
Consolidated financial statements of Peel District School Board

August 31, 2019

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Management Report

August 31, 2019

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's 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 BDO Canada 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 26, 2019


Chief Financial Officer

Trustees

Stan Cameron, Chair
Sue Lawton, Vice-Chair
Carrie Andrews
Susan Benjamin
Robert Crocker
Nokha Dakroub

Will Davies
David Green
Brad MacDonald
John Marchant
Kathy McDonald
Balbir Sohi

Director of Education and Secretary

Peter Joshua

Associate Director, Instructional and Equity Support Services
Poleen Grewal

Associate Director, Operational Support Services
Jaspal Gill

Associate Director, School Support Services
Mark Haarmann

Independent Auditor's Report

To the Board of Trustees of the Peel District School Board

Opinion

We have audited the consolidated financial statements of Peel District School Board ("the Board"), which comprise the consolidated statement of financial position as at August 31, 2019, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Board as at and for the year ended August 31, 2019 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1(a) to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

Without modifying our opinion, we draw attention to Note 1(a) 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.

Other Matter

The consolidated financial statements of the Peel District School Board for the year ended August 31, 2018 were audited by another auditor who expressed an unqualified opinion on those financial statements on November 27, 2018.

Responsibilities of Management and Those Charged with Governance 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 1(a) 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.

In preparing the consolidated financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP


Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
November 26, 2019

Peel District School Board
Consolidated statement of financial position
As at August 31, 2019
(In thousands of dollars)

	Notes	2019	2018
		\$	\$
Financial assets			
Cash and cash equivalents		146,206	189,194
Accounts receivable		87,711	90,158
Account receivable – Government of Ontario	2	705,028	670,534
		<u>938,945</u>	<u>949,886</u>
Liabilities			
Temporary borrowing	7	121,903	121,184
Accounts payable and accrued liabilities		84,582	106,559
Deferred revenue	3	69,826	58,219
Retirement and other employee future benefits liability	5	59,417	59,380
Net debenture debt	6	593,362	622,667
Deferred capital contributions	4	1,641,309	1,663,488
		<u>2,570,399</u>	<u>2,631,497</u>
Net debt		<u>(1,631,454)</u>	<u>(1,681,611)</u>
Contractual obligations and contingent liabilities	14		
Non-financial assets			
Prepaid expenses		11,560	15,344
Tangible capital assets	11	2,156,523	2,158,430
		<u>2,168,083</u>	<u>2,173,774</u>
Accumulated surplus		<u>536,629</u>	<u>492,163</u>

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

Approved by the Board



Chief Financial Officer



Chair of the Board

Peel District School Board

Consolidated statement of operations and accumulated surplus

Year ended August 31, 2019

(In thousands of dollars)

	Notes	2019		2018
		Budget	Actual	Actual
		\$	\$	\$
Revenue				
Provincial grants				
For student needs		1,848,430	1,851,708	1,795,990
Other		9,339	11,636	22,894
School generated funds		33,400	33,862	32,906
Federal grants and fees		2,412	2,561	2,928
Investment income		2,000	4,523	3,589
Other fees and revenue	9	29,593	43,901	41,205
		1,925,174	1,948,191	1,899,512
Expenses				
Instruction	10	1,502,193	1,484,462	1,446,961
Administration		48,283	50,151	45,947
Transportation		50,750	54,657	47,344
Pupil accommodation		276,906	274,982	265,072
School generated funds		33,400	33,905	32,646
Other		5,252	5,568	15,967
		1,916,784	1,903,725	1,853,937
Annual surplus		8,390	44,466	45,575
Accumulated surplus, beginning of year		445,763	492,163	446,588
Accumulated surplus, end of year		454,153	536,629	492,163

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

Peel District School Board

Consolidated statement of change in net debt

Year ended August 31, 2019

(In thousands of dollars)

		2019		2018
	Notes	Budget	Actual	Actual
		\$	\$	\$
Annual surplus		8,390	44,466	45,575
Tangible capital asset activities				
Purchase of tangible capital assets	11	(95,621)	(84,126)	(149,287)
Amortization of tangible capital assets	11	84,685	85,966	81,783
Proceeds on sale of tangible capital assets	11(d)	—	2,045	4
Gains on sale of tangible capital assets allocated to deferred revenue	11(d)	—	(1,978)	(4)
		(10,936)	1,907	(67,504)
Other non-financial asset activities				
Acquisition of prepaid expenses		—	(11,560)	(15,344)
Use of prepaid expenses		—	15,344	9,511
		—	3,784	(5,833)
Decrease / (increase) in net debt		(2,546)	50,157	(27,762)
Net debt beginning of year		(1,681,611)	(1,681,611)	(1,653,849)
Net debt, end of year		(1,684,157)	(1,631,454)	(1,681,611)

