

Consolidated Financial Statements of

**PEEL DISTRICT  
SCHOOL BOARD**

Year ended August 31, 2016

# Peel District School Board

August 31, 2016

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## Management Report

Year ended August 31, 2016

### 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 22, 2016



**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  
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Rick Williams

#### Director of Education and Secretary

Tony Pontes

#### Associate Director, Instructional Support Services

Scott Moreash

#### Associate Director, Operational Support Services

Jaspal Gill

## **Independent Auditor's Report**

To the Board of Trustees of  
Peel District School Board

We have audited the accompanying consolidated financial statements of the Peel District School Board, which comprise the consolidated statement of financial position as at August 31, 2016, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## **Opinion**

In our opinion, the consolidated financial statements of Peel District School Board as at and for the year ended August 31, 2016 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1a) to the consolidated financial statements.

## **Emphasis of Matter**

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

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants  
Licensed Public Accountants  
November 22, 2016

# Peel District School Board

## Consolidated statement of financial position


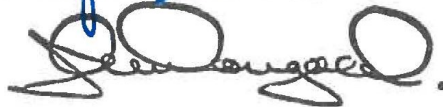
### as at August 31, 2016

(In thousands of dollars)

	2016	2015
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	84,998	72,878
Accounts receivable	83,366	82,257
Accounts receivable - Government of Ontario approved capital (Note 2)	831,543	834,165
	<b>999,907</b>	<b>989,300</b>
<b>Liabilities</b>		
Temporary borrowing (Note 7)	103,215	97,838
Accounts payable and accrued liabilities	92,122	109,408
Deferred revenue (Note 3)	27,007	19,103
Retirement and other employee future benefits payable (Note 5)	67,087	82,104
Net debenture debt (Note 6)	762,191	747,558
Deferred capital contributions (Note 4)	1,634,462	1,600,984
	<b>2,686,084</b>	<b>2,656,995</b>
Net debt	<b>(1,686,177)</b>	<b>(1,667,695)</b>
Prepaid expenses	7,807	8,277
Tangible capital assets (Note 11)	2,082,319	2,029,166
	<b>2,090,126</b>	<b>2,037,443</b>
<b>Accumulated surplus</b>	<b>403,949</b>	<b>369,748</b>

Contractual obligations and contingent liabilities (Note 14)

Approved by the Board

  
 \_\_\_\_\_ Chief Financial Officer  
  
 \_\_\_\_\_ Chair of the Board

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

# Peel District School Board

## Consolidated statement of operations and accumulated surplus year ended August 31, 2016

(In thousands of dollars)

	Budget	2016 Actual	2015 Actual
	\$	\$	\$
<b>Revenue</b>			
Provincial grants			
For student needs	1,685,025	1,693,699	1,642,685
Other	10,890	13,493	12,303
School-generated funds	32,500	29,197	30,756
Federal grants and fees	2,447	2,334	2,372
Investment income	1,600	3,133	2,428
Other fees and revenue	29,203	32,349	38,945
	<b>1,761,665</b>	<b>1,774,205</b>	<b>1,729,489</b>
<b>Expenses (Note 10)</b>			
Instruction	1,352,138	1,357,102	1,291,320
Administration	42,679	42,740	44,798
Transportation	40,861	42,212	40,687
Pupil accommodation	265,112	265,106	262,569
School-generated funds	32,500	28,827	31,133
Other	5,397	4,017	3,544
	<b>1,738,687</b>	<b>1,740,004</b>	<b>1,674,051</b>
Annual surplus	22,978	34,201	55,438
Accumulated surplus, beginning of year	334,272	369,748	314,310
<b>Accumulated surplus, end of year</b>	<b>357,250</b>	<b>403,949</b>	<b>369,748</b>

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

# Peel District School Board

## Consolidated statement of change in net debt year ended August 31, 2016

(In thousands of dollars)

	Budget	2016 Actual	2015 Actual
	\$	\$	\$
<b>Annual surplus</b>	<b>22,978</b>	<b>34,201</b>	55,438
Tangible capital asset activities			
Purchase of tangible capital assets (Note 11)	(138,709)	(128,005)	(177,369)
Amortization of tangible capital assets (Note 11)	75,938	74,852	71,730
	<b>(62,771)</b>	<b>(53,153)</b>	(105,639)
Other non-financial asset activities			
Acquisition of prepaid expenses	-	(7,807)	(8,277)
Use of prepaid expenses	-	8,277	6,786
	-	470	(1,491)
Increase in net debt	(39,793)	(18,482)	(51,692)
Net debt beginning of year	(1,667,695)	(1,667,695)	(1,616,003)
<b>Net debt, end of year</b>	<b>(1,707,488)</b>	<b>(1,686,177)</b>	(1,667,695)

