
Consolidated financial statements of Peel District School Board

August 31, 2018

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Management Report

August 31, 2018

Management's Responsibility for the Consolidated Financial Statements

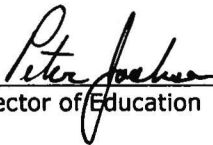
The accompanying consolidated financial statements of the Peel District School Board are the responsibility of the Board management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 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 27, 2018



Chief Financial Officer

Trustees

Janet McDougald, Chair
Suzanne Nurse, Vice-Chair
Carrie Andrews
Stan Cameron
Robert Crocker
Nokha Dakroub

David Green
Sue Lawton
Brad MacDonald
Kathy McDonald
Harkirat Singh
Rick Williams

Director of Education and Secretary

Peter Joshua

Associate Director, Instructional & Equity Support Services

Poleen Grewal

Associate Director, School Support Services

Wendy Dowling

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, 2018, 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 the Peel District School Board as at and for the year ended August 31, 2018 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.

Debitte LLP

Chartered Professional Accountants
Licensed Public Accountants
November 27, 2018


Peel District School Board
Consolidated statement of financial position

As at August 31, 2018
(In thousands of dollars)


	Notes	2018	2017
		\$	\$
Financial assets			
Cash and cash equivalents		189,194	149,455
Accounts receivable		90,158	86,629
Account receivable – Government of Ontario approved capital	2	670,534	694,195
		949,886	930,279
Liabilities			
Temporary borrowing	7	121,184	96,966
Accounts payable and accrued liabilities		106,559	87,466
Deferred revenue	3	58,219	46,618
Retirement and other employee future benefits liability	5	59,380	64,760
Net debenture debt	6	622,667	650,592
Deferred capital contributions	4	1,663,488	1,637,726
		2,631,497	2,584,128
Net debt		(1,681,611)	(1,653,849)
Contractual obligations and contingent liabilities	14		
Prepaid expenses		15,344	9,511
Tangible capital assets	11	2,158,430	2,090,926
		2,173,774	2,100,437
Accumulated surplus		492,163	446,588

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, 2018
(In thousands of dollars)

		2018		2017
Notes	Budget	Actual	Actual	
	\$	\$	\$	
Revenue				
	Provincial grants			
	For student needs	1,789,496	1,795,990	1,727,730
	Other	7,260	22,894	13,736
9	Other fees and revenue	35,133	41,205	36,281
	School generated funds	31,700	32,906	34,073
	Investment income	800	3,589	1,548
	Federal grants and fees	2,323	2,928	2,286
		1,866,712	1,899,512	1,815,654
Expenses				
10	Instruction	1,472,662	1,446,961	1,383,817
	Pupil accommodation	266,155	265,072	263,897
	Transportation	44,486	47,344	44,853
	Administration	45,162	45,947	42,661
	School generated funds	31,700	32,646	32,997
	Other	5,001	15,967	4,790
		1,865,166	1,853,937	1,773,015
	Annual surplus	1,546	45,575	42,639
	Accumulated surplus, beginning of year	413,012	446,588	403,949
	Accumulated surplus, end of year	414,558	492,163	446,588

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, 2018
(In thousands of dollars)

	Notes	2018		2017
		Budget	Actual	Actual
		\$	\$	\$
Annual surplus		1,546	45,575	42,639
Tangible capital asset activities				
Purchase of tangible capital assets	11	(136,909)	(149,287)	(88,711)
Amortization of tangible capital assets	11	78,977	81,783	79,383
Proceeds on sale of tangible capital assets	11(d)	—	4	6,900
Gains on sale of tangible capital assets allocated to deferred revenue	11(d)	—	(4)	(6,179)
		(57,932)	(67,504)	(8,607)
Other non-financial asset activities				
Acquisition of prepaid expenses		—	(15,344)	(9,511)
Use of prepaid expenses		—	9,511	7,807
		—	(5,833)	(1,704)
(Increase) / decrease in net debt		(56,386)	(27,762)	32,328
Net debt beginning of year		(1,653,849)	(1,653,849)	(1,686,177)
Net debt, end of year		(1,710,235)	(1,681,611)	(1,653,849)

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, 2018
(In thousands of dollars)

