842
Amortization of deferred capital contributions (Note 6)	<b>(70,242)</b>	<b>(65,641)</b>
	<b>56,926</b>	46,670
Change in non-cash assets and liabilities		
Accounts receivable	<b>(937)</b>	(3,581)
Assets held for sale	-	1,347
Accounts payable and accrued liabilities	<b>37</b>	10,392
Deferred revenue operating	<b>1,755</b>	(2,602)
Retirement and other employee future benefits payable	<b>(6,162)</b>	(3,317)
Prepaid expenses	<b>(1,491)</b>	(598)
	<b>50,128</b>	48,311
<b>Capital activities</b>		
Purchase of tangible capital assets (Note 13)	<b>(177,369)</b>	(164,064)
<b>Financing activities</b>		
Debenture debt repaid and sinking fund contributions	<b>(25,583)</b>	(24,628)
Decrease (increase) in accounts receivable - Government of Ontario - approved capital	<b>26,438</b>	(21,459)
Long term liabilities issued	<b>14,442</b>	-
Temporary borrowing	<b>22,565</b>	18,871
Increase (decrease) in deferred revenue capital	<b>380</b>	(7,957)
Deferred capital contributions received	<b>128,774</b>	120,996
	<b>167,016</b>	85,823
Increase (decrease) in cash and cash equivalents during the year	<b>39,775</b>	(29,930)
Cash and cash equivalents, beginning of year	<b>33,103</b>	63,033
<b>Cash and cash equivalents, end of year</b>	<b>72,878</b>	33,103

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, 2015

(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, 2015

(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, 2015

(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, 2015

(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) Long-term debt*

Long-term 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 10, 2014. 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.

#### *n) Property Tax Revenue*

Under Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, property tax revenue received from the municipalities is recorded as part of Provincial Legislative Grants.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2015

(In thousands of dollars)

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### 2. Changes in accounting policies

The Board has implemented Public Sector Accounting Standard ("PSAS") section 3260 Liability for contaminated sites. Section 3260 requires governments to record a liability in their financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination.

The adoption of this standard did not have an impact on the Board's financial statements.

### 3. 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 \$834,165 (2014 - \$860,603) as at August 31, 2015 with respect to capital grants.

### 4. Assets held for sale

As of August 31, 2015 and in the prior year no assets were recorded as assets held for sale. No properties were sold or reclassified during the year (2014 - one property sold). In 2014, net proceeds of \$6,162 was received on the sale of this property, which had a carrying value of \$1,347, resulting in a gain of \$4,815. The net proceeds were deferred for future capital asset purchases according to Ontario Regulation 193/10.

### 5. 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, 2015, comprises the following:

	Balance, August 31, 2014	Externally restricted revenue net of adjustments	Revenue recognized in the year	Transfer to deferred capital contributions	Balance, August 31, 2015
	\$	\$	\$	\$	\$
Legislative grants	3,927	302,759	(275,018)	(21,978)	9,690
Other Ministry of Education	1,510	9,018	(9,310)	(71)	1,147
Other provincial grants	196	142	(194)	(124)	20
Proceeds of disposition	8,377	-	-	(3,810)	4,567
Other	2,958	32,492	(30,822)	(949)	3,679
<b>Total deferred revenue</b>	<b>16,968</b>	<b>344,411</b>	<b>(315,344)</b>	<b>(26,932)</b>	<b>19,103</b>

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2015

(In thousands of dollars)

### 6. 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.

	2015	2014
	\$	\$
Deferred capital contributions, beginning of year	1,542,452	1,487,097
Additions to deferred capital contributions	128,774	120,996
Revenue recognized in the year	(70,242)	(65,641)
<b>Deferred capital contributions, end of year</b>	<b>1,600,984</b>	<b>1,542,452</b>

### 7. Retirement and other employee future benefits

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

	2015	2014		
	Retirement benefits \$	Other employee future benefits \$	Total employee future benefits \$	Total employee future benefits \$
Accrued employee future benefits obligations	66,336	20,053	86,389	91,303
Unamortized actuarial losses at August 31	(4,285)	-	(4,285)	(3,037)
<b>Employee future benefits liability, end of year</b>	<b>62,051</b>	<b>20,053</b>	<b>82,104</b>	<b>88,266</b>

