

A meeting of the Audit Committee was held in the Barry C. O'Connor Board Room at the Limestone Education Centre, 220 Portsmouth Avenue, Kingston, ON on Monday, September 10, 2018, at 5:30 p.m.

Present:

Trustee L. French
Members: T. Mahoney – absent due to sanction
S. Ruttan

Community A. Young
Members: F. Tan

Officials: P. Babin, Superintendent of Business Services & Treasurer
M. Baumann, Manager, Financial Services
D. Rantz, Director of Education

Others: L. Huber, Partner, KPMG

Recorder: L. Strange, Records Management Coordinator

Trustee French called the meeting to order at 5:30 pm.

Acknowledgement of Territory:

"The Limestone District School Board is situated on the traditional territories of the Anishinaabe and Haudenosaunee. We acknowledge their enduring presence on this land, as well as the presence of Métis, Inuit and other First Nations from across Turtle Island.

We honour their cultures and celebrate their commitment to this land."

Approval of Agenda

MOVED BY: A. Young, that the agenda, as presented, be approved. Carried.

Declaration of Conflict of Interest

No committee members declared a conflict of interest.

Motion to Private Session

MOVED BY: Trustee Ruttan, that the meeting move into Private Session.

Information Items

1. Report on Draft 2017-2018 Consolidated Financial Statements

Superintendent Babin provided an overview of the Draft 2017-2018 Consolidated Financial Statements.

MOVED BY: A. Young, that the report be received.

2. Audit Findings Report

L. Huber, KPMG manager, provided an overview of the Audit Findings Report.

MOVED BY: Trustee Ruttan, that the Audit Findings Report be received. Carried.

Committee to Rise and Report

MOVED BY: Trustee Ruttan, the committee Rise and Report to Public Session. Carried.

Public Session

Action Items

3. Presentation of Draft 2017-2018 Consolidated Financial Statements

Manager Baumann presented the Draft 2017-2019 Consolidated Financial Statements.

For the Consolidated Statement of Financial Position the significant variances year over year are:

- a) Cash had an increase of \$13.4 million from prior year.
- b) Accounts Receivable: Government of Ontario had an increase of \$5.6 million due to change in year over year spending April to August on capital expenditures under Capital Priorities (up \$8.2 million Kingston Secondary School); School Condition Improvement (up \$3.9 million); Green House Gas Reduction (down \$1.6 million); Community Hubs (up \$.6 million) and Child and Family Spaces (up \$1.2 million) (Note 2, page 11) offset by \$6.7 million principal payments received. RBC loan was repaid in November 2017.
- c) Accounts Receivable: Other had a decrease of \$2.3 million due to a decrease of \$1.3 million receivable from Tri-Board and \$1.0 million receivable from the Ministry for HST.
- d) Temporary Borrowing had an increase of \$9.2 million due to an increase in short-term borrowing to finance spending on construction costs for Kingston Secondary School (\$7.4 million) and School Condition Improvement projects (\$1.8 million) (Note 3, page 11).
- e) Accounts Payable and Accrued Liabilities had an increase of \$7.7 million due to payroll statutory deductions payable as a result of timing of last pay in the year and the increase in capital project and holdback accruals year over year. Capital project and holdback accruals for Kingston Secondary School new this year.
- f) Net Long-term Liabilities had a decrease by \$6.7 million due to principal payments (Note 8, page 18 to 20).
- g) Deferred Revenue had an increase of \$4.3 million due to \$2.5 million increase in unspent School Renewal funding and \$1.6 million increase in proceeds of disposition due to sale of First Avenue Public School. Renewal projects were delayed to accommodate deadlines around other capital projects to be able to keep Ministry funding (Green House Gas Reduction, Community Hubs and Child and Family Spaces). Not a similar restriction on renewal funding (Note 5, page 16 and 17).

h) Deferred Capital Contributions had an increase of \$19.8 million due to \$35.1 million in additions offset by amortization of \$15.3 million. (Note 6, page 17)

i) Tangible Capital Assets had an increase of \$21.0 million due to acquisitions of \$36.4 million net of amortization of \$15.4 million. (Note 13, page 22 and 23) and (Consolidated Statement of Change in Net Debt, page 3).

j) Prepaid expenses had an increase of \$.5 million due to prepayment of September ELHT benefits payable for CUPE and non-union life, health and dental benefits.