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



# Peel District School Board

## Consolidated statement of cash flows year ended August 31, 2016

(In thousands of dollars)

	2016	2015
	\$	\$
<b>Operating activities</b>		
Annual surplus	34,201	55,438
Items not involving cash		
Amortization of tangible capital assets (Note 11)	74,852	71,730
Amortization of deferred capital contributions (Note 4)	(72,243)	(70,242)
	<b>36,810</b>	<b>56,926</b>
Changes in non-cash assets and liabilities		
Accounts receivable	(1,109)	(937)
Accounts payable and accrued liabilities	(17,286)	37
Deferred revenue operating	2,867	1,755
Retirement and other employee future benefits payable	(15,017)	(6,162)
Prepaid expenses	470	(1,491)
	<b>6,735</b>	<b>50,128</b>
<b>Capital activity</b>		
Purchase of tangible capital assets (Note 11)	(128,005)	(177,369)
<b>Financing activities</b>		
Debenture debt repaid and sinking fund contributions	(27,879)	(25,583)
Decrease in accounts receivable - Government of Ontario - approved capital	2,622	26,438
Long term liabilities issued	42,512	14,442
Temporary borrowing	5,377	22,565
Increase in deferred revenue capital	5,037	380
Deferred capital contributions received (Note 4)	105,721	128,774
	<b>133,390</b>	<b>167,016</b>
Increase in cash and cash equivalents during the year	12,120	39,775
Cash and cash equivalents, beginning of year	72,878	33,103
<b>Cash and cash equivalents, end of year</b>	<b>84,998</b>	<b>72,878</b>

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

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

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### 1. Significant accounting policies

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

#### a) *Basis of accounting*

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

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

In 2011, the government passed Regulation 395/11 of the Financial Administration Act. Regulation 395/11 requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services be recorded as deferred capital contributions and be recognized as revenue in the consolidated statement of operations 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 Board and which are controlled by the Peel District School Board (the "Board").

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

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

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

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### 1. Significant accounting policies (continued)

#### c) *Trust funds*

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

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

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

#### e) *Deferred revenue*

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

#### f) *Deferred capital contributions*

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

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

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

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

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

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.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

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### 1. Significant accounting policies (continued)

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

##### (i) (continued)

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

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

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

#### h) Tangible capital assets

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

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

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

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

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

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

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

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### 1. Significant accounting policies (continued)

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

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

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

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

#### *i) Government transfers*

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made. 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 9, 2015. 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 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, in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits liabilities. Actual results could differ from those estimates.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

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

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

The Board has an account receivable from the Province of \$831,543 (2015 - \$834,165) as at August 31, 2016 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, 2016, comprises the following:

	Balance, August 31, 2015	Externally restricted revenue net of adjustments	Revenue recognized in the year	Transfer to deferred capital contributions	Balance, August 31, 2016
	\$	\$	\$	\$	\$
Legislative grants	9,690	309,413	(290,037)	(9,430)	19,636
Other Ministry of Education	1,147	8,224	(9,152)	-	219
Other provincial grants	20	88	(58)	-	50
Proceeds of disposition	4,567	-	-	(2,241)	2,326
Other	3,679	25,368	(23,683)	(588)	4,776
<b>Total deferred revenue</b>	<b>19,103</b>	<b>343,093</b>	<b>(322,930)</b>	<b>(12,259)</b>	<b>27,007</b>

### 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.

	2016	2015
	\$	\$
Deferred capital contributions, beginning of year	1,600,984	1,542,452
Additions to deferred capital contributions	105,721	128,774
Revenue recognized in the year	(72,243)	(70,242)
<b>Deferred capital contributions, end of year</b>	<b>1,634,462</b>	<b>1,600,984</b>

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

### 5. Retirement and other employee future benefits

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

	Retirement benefits	Other employee future benefits	2016 Total employee future benefits	2015 Total employee future benefits
	\$	\$	\$	\$
Accrued employee future benefits obligations	53,317	20,574	73,891	86,389
Unamortized actuarial losses at August 31	(6,804)	-	(6,804)	(4,285)
Employee future benefits liability, end of year	46,513	20,574	67,087	82,104

