

**Audit Committee Meeting – Public Session**  
December 5, 2016 – 5:00 p.m.  
Head Office of the Near North District School Board  
963 Airport Road, North Bay, ON

**Committee Members Present**

James Beatty, Committee Chair (Videoconference)  
Michelina Beam, Trustee  
Gary Jodouin, External Member  
Judy Kleinhuis, External Member  
David Thompson, Trustee

**Absent with Regrets**

Melissa Dodge, Regional Internal Audit Manager

**Staff Present**

Liz Therrien, Superintendent of Business  
Lianne Bettiol, Executive Assistant  
Wende Proulx, Manager of Finance  
Jackie Young, Director of Education

**Guests**

Alan Bottomley, Trustee  
Dean Decaire, BDO Dunwoody  
Harold Fry, Trustee  
Theresa Graham, BDO Dunwoody  
Corine Green, Trustee (Videoconference)  
Paul Moffat, Trustee  
Louise Sargent, Trustee

**1.0 OPENING – PUBLIC SESSION**

**1.1 Welcome and Call to Order**

Committee Chair Jim Beatty called the meeting to order at 5:02 p.m. and welcomed Trustees to the Audit Committee Meeting. Trustees were invited as participants to receive an update from BDO, External Auditors, on the Draft Audited Financial Statements and introduced our external Committee members Gary Jodouin and Judy Kleinhuis to the Trustees.

**1.2 Adoption of the Agenda**

2016-12-01 *Moved by Trustee Michelina Beam, seconded by Trustee David Thompson that the agenda for Public Session be approved as presented.*

**CARRIED**

**1.3 Declaration of Conflict of Interest**

No Declaration of Interest declared.

**1.4 Adoption of the Previous Minutes of Proceedings of Public Session**

2016-12-02 *Moved by Trustee Michelina Beam, seconded by External Member Gary Jodouin that the Committee approve the Audit Committee minutes as presented for the Public Session held on October 19, 2016.*

**CARRIED**

## 2.0 CLOSED SESSION

2016-12-03 *Moved by External Member Judy Kleinhuis, seconded by Trustee David Thompson, that the Audit Committee move into Closed Session at 5:06 p.m.*

CARRIED

## 3.0 RATIFICATION OF BUSINESS TRANSACTED IN CLOSED SESSION

2016-10-08 *Moved by Trustee Michelina Beam, seconded by External Member Judy Kleinhuis that the Audit Committee ratify the following item from Closed Session:*

- *Final Report to the Audit Committee & August 2016 Audit Results*

CARRIED

## 4.0 ITEMS FOR DISCUSSION AND/OR ACTION

### 4.1 Management Report and Draft Audited Financial Statements *Liz Therrien, Superintendent of Business*

Superintendent Therrien provided an overview of the Draft Audited Consolidated Financial Statements for year ended August 31, 2016 as follows:

#### **Management Report:**

- The preparation of consolidated financial statements is the responsibility of management.
- The consolidated financial statements have been prepared in accordance with the basis of accounting as described in the summary of significant accounting policies attached the consolidated financial statements.
- The preparation of consolidated financial statements involves the use of estimates based on management's judgment.
- Board management maintains a system of internal control to ensure 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 the preparation of the consolidated financial statements.
- The Audit Committee meets with the external auditors to review the financial statements and to discuss any significant financial reporting or internal control issues prior to their approval of the financial statements.
- The consolidated financial statements have been audited by BDO Canada, LLP

#### **Statement of Financial Position:**

#### **Investments:**

- Increase in investments of \$368,215 attributable to recording restricted assets of Charity Works on the books of the Near North District School Board.

**Accounts Receivable:**

- Accounts receivable balance is comparable to the previous year.
- Receivables include amounts due from municipalities in regard to tax revenue, amounts due from Province of Ontario, HST rebates, and tuition fees for tuition paying students and other.
- Variance is primarily attributable to an increase in amount due from Province of Ontario and decrease in HST rebates.

**Accounts Receivable – Government of Ontario:**

- Accounts receivable from Government of Ontario represents amounts receivable in regard to capital expenditures
- Increase due to timing of payments from the Ministry for such capital projects as Woodland Public School, Parry Sound Public School, Almaguin Secondary, Good Places to Learn, FDK capital projects and School Condition Improvement expenditures
- Increase attributable to \$1,992,291 due for Parry Sound Public School, \$400,000 due for FDK and \$2,506,809 due for School Condition Improvement projects after taking into account \$1,911,885 received during the year to cover principal payments for any OFA debt
- Such projects as Woodland Public School and School Condition Improvement expenditures will be cash flowed to the Board twice per year with the remainder of Parry Sound Public School being the last debenturing of debt through the OFA.