For the Consolidated Statement of Operations and Accumulated Surplus there is an in-year surplus of \$4.2 million as compared to the budgeted surplus of \$1.5 million. The favorable \$2.7 million variance primarily a result of increased grants stemming from higher enrolment than anticipated at March 31, higher investment income due to bank interest rate increases, lower supply staff replacement costs incurred versus trending projections, lower benefit costs due to provincial delays in transitioning employee groups to various Employee Life Health Trusts (ELHT, lower WSIB costs experienced as compared to actuarial evaluation; and ordering/timing delays in replacing facility vehicles.

Manager Baumann highlighted the changes/additions in the following Notes:

Note 1(h): Significant Accounting Policies – Retirement and other Employee Future Benefits- (Page 8)

- 2nd sentence of 2nd paragraph added to note that the following Trusts were established in 2017-2018, CUPE-EWBT and ONE-T for non-unionized employees including principals and vice-principals.
- 5th sentence updated to note the dates that each employee group transitioned to the trust.
- 3rd paragraph had the following added at the start, “depending on prior arrangement and employee group” and removed reference to CUPE and non-unionized employees including principals and vice principals.

Note 3: Temporary Borrowing (Page 11)

- 1st paragraph pertaining to revolving term loan for “Molly Brant Elementary School” was removed since there is no longer any capital spending for the construction of the school.

Note 4(a) (ii): Employee Benefits Liability – retirement gratuities and benefits, post-retirement benefits and workers’ compensation – post-retirement benefits (Page 13)

- Last sentence in 1st paragraph was added to note accumulated surplus has been internally appropriated for this liability.

Note 4(a) (iv): Employee Benefits Liability – retirement gratuities and benefits, post-retirement benefits and workers’ compensation – sick leave benefits (Page 15)

- Last sentence in 2nd paragraph was added to note accumulated surplus has been internally appropriated for this liability.

Note 12: Funds Held in Trust (Page 22)

- Note was removed since it was no longer applicable.

Note 17: Accumulated Surplus (page 25)

Displays how the in-year surplus of \$4.2 million is distributed amongst the various categories of available and unavailable for compliance:

- a) \$.1 million increase in unappropriated surplus
- b) \$.9 million increase in pupil accommodation and school renewal
- c) \$.3 million increase in school budget
- d) \$.1 million decrease in technology infrastructure
- e) \$1.7 million decrease in employee future benefits deficit
- f) \$1.3 million increase to revenue recognized for land

At the accumulated level:

- \$15.9 million of available for compliance surplus is comprised of:

- a) \$2.6 million unappropriated
- b) \$3.1 pupil accommodation and school renewal
- c) \$3.2 million committed capital projects
- d) \$2.7 million school budget balances
- e) \$.3 million technology infrastructure
- f) \$1.4 million retirement benefits
- g) \$2.6 million WSIB

- \$(1.8) million of unavailable for compliance deficit is comprised of:

- a) \$(8.9) million employee future benefits
- b) \$(.9) million accrued interest
- c) \$3.4 million school generated funds
- d) \$4.6 million tangible capital assets – represents land

Note 18: Adoption of New Accounting Standards (Page 26)

- Note was added to note that on September 1, 2017 the Board adopted Canadian public sector accounting standards PS 2200 Related Party Disclosures, PS 3420 Inter-entirety Transactions, PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights.
- The adoption of these standards did not result in an accounting policy change for the Board, and did not result in any adjustments to the consolidated financial statements as at September 1, 2017.

Superintendent Babin explained that that the Province developed the new Employee Health Trusts under the assumption that each Board's rates would go up 4% per year. LDSB was below this assumption with its Manulife plan.

It was confirmed that the new ELT are province wide, not by individual board.

MOVED BY: A. Young,

1) That the Audit Committee recommend to the Board approval of the audited consolidated financial statements for the year ended August 31, 2018.

2) That the 2017-2018 consolidated financial statements be filed with the Ministry of Education and posted on the Board website subject to the approval at the November 14, 2018 Board meeting. Carried.

4. Audit Committee Annual Draft Report to the Board

The members reviewed the report, which summarizes the actions of the Limestone District School Board Audit Committee for the year ended August 31, 2018. This report will be presented to the Board of Trustees, and a summarized version sent to the Ministry of Education.

MOVED BY: Trustee Ruttan, that the Audit Committee Annual Report to the Board, as presented, by approved. Carried.

Other Business

Director Rantz thanked Superintendent Babin for his hard work, recognizing that this is his last Audit Committee due to his retirement in January 2019.

Next Meeting Date

May 6, 2019

Adjournment

MOVED BY: Trustee Ruttan, that the meeting adjourn. Carried.

The meeting adjourned at 6:45 p.m.