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

Peel District School Board
Consolidated statement of cash flows
Year ended August 31, 2019
(In thousands of dollars)

	Notes	2019	2018
		\$	\$
Operating activities			
Annual surplus		44,466	45,575
Items not involving cash			
Amortization of tangible capital assets	11	85,966	81,783
Amortization of deferred capital contributions	4	(84,641)	(79,831)
Gains on sale of tangible capital assets allocated to deferred revenue	11(d)	(1,978)	(4)
		43,813	47,523
Changes in non-cash assets and liabilities			
Accounts receivable		2,447	(3,529)
Accounts receivable – Government of Ontario - Operating	2	(78,084)	—
Accounts payable and accrued liabilities		(21,977)	19,093
Deferred revenue operating		(617)	1,440
Retirement and other employee future benefits payable		37	(5,380)
Prepaid expenses		3,784	(5,833)
		(50,597)	53,314
Capital activities			
Proceeds on sale of tangible capital assets	11(d)	2,045	4
Purchase of tangible capital assets	11	(84,126)	(149,287)
		(82,081)	(149,283)
Financing activities			
Debenture debt repaid and sinking fund contributions	8	(29,305)	(27,925)
Decrease in accounts receivable – Government of Ontario	2	43,590	23,661
Temporary borrowing		719	24,218
Increase in deferred revenue capital		12,224	10,161
Deferred capital contributions received	4	62,462	105,593
		89,690	135,708
(Decrease) increase in cash and cash equivalents during the year		(42,988)	39,739
Cash and cash equivalents, beginning of year		189,194	149,455
Cash and cash equivalents, end of year		146,206	189,194

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

Peel District School Board
Notes to the consolidated financial statements

August 31, 2019
(In thousands of dollars)

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 and accumulated surplus 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.
- (iii) Property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

As a result, revenue recognized in the consolidated statement of operations and accumulated surplus 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 Peel District School Board ("the Board") and which are controlled by the Board.

Peel District School Board
Notes to the consolidated financial statements

August 31, 2019
(In thousands of dollars)

1. Significant accounting policies (continued)

b) Reporting entity (continued)

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.

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 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 and worker's compensation.

Peel District School Board
Notes to the consolidated financial statements

August 31, 2019
(In thousands of dollars)

1. Significant accounting policies (continued)

g) Retirement other employee future benefit (continued)

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the Principals and Vice-Principals Associations, the following Employee Life and Health Trusts (ELHT) were established in 2016-17: Elementary Teachers' Federation of Ontario (ETFO), Ontario Secondary School Teachers' Federation (OSSTF), and Ontario Secondary Teacher's Federation – Education Workers (OSSTF-EW). The following ELHTs were established in 2017-18: Canadian Union of Public Employees (CUPE), Ontario Council of Educational Workers (OCEW) and non-unionized employees including principals and vice-principals (ONE-T). The ELHTs provide health, dental and life insurance benefits to teachers (excluding daily occasional teachers), and education workers (excluding casual and temporary staff), as of the Board's participation date into the ELHT. These benefits are provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Boards no longer administer health, dental and life insurance plans for employees and instead are required to fund the ELHTs on a monthly basis based on a negotiated amount per full-time equivalency (FTE). Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), including additional Ministry funding in the form of a Crown contribution and a Stabilization Adjustment.

Depending on the prior arrangements and employee groups, the Board continues to provide health, dental and life insurance benefits for retired individuals either directly or through ELHTs for all groups except for OSSTF and ETFO.

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 is 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.

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, 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.

Peel District School Board
Notes to the consolidated financial statements

August 31, 2019
(In thousands of dollars)

1. Significant accounting policies (continued)

g) Retirement other employee future benefit (continued)

- (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 tangible capital 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.

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. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Peel District School Board
Notes to the consolidated financial statements

August 31, 2019
(In thousands of dollars)

1. Significant accounting policies (continued)

i) Government transfers (continued)

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions and recognized as revenue in the consolidated statement of operations and accumulated surplus at the same rate and over the same periods as the tangible capital assets are amortized.

j) Investment income

Investment income is reported as revenue in the year earned.

k) 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 5, 2018. 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.

l) Property Tax Revenue

Under Canadian 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.

m) Contaminated sites

The Board reviews its sites, which are no longer in productive use, annually to assess whether contamination has occurred that would require the recording of a liability in the consolidated financial statements.

n) 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 year. Accounts subject to significant estimates include assumptions in estimating historical cost and useful lives of tangible capital assets and revenue recognition of related deferred capital contributions, in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits liabilities. Actual results could differ from these estimates.