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

	2015	2014		
	Retirement benefits \$	Other employee future benefits \$	Total employee future benefits \$	Total employee future benefits \$
Current year benefit costs	-	2,318	2,318	5,142
Interest on accrued benefit obligations	1,902	554	2,456	2,887
Amortization of actuarial losses	319	16	335	218
<b>Employee future benefit expense <sup>(1)</sup></b>	<b>2,221</b>	<b>2,888</b>	<b>5,109</b>	<b>8,247</b>
<b>Actual payments for the year</b>	<b>7,728</b>	<b>3,543</b>	<b>11,271</b>	<b>11,564</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, 2015

(In thousands of dollars)

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

#### *Actuarial assumptions*

The accrued benefit obligations for employee future benefit plans as at August 31, 2015 are based on actuarial valuations completed for accounting purposes as at August 31, 2014 and extrapolated to August 31, 2015. These actuarial valuations are based on assumptions about future events. The economic assumptions used in these valuations are the actuary's best estimate assumptions.

	2015	2014
Wages and salary escalation - inflation component	0.00%	0.00%
Health care escalation	4.0%-8.5%	4.00%-8.75%
Dental care escalation	3.0%-4.5%	3.00%-4.75%
Discount on accrued benefit obligations	2.45%	2.85%

Sick leave utilization is based on experience and probability tables.

#### 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, which 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:

	2015	2014
	\$	\$
Elementary staff	4,702	3,974
Secondary staff	2,783	4,147
Other staff	243	175
	<b>7,728</b>	<b>8,296</b>

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.



# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2015

(In thousands of dollars)

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

#### *Retirement benefits (continued)*

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

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, 2015, there was no contribution to the internally appropriated accumulated surplus (2014 - \$3,000). As at August 31, 2015, the internally appropriated accumulated surplus amounted to \$24,537 (2014 - \$24,537).

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 \$7,728 (2014 - \$8,296) amounts listed above is an amount of \$130 (2014 - \$68) 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.

##### *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 \$21,633 (2014 - \$20,365). 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, 2015

(In thousands of dollars)

### 7. 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 consolidated financial statements are \$685 (2014 - \$828).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2015. This actuarial valuation is based on assumptions about future events.

### 8. Net debenture debt

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

	2015	2014
	\$	\$
OFA 2008 Debenture, New Pupil Places Stage 1 4.86 %, 25-year debenture, maturing June 27, 2033	<b>172,392</b>	178,220
OSBFC 2006 A1 Debenture 5.070%, 25-year debenture, maturing April 18, 2031	<b>154,391</b>	160,530
OSBFC 2001 A2 Debenture, Sinking Fund 6.25%, 15-year debenture, maturing October 19, 2016	<b>150,000</b>	150,000
OFA 2010 Debenture, New Pupil Places 4.947%, 25-year debenture, maturing May 15, 2035	<b>79,835</b>	82,133
OSBFC 2004 A1 Debenture 5.48%, 25-year debenture, maturing November 26, 2029	<b>73,322</b>	76,564
OFA 2006 Debenture, Good Place to Learn 4.56%, 25-year debenture, maturing November 15, 2031	<b>36,917</b>	38,391
OFA 2010 Debenture, Good Places to Learn/Primary Class Size/ Prohibitive to Repair 5.232%, 25-year debenture, maturing April 13, 2035	<b>35,682</b>	36,682
OFA 2008 Debenture, Good Places to Learn/Primary Class Size 4.90%, 25-year debenture, maturing March 3, 2033	<b>32,426</b>	33,547
OFA 2009 Debenture, Good Places to learn/Primary Class Size 5.062%, 25-year debenture, maturing March 13, 2034	<b>27,914</b>	28,785
OFA 2015 Debenture, New Pupil Places 2.993%, 25-year debenture, maturing March 9, 2040	<b>14,442</b>	-
OFA 2013 Debenture, Good Places to learn Stages 1, 2 and 3 3.663%, 25-year debenture, maturing June 25, 2038	<b>9,365</b>	9,619
	<b>786,686</b>	794,471
Less sinking fund assets	<b>39,128</b>	35,772
Net debenture debt	<b>747,558</b>	758,699

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2015

(In thousands of dollars)

### 8. Net debenture debt (continued)

Principal and interest payments relating to net debenture debt of \$747,558 outstanding as at August 31, 2015 are due as follows:

	Principal and sinking fund contributions	Interest payments	Total
	\$	\$	\$
2015 - 2016	25,806	40,586	66,392
2016 - 2017	27,003	34,701	61,704
2017 - 2018	26,210	28,756	54,966
2018 - 2019	27,531	27,434	54,965
2019 - 2020	28,920	26,045	54,965
Thereafter	612,088	180,096	792,184
Net debenture debt	747,558	337,618	1,085,176

Included in net debenture debt are outstanding sinking fund debentures of \$150,000 (2014 - \$150,000) secured by sinking fund assets with a carrying value of \$39,128 (2014 - \$35,772) (market value - \$40,879; 2014 - \$36,719). 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 \$41,162 (2014 - \$41,966).

### 9. 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 \$225,000 and as of year-end had borrowings against these facilities \$97,838 (2014 - \$75,273). The interest on temporary borrowings, when drawn, would range from the bank's prime lending rate minus 0.75% to 1.0%. Any temporary borrowings would be unsecured and due on demand.

The Board also has \$2,654 (2014 - \$1,700) 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, 2015

(In thousands of dollars)

### 10. Debt charges and interest

	2015	2014
	\$	\$
Principal payments on net debenture debt, including contributions to sinking funds	24,280	23,084
Interest payments on temporary financing of capital projects	1,643	1,783
Interest payments on net debenture debt	41,362	42,316
	<b>67,285</b>	<b>67,183</b>

Included in debt repayment and sinking fund contributions on the consolidated statement of cash flows in total of \$25,583 (2014 - \$24,628) are principal payments on net debenture debt, including contributions to sinking funds of \$24,280 (2014 - \$23,084) and sinking fund interest revenue of \$1,303 (2014 - \$1,544).

### 11. Education development charges

Effective June 2009, the Board and the Dufferin-Peel Catholic District School Board passed by-laws to collect development charges 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, \$27,082 (2014 - \$14,013) was received for the educational development charges and used for the purchase of sites and reducing the temporary borrowing for EDC. The entire amount is included in other fees and revenues on the consolidated statement of operations and accumulated surplus.

### 12. Expense by object

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

	Budget 2015	Actual 2015	Actual 2014
	\$	\$	\$
Salary and wages	1,208,674	1,183,814	1,141,968
Employee benefits	185,635	183,757	182,744
Staff development	5,260	6,775	4,668
Supplies and services	81,117	78,272	74,027
Interest charges on capital debt	42,030	41,162	41,966
Rental expenditures	3,629	2,602	2,481
Fees and contract services	71,848	71,313	75,020
School-generated funds	30,200	31,133	32,135
Other	3,599	3,493	6,239
Amortization of tangible capital assets	67,375	71,730	67,842
	<b>1,699,367</b>	<b>1,674,051</b>	<b>1,629,090</b>

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2015

(In thousands of dollars)

### 13. Tangible capital assets

	Cost					Accumulated amortization					Net book value		
	Opening September 1, 2014	Additions	Disposals/ deemed disposals	Transfer to (from) CIP	Assets removed from service	Closing August 31, 2015	Opening September 1, 2014	Amortization	Disposals/ deemed disposals	Assets removed from service	Closing August 31, 2015	August 31, 2015	August 31, 2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Land	359,594	47,953	-	301	-	<b>407,848</b>	-	-	-	-	<b>407,848</b>	359,594	
Land improvements	16,573	3,447	-	-	-	<b>20,020</b>	4,949	1,454	-	-	<b>6,403</b>	13,617	11,624
Buildings and building improvements	2,016,370	80,725	-	24,926	769	<b>2,122,790</b>	548,284	59,153	-	769	<b>608,206</b>	<b>1,514,584</b>	1,468,086
Portable structures	33,461	-	3,613	-	-	<b>29,848</b>	21,714	1,650	3,613	-	<b>19,751</b>	<b>10,097</b>	11,747
First time equipping	51,400	5,578	5,913	-	-	<b>51,065</b>	24,054	5,123	5,913	-	<b>23,264</b>	<b>27,801</b>	27,346
Furniture	1,336	182	111	-	-	<b>1,407</b>	871	137	111	-	<b>897</b>	<b>510</b>	465
Equipment	6,441	760	842	-	-	<b>6,359</b>	3,989	1,075	842	-	<b>4,222</b>	<b>2,137</b>	2,452
Computer hardware	12,157	1,194	876	-	-	<b>12,475</b>	4,448	2,463	876	-	<b>6,035</b>	<b>6,440</b>	7,709
Computer software	1,621	160	140	-	-	<b>1,641</b>	618	326	140	-	<b>804</b>	<b>837</b>	1,003
Vehicles	2,216	61	-	-	-	<b>2,277</b>	1,682	226	-	-	<b>1,908</b>	<b>369</b>	534
Asset permanently removed from service	7,880	-	-	-	(769)	<b>7,111</b>	3,851	-	-	(769)	<b>3,082</b>	<b>4,029</b>	4,029
Leasehold improvements	1,775	24	-	-	-	<b>1,799</b>	1,264	123	-	-	<b>1,387</b>	<b>412</b>	511
Construction in progress	28,427	37,285	-	(25,227)	-	<b>40,485</b>	-	-	-	-	-	<b>40,485</b>	28,427
<b>Total</b>	<b>2,539,251</b>	<b>177,369</b>	<b>11,495</b>	<b>-</b>	<b>-</b>	<b>2,705,125</b>	<b>615,724</b>	<b>71,730</b>	<b>11,495</b>	<b>-</b>	<b>675,959</b>	<b>2,029,166</b>	<b>1,923,527</b>