**Assets Held for Sale:**

- Decrease due to prior year Assets Held for Sale of Tweedsmuir and Marshall Park Public Schools being sold with the only Asset Held for Sale now being Victory Public School.

**Temporary Borrowing:**

- Temporary borrowing fluctuates with the need of the Board accessing its operating line of credit.

**Accounts Payable and Accrued Liabilities:**

- Increase in accounts payable and accrued liabilities due to timing of payment of invoices and cut off of accounts payable; mostly construction accruals.
- Manager of Finance also communicated increase due to the fact that the Board migrated to a new accounting system, K212, which resulted in a period of several weeks over the latter part of the summer not being able to process invoices which resulted in a significant number of invoices having to be manually accrued at year end. Further there was a period of time whereby manual cheques needed to be written as a result of this planned accounting conversion.

**Net Debenture Debt and Capital Loans:**

- Decrease attributable to principal payments made on long-term debt in the amount of \$1,911,886 as well as additional debt for Almaguin Secondary School and Good Places to Learn being debentured during the year in the amount of \$1,682,180.

**Deferred Revenue:**

- Decrease due to School Condition Expenditures incurred in the amount of \$1,615,943 drawing down prior year deferred revenue balances. A School Board must first draw down any prior year unspent monies before accessing in-year allocations for School Condition Improvement.

**Deferred Capital Contributions:**

- Deferred capital contributions represent monies received from the Ministry for tangible capital assets. When expenses are incurred with regard to capital expenditures, the tangible capital asset is recorded on the books with the revenues for such capital recorded in deferred capital contributions.
- The balance of deferred capital contributions closely matches the balance in Non-Financial Assets of tangible capital assets.
- Amounts are recognized into revenues as liability is extinguished over the useful life of the asset. Deferred capital contributions is drawn down at the same rate as amortization is recorded on tangible capital assets. Any decreases in assets due to disposal are also recorded through deferred capital contributions.

**Employee Future Benefits Payable:**

- Majority of payables are for future obligations in regard to retirement gratuities payable as well as sick leave and WSIB. Retirement gratuities payable are recorded at a discounted value for those employees who were eligible to receive a retirement gratuity as of August 2012 based on having ten years of service.
- New this year was the option that was provided to all unionized and non-union employees to receive early payout of their retirement gratuity at a discounted value. This Voluntary Retirement Gratuity Payout provision was offered to all union and non-unionized school board employees including principals, vice-principals, professional staff and senior administration with payments to be made by August 31, 2016, with the exception of CUPE who would receive payout on the first pay of September, although accrued at year end. Total value of this early retirement gratuity payout was in the amount of \$771,008.
- Overall decrease in liability resulted from payment of retirement gratuities in the amount of \$1,784,069 for those employees who have retired from the Board, \$771,008 payout of early gratuity payouts and Workers' Compensation payments of \$247,461.
- Also included in this liability is interest obligation on retirement gratuities and sick leave liability.

**Total Accumulated Surplus: \$3,601,804.**

**Consolidated Statement of Operations:**

- Budget 2016 is not audited and represents the original budget as approved by the Board for the 2015/2016 school year as established in June of 2015.
- Important to note that when establishing budget for the 2015/2016 school year, wage freezes were to carry over from the prior year resulting in no increases to any benchmarks for salary increase in the annual grants as well as no increases in expenditures for the 2015/2016 school year

- However during the 2015/2016 school year funding was provided for wage increases for all employees of the Board with the exception of senior administration in the form of a 1% lump sum payment as well as full restoration of all grid placements versus recognition of movement on grids on the 97<sup>th</sup> day of the school year.
- Actual increases in grants due to increase in overall enrolment in the amount of 115 students over and above projected enrolment.