	Notes	2018	2017
		\$	\$
Operating activities			
Annual surplus		45,575	42,639
Items not involving cash			
Amortization of tangible capital assets	11	81,783	79,383
Amortization of deferred capital contributions	4	(79,831)	(77,047)
Gain on disposal of sinking fund assets	6	—	(2,247)
Gains on sale of tangible capital assets allocated to deferred revenue	11(d)	(4)	(6,179)
		47,523	36,549
Changes in non-cash assets and liabilities			
Accounts receivable		(3,529)	(3,263)
Accounts payable and accrued liabilities		19,093	(4,656)
Deferred revenue operating		1,440	4,571
Retirement and other employee future benefits payable		(5,380)	(2,327)
Prepaid expenses		(5,833)	(1,704)
		53,314	29,170
Capital activities			
Proceeds on sale of tangible capital assets	11(d)	4	6,900
Purchase of tangible capital assets	11	(149,287)	(88,711)
		(149,283)	(81,811)
Financing activities			
Debenture debt repaid and sinking fund contributions	8	(27,925)	(176,110)
Proceeds on disposal of sinking fund assets	6	—	45,521
Decrease in accounts receivable – Government of Ontario – approved capital		23,661	137,348
Long term liabilities issued		—	21,237
Temporary borrowing		24,218	(6,249)
Increase in deferred revenue capital		10,161	15,040
Deferred capital contributions received	4	105,593	80,311
		135,708	117,098
Increase in cash and cash equivalents during the year		39,739	64,457
Cash and cash equivalents, beginning of year		149,455	84,998
Cash and cash equivalents, end of year		189,194	149,455

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

Peel District School Board
Notes to the consolidated financial statements

August 31, 2018

(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.

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, 2018

(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 benefits

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.

Peel District School Board
Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

1. Significant accounting policies (continued)

g) Retirement other employee future benefits (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 ELHT's 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, life and dental 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 being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. The Board is no longer responsible to provide certain benefits to ETFO, OSSTF and OSSTF EW effective November 1, 2016, CUPE effective March 1, 2018, principals and Vice principals effective April 1, 2018 and OCEW and the other non-unionized employees effective June 1, 2018. Upon transition of the employee groups' health, dental and life benefit plans to the ELHT, school boards are required remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), additional Ministry funding in the form of a Crown contribution as well as a Stabilization Adjustment.

Depending on the prior arrangements and employee group, the Board provides health, dental and life insurance benefits for retired individuals 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 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.

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.

Peel District School Board
Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

1. Significant accounting policies (continued)

g) Retirement other employee future benefits (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.

Peel District School Board
Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

1. Significant accounting policies (continued)

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.

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) 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 17, 2017. 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) 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.

n) 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.

o) 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, 2018

(In thousands of dollars)

2. Account 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 \$670,534 (\$694,195 in 2017) as at August 31, 2018 with respect to capital grants.

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, 2018, comprises the following:

	Balance August 31, 2017	Externally restricted revenue net of adjustments	Revenue recognized in the year	Transfer to deferred capital contributions	Balance August 31, 2018
	\$	\$	\$	\$	\$
Legislative grants	31,546	319,269	(302,190)	(7,383)	41,242
Other Ministry of Education	992	8,533	(8,467)	(61)	997
Other provincial grants	-	953	(802)	—	151
Proceeds of disposition	7,792	4	—	(389)	7,407
Other	6,288	29,966	(27,121)	(711)	8,422
Total deferred revenue	46,618	358,725	(338,580)	(8,544)	58,219

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, 2018

(In thousands of dollars)

4. Deferred capital contributions (continued)

	2018	2017
	\$	\$
Deferred capital contributions, beginning of year	1,637,726	1,634,462
Additions to deferred capital contributions	105,593	81,004
Revenue recognized in the year	(79,831)	(77,047)
Transfers to deferred revenue	—	(693)
Deferred capital contributions, end of year	1,663,488	1,637,726

Included in deferred capital contributions received on the consolidated statement of cash flows in total of \$105,593 (\$80,311 in 2017) are additions to deferred capital contributions of \$105,593 (\$81,004 in 2017) net of transfers from deferred revenue of \$Nil (\$693 in 2017).

5. Retirement and other employee future benefits liability

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

	2018			2017
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
	\$	\$	\$	\$
Accrued employee future benefits obligations	43,345	19,220	62,565	69,412
Unamortized actuarial losses at August 31	(3,185)	—	(3,185)	(4,652)
Employee future benefits liability, end of year	40,160	19,220	59,380	64,760

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

	2018			2017
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
	\$	\$	\$	\$
Current year benefit expense including amortization of actuarial losses	758	1,640	2,398	7,448
Interest on accrued benefit obligations	1,166	486	1,652	1,426
Employee future benefit expense ⁽¹⁾	1,924	2,126	4,050	8,874
Actual payments for the year	5,541	3,889	9,430	11,201

⁽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, 2018

(In thousands of dollars)

5. Retirement and other employee future benefits liability (continued)

Actuarial assumptions

The accrued benefit obligations for retirement benefit plans as at August 31, 2018 are based on actuarial valuations completed for accounting purposes as at August 31, 2017 and extrapolated to August 31, 2018.

The accrued benefit obligations for the other employee future benefit plans as at August 31, 2018 are based on actuarial valuations completed for accounting purposes as at August 31, 2018.

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.