a) *Assets under construction*

Assets under construction having a value of \$40,485 (2014 - \$28,427) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) *Write-down of tangible capital assets*

There was no write-down of tangible capital assets during the year (2014 - \$Nil).

c) *Assets permanently removed from service*

The Board has two (2014 - three) building properties that qualify as assets permanently removed from service. The net book value ending balance as of August 31, 2015 includes \$4,029 (2014 - \$4,029) of assets permanently removed from service.

d) *Sale of assets*

There were no sale of assets in 2014 or in the current year.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2015

(In thousands of dollars)

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### 14. Trust funds

Trust funds administered by the Board amounting to \$1,343 (2014 - \$1,303) 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.

### 15. 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, 2016.

#### 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 General Annual Aggregate of \$25,000. This policy is renewed annually and the current one-year term expires on April 1, 2016.

### 16. Contractual obligations and contingent liabilities

Contractual obligations for the construction of buildings, which are not reflected on the consolidated statement of financial position as at August 31, 2015, amounted to approximately \$52,845 (2014 - \$71,604). 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 9.

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 a liability is likely and an amount can be reasonably estimated.

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 potential settlements will be recorded when a liability is likely and an amount can be reasonably estimated.

The minimum rentals payable under long-term leases in effect at August 31, 2015 for premises and equipment leases are as follows:

	\$
2015 - 2016	915
2016 - 2017	882
2017 - 2018	852
2018 - 2019	260
	<hr/>
	2,909

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2015

(In thousands of dollars)

### 17. 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:

	2015		2014	
	Total	Board's portion	Total	Board's portion
	\$	\$	\$	\$
Operations				
Revenues	59,821	39,859	61,007	40,563
Expenses	58,630	40,687	56,224	38,705
Annual surplus (deficit)	1,191	(828)	4,783	1,858

### 18. 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 (2014 - \$1,035).

### 19. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

### 20. Subsequent events

Subsequent to August 31, 2015, Ontario Secondary School Teachers' Federation (OSSTF) ratified agreements at the central level which include a voluntary retirement gratuity early payout provision. This provision may have a future impact on the board's employee future benefit liability. There is no impact to the 2014-15 fiscal year. To be effective, the collective agreements must be ratified at both the central and local level. At the reporting date of these financial statements, local ratification has occurred for OSSTF.

The voluntary retirement gratuity early payout provision provides OSSTF members the option of receiving a discounted frozen retirement gratuity benefit payment on August 31, 2016. The voluntary retirement gratuity early payout provision may result in payouts occurring earlier than anticipated and generally at a discount to August 31, 2015 financial statement carrying values. As a result, the reduction in the liability for those members who take the voluntary retirement gratuity early payout option will be accompanied by actuarial gains or losses in the board's 2015-16 year consolidated financial statements. At this time, the change in the liability cannot be estimated since members of OSSTF have until June 30, 2016 to declare their participation in the voluntary retirement gratuity early payout option.