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

	Retirement benefits	Other employee future benefits	2016 Total employee future benefits	2015 Total employee future benefits
	\$	\$	\$	\$
Current year benefit expense including amortization of actuarial losses	253	3,205	3,458	2,653
Interest on accrued benefit obligations	1,549	474	2,023	2,456
Experience gain on voluntary retirement gratuity early payout option	(2,230)	-	(2,230)	-
Employee future benefit expense <sup>(1)</sup>	(428)	3,679	3,251	5,109
Actual payments for the year	15,110	3,158	18,268	11,271

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

#### Actuarial assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2016 are based on actuarial valuations completed for accounting purposes as at August 31, 2015 and extrapolated to August 31, 2016. These actuarial valuations are based on assumptions about future events. The economic assumptions used in these valuations are management's best estimate assumptions.

	2016 %	2015 %
General inflation rate	1.50	1.50
Health care escalation	4.00-8.00	4.00-8.50
Dental care escalation	3.00-4.00	3.00-4.50
Discount rate on accrued benefit obligations	2.05	2.45

Sick leave utilization is based on experience and probability tables.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

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

#### *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.

##### *(i) Voluntary retirement gratuity early payout provision*

During 2015-16, ETFO, OSSTF, PSSP and CUPE ratified agreements at the local and central level, which included a voluntary retirement gratuity early payout provision. The provision provided ETFO OSSTF, PSSP and CUPE members the option of receiving a discounted frozen retirement gratuity benefit payment by August 31, 2016.

This provision was also made available to all non-unionized school board employees, including principals and vice-principals. These payments were made by August 31, 2016.

Some employees took the early payouts, which were discounted from the current financial statement carrying values. As a result, for those members who took the voluntary retirement gratuity early payout option, the board's employee future benefit liability decreased by \$11,123. This included a payout of \$8,893 and an experience gain of \$2,230.

Retirement gratuities and early retirement incentives paid were as follows:

	<b>2016</b>	<b>2015</b>
	\$	\$
Elementary staff	<b>7,270</b>	4,702
Secondary staff	<b>5,537</b>	2,783
Other staff	<b>2,303</b>	243
	<b>15,110</b>	7,728

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

In 1995, the Board established a retirement gratuity reserve to fund the retirement gratuity liability for all new teachers hired since 1995, which forms part of the Board's appropriated accumulated surplus. As at August 31, 2016, the internally appropriated accumulated surplus amounted to \$12,268 (2015 - \$24,537).

Some employees of the Board, upon application, are eligible for the early retirement incentive plan. This option may be granted when approved by the Board and consists of a one-time payment based on the plan design for the employee group. The plan design includes payments based upon the year of eligibility for an unreduced pension and age of the employee. Payments range from \$2 to \$10 or are based on a percentage of salary from 5% to 25%. Payments are typically paid on January 1 of the year following retirement. Included in the \$15,110 (2015 - \$7,728) amounts listed above is an amount of \$201 (2015 - \$130) pertaining to this plan.



# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

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

#### *Retirement benefits (continued)*

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

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums are based on the Board experience and retirees' premiums are subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements.

#### *c) Ontario teachers' pension plan*

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

#### *d) Ontario municipal employees retirement system*

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

The plan provides defined benefit pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. The Board contributions for the year amounted to \$22,108 (2015 - \$21,633). 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.

#### *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. 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 \$737 (2015 - \$685).

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, 2016 and is based on the average daily salary and banked sick days of employees as at August 31, 2016.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

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

*Other employee future benefits (continued)*

#### *d) Health care and dental benefits*

The Board sponsors a separate plan for retirees to provide group health care and dental benefits. 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 included in the Board's consolidated financial statements.