Peel District School Board
Notes to the consolidated financial statements

August 31, 2019
(In thousands of dollars)

2. Account receivable – Government of Ontario

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 \$626,944 (\$670,534 in 2018) as at August 31, 2019 with respect to capital grants.

The Ministry of Education introduced a cash management strategy effective September 1, 2018. As part of the strategy, the Ministry delays part of the grant payment to school boards where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments included in the receivable balance from the Government of Ontario at August 31, 2019 is \$113,246, net of payable of \$35,162.

3. 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, 2019, comprises the following:

	Balance August 31, 2018	Externally restricted revenue net of adjustments	Revenue recognized in the year	Transfer to deferred capital contributions	Balance August 31, 2019
	\$	\$	\$	\$	\$
Legislative grants	41,242	327,169	(311,433)	(5,968)	51,010
Other Ministry of Education	997	7,167	(7,499)	(35)	630
Other provincial grants	151	410	(518)	-	43
Proceeds of disposition	7,407	2,045	-	(174)	9,278
Other	8,422	33,120	(31,322)	(1,355)	8,865
Total deferred revenue	58,219	369,911	(350,772)	(7,532)	69,826

4. 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 deferred capital contributions are amortized into revenue at the same rate and over the same periods as the tangible capital asset acquired.

Peel District School Board
Notes to the consolidated financial statements

August 31, 2019

(In thousands of dollars)

4. Deferred capital contributions (continued)

	2019	2018
	\$	\$
Deferred capital contributions, beginning of year	1,663,488	1,637,726
Additions to deferred capital contributions	62,462	105,593
Revenue recognized in the year	(84,641)	(79,830)
Deferred capital contributions, end of year	<u>1,641,309</u>	<u>1,663,489</u>

5. Retirement and other employee future benefits liability

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

	2019		2018	
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
	\$	\$	\$	\$
Accrued employee future benefits obligations	41,548	23,225	64,773	62,565
Unamortized actuarial losses at August 31	(5,356)	—	(5,356)	(3,185)
Employee future benefits liability, end of year	<u>36,192</u>	<u>23,225</u>	<u>59,417</u>	<u>59,380</u>

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

	2019		2018	
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
	\$	\$	\$	\$
Current year benefit expense including amortization of actuarial losses	1,116	8,556	9,672	2,398
Interest on accrued benefit obligations	1,168	559	1,727	1,652
Employee future benefit expense ⁽¹⁾	<u>2,284</u>	<u>9,115</u>	<u>11,399</u>	<u>4,050</u>
Actual payments for the year	<u>6,251</u>	<u>5,111</u>	<u>11,362</u>	<u>9,430</u>

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

Peel District School Board
Notes to the consolidated financial statements

August 31, 2019
(In thousands of dollars)

5. Retirement and other employee future benefits (continued)

Actuarial assumptions

The accrued benefit obligations for retirement benefit plans as at August 31, 2019 are based on actuarial valuations completed for accounting purposes as at August 31, 2018 and extrapolated to August 31, 2019.

The accrued benefit obligations for the other employee future benefit plans as at August 31, 2019 are based on actuarial valuations completed for accounting purposes as at August 31, 2019.

These actuarial valuations and extrapolations are based on assumptions about future events. The economic assumptions used in these valuations are management's best estimate assumptions.

	2019	2018
	%	%
General inflation rate	1.50	1.50
Health care escalation	4.50-7.50	4.00-8.00
Dental care escalation	3.50-4.50	3.00-4.00
Discount rate on accrued benefit obligations	2.00	2.90

Sick leave utilization is based on experience and probability tables.

Retirement benefits

a) *Retirement gratuities and early retirement incentive plan*

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 amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012.

Retirement gratuities and early retirement incentives paid were as follows:

	2019	2018
	\$	\$
Elementary staff	3,537	2,214
Secondary staff	2,473	2,064
Other staff	241	1,263
	6,251	5,541

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, 2019
(In thousands of dollars)

5. 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 \$6,251 (\$5,541 in 2018) amounts listed above is an amount of \$354 (\$245 in 2018) pertaining to this plan.

b) *Retirement life insurance and health care benefits*

The Board provides 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 of Ontario. 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 \$25,111 (\$23,641 in 2018). 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.