### **Revenues:**

#### **Provincial Legislative Grants:**

- Increase from Budget due to increase in enrolment which increases such grants as Pupil Foundation Grant, Special Education Grant and School Operations Grant. Also due to collective bargaining in that all benchmarks increased for 1% lump sum payments in 2015/2016 as well as full restoration on grids now funded.
- In comparison to the prior year down due to first year of financial reforms to address excess capacity and in the prior year there was no increases in wage benchmarks due to salary freeze. Provincial Legislative Grants are comparable

#### **Provincial Grants – Other:**

- We have an Agreement with Nipissing First Nations for reverse tuition fees.
- Variance between actual and budget attributable to included in actual revenues is reverse tuition revenue in the amount of \$741,000 for 2015/2016 which is not budgeted for as well as in-year adjustment for prior year GSN adjustment for Special Education in the amount of \$90,000. In the current year reverse tuition fees were recorded in Provincial Grants – Other as opposed to prior year reverse tuition fees were recorded in Other Fees and revenues in the amount of \$261,766
- In the current year three (3) semesters of reverse tuition fees were recorded versus only one (1) semester in the prior year.

#### **Federal Grants and Fees:**

- Represents fees charged to tuition paying students.
- Decrease result of actual enrolment down by 14 students in comparison to projected enrolment.

#### **Other Fees and Revenues:**

- Variance from budget to actual due to fact that when preparing budget only those external grants and revenues that are known with 100% certainty are budgeted for. However during any given year there is a significant amount of externally funded grants that are received subsequent to budget. Further budget does not include consolidation or release time recoverable revenues over and above secondment revenues expected.

#### **Other Revenues – School Boards:**

- Previous year included in this reporting line revenues from School Boards for all revenues such as assessment revenue, Consortium benefits and snowplowing, etc where in both the Budget and Actual columns reporting only those revenues from School Boards for shared facilities.

- In the current year all revenues from School Boards over and above revenues generated from Shared Facilities is reported in Other Fees and Revenues line.
- Trustee Beam questioned if such revenues from other School Boards of approximately \$120,000 in the current year is included in Other Fees and Revenues line, why is the current revenue for Other Fees and Revenues in the amount of \$3,024,717 so comparable to the prior year of \$3,027,599. Superintendent Therrien relayed that we would need to look into the details of what is reported in Other Fees and Revenues and report back.

**School Generated Funds:**

- Fairly comparable to budget and prior year noting that in both 2015/2016 as well as 2014/2015 there were labour sanctions which effect fund raising at schools.
- Trustee Bottomley questioned the amount schools are bringing in and how much detail is provided. As per Superintendent Therrien, the KEV accounting system used to track School Generated Funds does give Finance the ability to review revenues and expenditures.

**Expenses:**

**Instruction:**

- Instruction expenses include expenses for classroom teachers, supply costs, educational assistants, early childhood educators, texts and learning materials, computers, paraprofessional staff, library and guidance, staff development, principals and vice-principals, school office including secretarial staff, coordinators and continuing education.
- Actual variance from budget due to 1% lump sum wage increase payments, full restoration and movement on salary grids as well as increase to staffing due to September reorganization to ensure compliance with class size legislation and collective agreements.
- Variance from prior year planned due to staffing reductions

**Administration:**

- Budget comparable to prior year.
- Variance between actual and budget attributable to increased costs due to replacement and Workers' Compensation. .
- The Board however is compliant with regard to Business Administration expenses.

**Transportation:**

- Transportation expenditures are comparable to prior year.
- Decrease in transportation expenditures from budget due to savings from routing efficiencies and fact that no fuel-escalator payments during the 2015/2016 which were budgeted for. In fact actual transportation expenses included a fuel de-escalator payment as a result of lower diesel prices during 2015/2016.

**Pupil Accommodation:**

- Pupil Accommodation includes school and facility operation expenses, operating school renewal expenses, amortization of facility assets including buildings as well as interest costs on long-term debt.
- Increases in actual expenditures compared to budget and prior year due to under-estimating amortization as budgeted \$6,305,000 and actual \$7,395,000. Trustee Beam inquired as to how this could be. Manager of Finance provided additional insight that can only estimate amortization based on what is known and provided at time of budget. Manager of Finance further explained though that included in this reporting line is assets being taken off the books and disposed of and resulting losses.
- Plant facilities operating budget did have under-expenditures of approximately \$448,000.

**Other:**

- Included in budget of \$493,202 is \$393,202 payment to 55 School Board Trust plus \$95,000 agency fees payable to Muskoka Language International for international tuition paying students.
- Actual Other Expenses of \$1,681,140 include Registered Charity consolidation \$241,954; Transportation consolidation \$130,060; agency fees \$91,426, reverse tuition payments \$741,498; 55 School Board Trust payment \$393,202 and litigation of \$81,000.
- Prior Year Other Expenses of \$1,044,239 include Registered Charity consolidation \$184,283; Transportation consolidation \$110,337; agency fees \$94,652, reverse tuition payments \$261,765 and 55 School Board Trust payment \$393,202.