#### *Benefit plan future changes*

Currently, the Board provides health, dental and life insurance benefits for certain employees and retired individuals from school boards and has assumed liability for payment of benefits under these plans. As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, Employee Life and Health Trusts (ELHTs) will be established in 2016-17 for the following employee groups: PSSP, CUPE and non-unionized employees including principals and vice-principals. The ELHTs will provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits will be provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Starting September 1, 2017, the Board will no longer be responsible to provide benefits to the above mentioned groups. The Board will transfer to the ELHTs an amount per full-time equivalency (FTE) based on the 2014-15 actual benefit costs plus 8.16% representing inflationary increases for 2015-16 and 2016-17. In addition, the Ministry of Education will provide an additional \$300 per FTE for active employees to the school board. These amounts will then be transferred to the Trust for the provision of employee and retiree benefits.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

### 6. Net debenture debt

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

	2016	2015
	\$	\$
OFA 2008 Debenture, New Pupil Places Stage 1 4.86 %, 25-year debenture, maturing June 27, 2033	166,278	172,392
OSBFC 2006 A1 Debenture 5.070%, 25-year debenture, maturing April 18, 2031	147,935	154,391
OSBFC 2001 A2 Debenture, Sinking Fund 6.25%, 15-year debenture, maturing October 19, 2016	150,000	150,000
OFA 2010 Debenture, New Pupil Places 4.947%, 25-year debenture, maturing May 15, 2035	77,423	79,835
OSBFC 2004 A1 Debenture 5.48%, 25-year debenture, maturing November 26, 2029	69,900	73,322
OFA 2016 Debenture, New Pupil Places 3.242%, 25-year debenture, maturing March 15, 2041	42,512	-
OFA 2006 Debenture, Good Place to Learn 4.56%, 25-year debenture, maturing November 15, 2031	35,375	36,917
OFA 2010 Debenture, Good Places to Learn/Primary Class Size/ Prohibitive to Repair 5.232%, 25-year debenture, maturing April 13, 2035	34,629	35,682
OFA 2008 Debenture, Good Places to Learn/Primary Class Size 4.90%, 25-year debenture, maturing March 3, 2033	31,250	32,426
OFA 2009 Debenture, Good Places to learn/Primary Class Size 5.062%, 25-year debenture, maturing March 13, 2034	26,998	27,914
OFA 2015 Debenture, New Pupil Places 2.993%, 25-year debenture, maturing March 9, 2040	14,043	14,442
OFA 2013 Debenture, Good Places to learn Stages 1, 2 and 3 3.663%, 25-year debenture, maturing June 25, 2038	9,101	9,365
	<b>805,444</b>	<b>786,686</b>
Less: sinking fund assets	<b>43,253</b>	<b>39,128</b>
Net debenture debt	<b>762,191</b>	<b>747,558</b>

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

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### 6. Net debenture debt (continued)

Included in net debenture debt are outstanding sinking fund debentures of \$150,000 (2015 - \$150,000) secured by sinking fund assets with a carrying value of \$43,253 (2015 - \$39,128) (market value - \$45,426; 2015 - \$40,879). Sinking fund assets comprise short-term notes and deposits, government and government-guaranteed bonds and debentures and corporate bonds.

The terms of the sinking fund agreement require equal annual principal payments, as required by the Municipal Act.

Interest on net debenture debt amounted to \$40,834 (2015 - \$41,162).

### 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 \$225,000 and as of year-end had borrowings against these facilities \$103,215 (2015 - \$97,838). 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 \$2,086 (2015 - \$2,654) 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.

### 8. Debt charges and interest

	2016	2015
	\$	\$
Principal payments on net debenture debt, including contributions to sinking funds	<b>25,806</b>	24,280
Interest payments on net debenture debt	<b>40,813</b>	41,362
Interest payments on temporary financing of capital projects	<b>1,618</b>	1,643
Interest payments on temporary financing of operating expenses	<b>14</b>	-
	<b>68,251</b>	67,285

Included in debt repayment and sinking fund contributions on the consolidated statement of cash flows in total of \$27,879 (2015 - \$25,583) are principal payments on net debenture debt, including contributions to sinking funds of \$25,806 (2015 - \$24,280) and sinking fund interest revenue of \$2,073 (2015 - \$1,303).