Other employee future benefits

a) *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.

Peel District School Board
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5. Retirement and other employee future benefits (continued)

Other employee future benefits

b) Sick leave top-up benefits

A maximum of eleven 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 \$1,227 (\$903 in 2018).

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2019 and is based on the average daily salary and banked sick days of employees as at August 31, 2019.

c) Life insurance benefits

The Board provides a separate life insurance benefits plan for certain retirees. The premiums are based on the Board's experience or the rate for active employees. Depending on the year in which a retiree has retired and the board's prior arrangements, retirees' premiums could be subsidized by the Board. The benefit costs and liabilities related to the subsidization of these retirees under this group plan are included in the Board's consolidated financial statements.

d) Health care and dental benefits

The Board sponsors a separate plan for certain retirees to provide group health care and dental benefits. The premiums are based on the Board experience or the rate for active employees. Depending on the year in which a retiree has retired and the board's prior arrangements, retirees' premiums could be subsidized by the Board. The benefit costs and liabilities related to the plan are included in the Board's consolidated financial statements.

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Notes to the consolidated financial statements

August 31, 2019
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6. Net debenture debt

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

	2019	2018
	\$	\$
OFA 2008 Debenture, New Pupil Places Stage 1 4.86 %, 25-year debenture, maturing June 27, 2033	146,070	153,132
OSBFC 2006 A1 Debenture 5.070%, 25-year debenture, maturing April 18, 2031	126,512	134,013
OFA 2010 Debenture, New Pupil Places 4.947%, 25-year debenture, maturing May 15, 2035	69,437	72,230
OSBFC 2004 A1 Debenture 5.48%, 25-year debenture, maturing November 26, 2029	58,450	62,475
OFA 2016 Debenture, New Pupil Places 3.242%, 25-year debenture, maturing March 15, 2041	38,989	40,201
OFA 2006 Debenture, Good Place to Learn 4.56%, 25-year debenture, maturing November 15, 2031	20,133	20,695
OFA 2010 Debenture, Good Places to Learn/Primary Class Size/ Prohibitive to Repair 5.232%, 25-year debenture, maturing April 13, 2035	30,309	32,075
OFA 2008 Debenture, Good Places to Learn/Primary Class Size 4.90%, 25-year debenture, maturing March 3, 2033	31,123	32,352
OFA 2009 Debenture, Good Places to learn/Primary Class Size 5.062%, 25-year debenture, maturing March 13, 2034	27,357	28,718
OFA 2017 Debenture, New Pupil Places 3.242%, 25-year debenture, maturing March 15, 2042	23,960	25,024
OFA 2015 Debenture, New Pupil Places 2.993%, 25-year debenture, maturing March 9, 2040	12,771	13,207
OFA 2013 Debenture, Good Places to learn Stages 1, 2 and 3 3.663%, 25-year debenture, maturing June 25, 2038	8,251	8,545
Net debenture debt	593,362	622,667

Peel District School Board
Notes to the consolidated financial statements

August 31, 2019

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6. Net debenture debt (continued)

Principal and interest payments relating to net debenture debt of \$593,362 outstanding as at August 31, 2019 are due as follows:

	Principal payments	Interest payments	Total
	\$	\$	\$
2019 – 2020	30,754	28,018	58,772
2020 – 2021	32,275	26,497	58,772
2021 – 2022	33,872	24,900	58,772
2022 – 2023	35,550	23,222	58,772
2023 – 2024	37,311	21,461	58,772
Thereafter	423,600	107,300	530,900
Net debenture debt	<u>593,362</u>	<u>231,398</u>	<u>824,760</u>

Interest on net debenture debt amounted to \$29,025 (\$30,425 in 2018).

7. 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 unreceived or uncollected balance of estimated revenues.

The Board has available credit facilities of \$250,000 and as of year-end had borrowings against these facilities of \$121,903 (\$121,184 in 2018). 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 \$3,141 (\$2,128 in 2018) 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, 2019
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8. Debt charges and interest

	2019	2018
	\$	\$
Principal payments on net debenture debt	29,305	27,925
Interest payments on net debenture debt	29,025	30,425
Interest payments on temporary financing of capital projects	3,523	2,398
	61,853	60,748

9. Education development charges

Effective June 2014, 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. The levies collected by the municipalities are forwarded to the school boards' monthly. During the year, \$22,584 (\$19,841 in 2018) 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.