	2018	2017
	%	%
General inflation rate	1.50	1.50
Health care escalation	4.00-8.00	4.00-8.00
Dental car escalation	3.00-4.00	3.00-4.00
Discount rate on accrued benefit obligations	2.90	2.55

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:

	2018	2017
	\$	\$
Elementary staff	2,214	2,844
Secondary staff	2,064	2,681
Other staff	1,263	1,559
	5,541	7,084

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, 2018

(In thousands of dollars)

5. Retirement and other employee future benefits liability (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 \$5,541 (\$7,084 in 2017) amounts listed above is an amount of \$245 (\$217 in 2017) 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. Effective September 1, 2013, employees retiring on or after this date, do not qualify for board subsidized premiums or contributions except for retired executives.

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 \$23,641 (\$22,327 in 2017). 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.

5. Retirement and other employee future benefits liability (continued)

Other employee future benefits

b) 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 to employees who are not yet members of an ELHT. 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.

c) Sick leave top-up benefits

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 \$903 (\$760 in 2017).

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, 2018 and is based on the average daily salary and banked sick days of employees as at August 31, 2018.

d) Life insurance benefits

The Board provides a separate life insurance benefits plan for certain retirees. 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 subsidization of these retirees under this group plan are included in the Board's consolidated financial statements.

e) 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.

Peel District School Board
Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

6. Net debenture debt

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

	2018	2017
	\$	\$
OFA 2008 Debenture, New Pupil Places Stage 1 4.86 %, 25-year debenture, maturing June 27, 2033	153,132	159,863
OSBFC 2006 A1 Debenture 5.070%, 25-year debenture, maturing April 18, 2031	134,013	141,148
OFA 2010 Debenture, New Pupil Places 4.947%, 25-year debenture, maturing May 15, 2035	72,230	74,890
OSBFC 2004 A1 Debenture 5.48%, 25-year debenture, maturing November 26, 2029	62,475	66,288
OFA 2016 Debenture, New Pupil Places 3.242%, 25-year debenture, maturing March 15, 2041	40,201	41,375
OFA 2006 Debenture, Good Place to Learn 4.56%, 25-year debenture, maturing November 15, 2031	20,695	33,762
OFA 2010 Debenture, Good Places to Learn/Primary Class Size/ Prohibitive to Repair 5.232%, 25-year debenture, maturing April 13, 2035	32,075	33,520
OFA 2008 Debenture, Good Places to Learn/Primary Class Size 4.90%, 25-year debenture, maturing March 3, 2033	32,352	30,014
OFA 2009 Debenture, Good Places to learn/Primary Class Size 5.062%, 25-year debenture, maturing March 13, 2034	28,718	26,036
OFA 2017 Debenture, New Pupil Places 3.242%, 25-year debenture, maturing March 15, 2042	25,024	21,237
OFA 2015 Debenture, New Pupil Places 2.993%, 25-year debenture, maturing March 9, 2040	13,207	13,631
OFA 2013 Debenture, Good Places to learn Stages 1, 2 and 3 3.663%, 25-year debenture, maturing June 25, 2038	8,545	8,828
Net debenture debt	622,667	650,592

Peel District School Board
Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

6. Net debenture debt (continued)

Principal and interest payments relating to net debenture debt of \$622,667 outstanding as at August 31, 2018 are due as follows:

	Principal payments	Interest payments	Total
	\$	\$	\$
2018 – 2019	29,305	29,467	58,772
2019 – 2020	30,754	28,018	58,772
2020 – 2021	32,275	26,497	58,772
2021 – 2022	33,872	24,899	58,771
2022 – 2023	35,550	23,222	58,772
Thereafter	460,911	128,760	589,671
Net debenture debt	<u>622,667</u>	<u>260,863</u>	<u>883,530</u>

The Board's 2001-A2 OSBFC Sinking Fund debenture matured on October 19, 2016. The Ministry supported the principal balance of this debenture as capital debt by transferring \$109,694 to enable the Board to repay the Sinking Fund Debenture of \$150,000. The Board also withdrew the Sinking Fund Assets on September 30, 2016 when the market value of the assets were \$45,521 resulting in a surplus of \$5,215. The market value is based upon the performance on the sinking fund assets.

A gain of \$2,247 was realized on the disposal of the sinking fund assets with a book value of \$43,274 on September 30, 2016.

Interest on net debenture debt amounted to \$30,425 (\$32,657 in 2017).