**Year End Operating Surplus:**

- Year-end operating surplus reported in Statement of Operations of \$2,875,637.
- Superintendent Therrien drew everyone's attention to document entitled "Reconciliation of Annual Surplus for Accounting Purposes to Surplus for Ministry Compliance Purposes" and reviewed with Audit Committee.
- Operating surplus for compliance purposes is \$817,834
- Must always plan at a minimum for surplus to cover off phase-in expense of gratuities of approximately \$1,700,000 per annum.
- School generated funds are not taken into account when calculating year end surplus for Ministry compliance purposes and therefore expenses of \$2,837,105 are added back and revenues of \$2,804,500 are deducted off accounting surplus.
- Further any revenues received from the Ministry for acquisition of land or site improvements although included in revenue are not available for Board spending and are recorded in account Revenues Recognized for Land.
- Also included in revenues is approximately \$368,000 of monies as a result of putting on books restricted investments of Charity Works.

**Summary of Significant Accounting Policies:**

Summary of Significant Accounting Policies found in pages 8 through 14 of the financial statements include the following:

- Basis of Accounting
- Reporting Entity
- Trust Funds
- Cash and Cash Equivalents

- Deferred Revenue
- Deferred Capital Contributions
- Retirement an Other Employee Future Benefits
- Tangible Capital Assets
- Government Transfers
- Investment Income
- Budget Figures
- Use of Estimates

**Notes to Consolidated Financial Statements:**

Notes to financial statements can be found on pages 17 through 28 of the financial statements and are meant to provide supplementary and more detailed information to Statement of Financial Position and Statement of Operation. Although Superintendent Therrien did not review the notes in detail she did ask if anyone had any questions as she would be more than please to respond. No questions were asked.

During presentation of Consolidated Statement of Financial Position and year end Accumulated Surplus in the amount of 3,601,804, Superintendent Therrien did draw everyone's attention to Note 10 to the Financial Statements where the Board's year-end Accumulated Surplus is broken down by category of Unappropriated, Internally Appropriated and Unavailable for Compliance as well as Note 12 – Expenses reported by Object:

- Registered Charity of \$874,309 can only be used by Charity Works.
- Committed Capital Projects of \$767,091 represents commitment of Board of Trustees to fund out of Accumulated Surplus certain capital projects which were not funded by the Ministry. These would include Chippewa alternation work done to receive Grade 7 and 8 students; Laurentian Public School retrofit for Laurentian Learning Centre as well as FJM 2020 technology project. Committed Capital Projects is drawn down annually in the amount of approximately \$100,000 for amortization of these assets with the amortization expense funded by Accumulate Surplus.
- School Renewal amount of \$589,805 will be brought forward to a future Board of Trustees meeting for consideration to expend or return to Accumulated Surplus.
- Unavailable for Compliance includes: Revenue recognized for land; School Generated Funds as well as the need to fund over the next 5.6 years Employee Future Benefits expenses.

*2016-12-03 Moved by Trustee Michelina Beam, seconded by External Member Judy Kleinhuis that the Audit Committee recommend to the Board of Trustees to approve the Draft Audited Financial Statements for year ended August 31, 2016 as presented/amended at the Audit Committee Meeting of December 5, 2016.*

**CARRIED**

On behalf of the Audit Committee and the Board of Trustees, Chair Beatty recognized the work by Dean Decaire and Theresa Graham of BDO Dunwoody and work carried out by Superintendent Liz Therrien and Manager of Finance, Wende Proulx, as well as the Finance Department for completing a clean audit with tight deadlines.

Trustee Thompson questioned duration of appointment terms for Audit Committee members as per Ontario Regulation and encouraged other trustees to consider sitting on the Audit Committee.

*Action: Jim Beatty/Liz Therrien: Verify as per Ontario Regulation for Audit Committees duration of terms of appointment for Audit Committee members*

**5.0 ADJOURNMENT**

2016-12-09      *Moved by Trustee Michelina Beam, seconded by External Member Gary Jodouin that the Public/Private Audit Committee Meeting of December 5, 2016 adjourn at 7:02 p.m.*

*CARRIED*

Jim Beatty  
Committee Chair

Jackie Young  
Director of Education