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

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### 9. Education development charges

Effective June 2009, the Board and the Dufferin-Peel Catholic District School Board passed by-laws to collect development charges for the purchase of new sites within the Region of Peel. Effective June 2014, the Board and the Dufferin-Peel Catholic District School Board passed by-laws which replaced the previously effective by-laws. The levies collected by the municipalities are forwarded to the school boards' monthly. During the year, \$17,413 (2015 - \$27,082) 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. Expense by object

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

	<b>Budget 2016</b>	<b>Actual 2016</b>	Actual 2015
	\$	\$	\$
Salary and wages	1,227,541	1,242,634	1,183,814
Employee benefits	192,487	193,587	183,757
Staff development	5,603	4,590	6,775
Supplies and services	83,257	75,135	78,272
Interest charges on capital debt	40,466	42,452	42,805
Rental expenditures	3,721	2,463	2,602
Fees and contract services	72,631	72,359	71,313
School-generated funds	32,500	28,827	31,133
Other	4,543	3,105	1,850
Amortization of tangible capital assets	75,938	74,852	71,730
	<b>1,738,687</b>	<b>1,740,004</b>	1,674,051

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

### 11. Tangible capital assets

	Cost					Accumulated amortization					Net book value	
	Opening September 1, 2015	Additions	Disposals/ deemed disposals	Transfer to (from) CIP	Assets removed from service	Closing August 31, 2016	Opening September 1, 2015	Amortization	Disposals/ deemed disposals	Assets removed from service	Closing August 31, 2016	August 31, 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	407,848	21,103	-	237	-	429,188	-	-	-	-	429,188	407,848
Land improvements	20,020	1,855	-	-	-	21,875	6,403	1,532	-	7,935	13,940	13,617
Buildings and building improvements	2,122,790	33,831	-	27,296	(1,297)	2,182,620	608,206	62,786	-	(617)	670,375	1,514,584
Portable structures	29,848	-	3,943	-	-	25,905	19,751	1,459	3,943	-	17,267	8,638
First-time equipping	51,065	3,360	4,887	-	-	49,538	23,264	5,030	4,887	-	23,407	26,131
Furniture	1,407	228	175	-	-	1,460	897	143	175	-	865	595
Equipment	6,359	735	3,116	-	-	3,978	4,222	811	3,116	-	1,917	2,061
Computer hardware	12,475	475	519	-	-	12,431	6,035	2,491	519	-	8,007	4,424
Computer software	1,641	23	83	-	-	1,581	804	322	83	-	1,043	538
Vehicles	2,277	64	-	-	-	2,341	1,908	152	-	-	2,060	281
Asset permanently removed from service	7,111	-	-	-	1,297	8,408	3,082	-	-	617	3,699	4,709
Leasehold improvements	1,799	-	-	-	-	1,799	1,387	126	-	-	1,513	286
Construction-in-progress (CIP)	40,485	66,331	-	(27,533)	-	79,283	-	-	-	-	79,283	40,485
<b>Total</b>	<b>2,705,125</b>	<b>128,005</b>	<b>12,723</b>	<b>-</b>	<b>-</b>	<b>2,820,407</b>	<b>675,959</b>	<b>74,852</b>	<b>12,723</b>	<b>-</b>	<b>738,088</b>	<b>2,082,319</b>

a) *Assets under constructions*

Assets under construction having a value of \$79,283 (2015 - \$40,485) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) *Write-down of tangible capital assets*

There was \$Nil write-down of tangible capital assets during the year (2015 - \$Nil).

c) *Assets permanently removed from service*

The Board has three (2015 - two) building properties that qualify as assets permanently removed from service. The net book value ending balance as of August 31, 2016 includes \$4,709 (2015 - \$4,029) of assets permanently removed from service.

d) *Sale of assets*

There were no sales of assets in 2015 or in the current year.

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

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### 12. Trust funds

Trust funds administered by the Board amounting to \$1,300 (2015 - \$1,343) 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, 2017.

#### b) Other

The general public liability coverage for the Board is held by a public insurance company with a limit of \$5,000 per occurrence with a General Annual Aggregate of \$25,000. This policy is renewed annually and the current three-year term expires on April 1, 2019.

### 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, 2016, amounted to approximately \$19,067 (2015 - \$52,845). 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.

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, 2016 for premises and equipment leases are as follows:

	\$
2016-2017	914
2017-2018	875
2018-2019	264
	<hr/> 2,053

# Peel District School Board

## Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

### 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:

	2016		2015	
	Total	Board's portion	Total	Board's portion
	\$	\$	\$	\$
Operations				
Revenue	59,740	40,000	59,821	39,859
Expenses	60,604	42,212	58,630	40,687
Annual (deficit) surplus	(864)	(2,212)	1,191	(828)

### 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 financial position.

### 17. Comparative figures

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

### 18. Subsequent events

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 \$101,226 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. This value is based upon the performance on the sinking fund assets. The shortfall of \$3,253 will be funded by the Board Accumulated Surplus.