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 Board has available credit facilities of \$250,000 and as of year-end had borrowings against these facilities of \$121,184 (\$96,966 in 2017). 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 \$2,128 (\$1,976 in 2017) 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, 2018

(In thousands of dollars)

8. Debt charges and interest

	2018	2017
	\$	\$
Principal payments on net sinking fund debenture	—	104,479
Principal payments on other net debenture debt	27,925	26,088
	27,925	130,567
Interest payments on net debenture debt	30,425	36,200
Interest payments on temporary financing of capital projects	2,398	1,741
Interest payments on temporary financing of operating expenses	—	1
	60,748	168,509

Included in debt repayment and sinking fund contributions on the consolidated statement of cash flows in total of \$27,925 (\$176,110 in 2017) are principal payments on sinking fund debenture of \$Nil (\$150,000 in 2017), principal payments of other net debenture debt of \$27,925 (\$26,088 in 2017) and sinking fund interest revenue of \$Nil (\$22 in 2017).

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, \$19,841 (\$15,547 in 2017) was received for the educational development charges (EDC) 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:

	2018		2017
	Budget	Actual	Actual
	\$	\$	\$
Salary and wages	1,330,445	1,324,959	1,262,592
Employee benefits	210,764	201,135	197,595
Staff development	5,644	5,780	5,320
Supplies and services	92,277	76,517	77,002
Interest charges on capital debt	32,426	32,823	34,398
Rental expenditures	2,567	2,543	2,473
Fees and contract services	76,640	81,016	77,595
School-generated funds	31,700	32,646	32,997
Other	3,726	14,735	3,660
Amortization of tangible capital assets	78,977	81,783	79,383
	1,865,166	1,853,937	1,773,015

Peel District School Board
Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

11. Tangible capital assets

	Cost				Accumulated amortization				Net book value		
	Opening September 1, 2017	Additions	Disposals/ deemed disposals	Transfer to (from) CIP	Closing August 31, 2018	Opening September 1, 2017	Amortization	Disposals/ deemed disposals	Closing August 31, 2018	August 31, 2018	August 31, 2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	436,041	41,656	—	36	477,733	—	—	—	—	477,733	436,041
Land improvements	27,619	7,103	—	—	34,722	9,786	2,409	—	12,195	22,527	17,833
Buildings and building improvements	2,319,409	62,665	—	9,074	2,391,148	737,748	70,817	—	808,565	1,582,583	1,581,661
Portable structures	20,392	—	76	—	20,316	12,961	1,053	76	13,938	6,378	7,431
First-time equipping	49,710	1,683	5,640	—	45,753	23,580	4,773	5,640	22,713	23,040	26,130
Furniture	1,313	184	310	—	1,187	622	125	310	437	750	691
Equipment	4,043	1,617	348	—	5,312	1,769	614	348	2,035	3,277	2,274
Computer hardware	11,950	584	8,918	—	3,616	9,355	1,557	8,918	1,994	1,622	2,595
Computer software	1,381	—	1,069	—	312	1,139	169	1,069	239	73	242
Vehicles	2,438	209	—	—	2,647	2,196	113	—	2,309	338	242
Asset permanently removed from service	5,709	—	—	—	5,709	2,889	—	—	2,889	2,820	2,820
Leasehold improvements	1,799	—	—	—	1,799	1,630	153	—	1,783	16	169
Construction-in- progress (CIP)	12,797	33,586	—	(9,110)	37,273	—	—	—	—	37,273	12,797
Total	2,894,601	149,287	16,361	—	3,027,527	803,675	81,783	16,361	869,097	2,158,430	2,090,926

a) *Construction-in-progress*

Assets under construction having a value of \$37,273 (\$12,797 in 2017) 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 2017).

c) *Assets permanently removed from service*

The Board has three (three in 2017) building properties that qualify as assets permanently removed from service. The net book value ending balance as of August 31, 2018 includes \$2,820 (\$2,820 in 2017) of assets permanently removed from service.

d) *Sale of assets*

Net proceeds of \$4 (\$6,900 in 2017) was received on the sale of land, which had a carrying value of \$Nil (\$721 in 2017), resulting in a gain of \$4 (\$6,179 in 2017). \$4 (\$6,900 in 2017) 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, 2018
(In thousands of dollars)

12. Trust funds

Trust funds administered by the Board amounting to \$1,299 (\$1,378 in 2017) 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.

13. 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, 2019.

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 \$25,000. This policy is renewed annually and the current three-year term expires on April 1, 2021.

14. 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, 2018, amounted to approximately \$7,954 (\$37,730 in 2017). 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
Notes to the consolidated financial statements

August 31, 2018
(In thousands of dollars)

14. Contractual obligations and contingent liabilities (continued)

In the normal course of business, various claims and litigious matters are pending 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, 2018 for premises and equipment leases are as follows:

	\$
2018-2019	449
	<u>449</u>

15. 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:

	2018		2017	
	Total	Board's portion	Total	Board's portion
	\$	\$	\$	\$
Operations				
Revenue	63,172	42,942	61,191	41,330
Expenses	66,346	47,036	64,102	45,156
Annual deficit	(3,174)	(4,094)	(2,911)	(3,826)

16. 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.