10. Expenses by object

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

	2019		2018
	Budget	Actual	Actual
	\$	\$	\$
Salary and wages	1,365,353	1,358,063	1,324,959
Employee benefits	212,864	212,038	201,135
Staff development	5,782	5,778	5,780
Supplies and services	85,688	76,185	76,517
Interest charges on capital debt	31,773	32,547	32,823
Rental expenditures	2,355	2,287	2,543
Fees and contract services	91,127	91,943	81,016
School-generated funds	33,400	33,905	32,646
Other	3,758	5,013	14,735
Amortization of tangible capital assets	84,685	85,966	81,783
	1,916,785	1,903,725	1,853,937

Peel District School Board
Notes to the consolidated financial statements
August 31, 2019
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11. Tangible capital assets

	Cost					Accumulated amortization				Net book value	
	Opening	Additions	Disposals/ deemed disposals	Transfer to (from) CIP	Closing	Opening	Amortization	Disposals/ deemed disposals	Closing	August 31, 2019	August 31,
	September 1, 2018				August 31, 2019	September 1, 2018			August 31, 2019		2018
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Land	477,733	18,906	67	126	496,698	—	—	—	—	496,698	477,733
Land improvements	34,722	11,127	—	—	45,849	12,195	3,311	—	15,506	30,343	22,527
Buildings and building improvements	2,391,148	47,677	—	35,928	2,474,753	808,565	75,346	—	883,911	1,590,842	1,582,583
Portable structures	20,316	—	—	—	20,316	13,938	1,051	—	14,989	5,327	6,378
First-time equipping	45,753	1,640	2,848	—	44,545	22,713	4,515	2,848	24,380	20,165	23,040
Furniture	1,187	82	143	—	1,126	437	116	143	410	716	750
Equipment	5,312	1,506	491	—	6,327	2,035	738	491	2,282	4,045	3,277
Computer hardware	3,616	617	755	—	3,478	1,994	709	755	1,948	1,530	1,622
Computer software	312	—	127	—	185	239	49	127	161	24	73
Vehicles	2,647	108	—	—	2,755	2,309	115	—	2,424	331	338
Asset permanently removed from service	5,709	—	—	—	5,709	2,889	—	—	2,889	2,820	2,820
Leasehold improvements	1,799	—	—	—	1,799	1,783	16	—	1,799	—	16
Construction-in-progress (CIP)	37,273	2,463	—	(36,054)	3,682	—	—	—	—	3,682	37,273
Total	3,027,527	84,126	4,431	—	3,107,222	869,097	85,966	4,364	950,699	2,156,523	2,158,430

a) *Construction-in-progress*

Assets under construction having a value of \$3,682 (\$37,273 in 2018) have not been amortized. Amortization of these assets will commence when the tangible capital asset is put into service.

b) *Write-down of tangible capital assets*

There was \$Nil write-down of tangible capital assets during the year (\$Nil in 2018).

c) *Assets permanently removed from service*

The Board has three (three in 2018) building properties that qualify as assets permanently removed from service. The net book value ending balance as of August 31, 2019 includes \$2,820 (\$2,820 in 2018) of assets permanently removed from service.

d) *Sale of assets*

Net proceeds of \$2,045 (\$4 in 2018) was received on the sale of property, which had a carrying value of \$67 (\$Nil in 2018), resulting in a gain of \$1,978 (\$4 in 2018). \$2,045 (\$4 in 2018) 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, 2019

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12. Liability for contaminated sites

A liability was recorded for remediation of land due to the leakage of oil tanks on a property. The liability was estimated based on a third party contract valuation. Assumptions used in this estimate are that further expenses will not be incurred.

13. Trust funds

Trust funds administered by the Board amounting to \$1,302 (\$1,299 in 2018) 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, 2020.

b) Other

The general public liability coverage for the Board is held by a public insurance company with a limit of \$25,000 per occurrence with a General Annual Aggregate of \$45,000. This policy is renewed annually and the current three-year term expires on April 1, 2021.

15. 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, 2019, amounted to approximately 15,353 (\$7,954 in 2018). 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 7.

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.

Peel District School Board
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15. Contractual obligations and contingent liabilities (continued)

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, 2019 for premises and equipment leases are as follows:

	\$
2019-2020	121
	<u>121</u>

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:

	2019		2018	
	Total	Board's portion	Total	Board's portion
	\$	\$	\$	\$
Operations				
Revenue	65,268	44,963	63,172	42,942
Expenses	76,910	54,375	66,346	47,036
Annual deficit	<u>(11,642)</u>	<u>(9,412)</u>	<u>(3,174)</u>	<u>(4,094)</u>

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 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.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's consolidated financial position.