

York Catholic District School Board

MINUTES AUDIT COMMITTEE (Regular Session)

A Regular session of the Audit Committee was held at 320 Bloomington Road West, Aurora, ON and virtually via Google Meets, on Tuesday, November 10, 2020, commencing at 5:25 p.m.

PRESENT:

Committee Members:	R. Cantisano, C. Cotton*, M. Iafrate
Other Trustees:	E. Crowe, J. Ecker, D. Giuliani* M. Marchese, D. Mazzotta*, J. Wigston
External Committee Member:	A. Rocha*
Administration:	M. Battista, A. Yeung, J. Tsai*, N. Di Nardo*, L. Giambattista*, M. Gray, D. Clapham*, N. Jugnundan*, T. Pechkovsky*, L. Sawicky*, O. Oloya*, W. Kwon*
RIAT Team:	P. Hatt, Regional Internal Audit Manager*
Absent with Notice:	
Recording:	K. Errett
Presiding:	M. Iafrate, Committee Chair

[denotes attendance via Google Meets]*

1. CALL TO ORDER AND PRAYER

Trustee M. Iafrate, Committee Chair, called the meeting to order, led the opening prayer and read the York Catholic District School Board Land Acknowledgement.

2. APPROVAL OF NEW MATERIAL

Nil

3. APPROVAL OF THE AGENDA

Motion: Cantisano/Cotton

THAT the Agenda be approved as presented.

– MOTION CARRIED –

4. APPROVAL OF THE MINUTES

Trustee Iafrate highlighted a correction on the minutes to remove the attendance of Grant Thornton as Other Guests.

Motion: Cotton/Rocha

THAT the Minutes of the September 29, 2020 Audit Committee meeting be approved with the deletion of Grant Thornton from Other Guests.

– MOTION CARRIED –

5. DECLARATION OF CONFLICT OF INTEREST

Nil

6. BUSINESS ARISING FROM THE MINUTES OF THE PREVIOUS MEETING

Nil

7. NEXT MEETING DATE: April 27, 2021**8. PRESENTATION ITEMS:****a) 2019-2020 YEAR-END FINANCIAL STATEMENTS REVIEW****i. POWERPOINT “AUDITED FINANCIAL RESULTS FOR FISCAL 2019-20 YEAR END”**

A. Yeung, Chief Financial Officer and Treasurer, presented the Audited 2019-20 Consolidated Financial Statements. A PowerPoint presentation entitled “*Audited Financial Results for Fiscal 2019-20 Year End*” as at November 10, 2020 was provided. A. Yeung explained the difference between the presentations provided during budget development and the PSAB accounting for external financial statements: The Financial Administration Act result in the Financial Statements versus the Ministry of Education reporting which adjusts for land and school generated funds accounts for the difference between the Financial Statements and the Ministry report. Highlights of the Financial Statements were provided.

In terms of the Statement of Financial Position, overall, the Board’s Accumulated Surplus increased from \$230M in 2019 to \$237M in 2020. Accumulated Surplus represents a combination of the Ministry compliance balance as well as Non-Available for Compliance in the Ministry’s terms, which includes items such as land revenue. For 2019-20 a Ministry Compliance In-Year Surplus of \$5.6 million was reported.

In the Statement of Operations, the comparison is between the actual column and the original budget that was passed by the Board in June of 2019. A. Yeung highlighted a variance in the Other Fees and Revenues due to the recognition of an anticipated land purchase during budget development. As the land purchase is on-going it is shown in the budget column only. Another point is the Annual Surplus included on the Statement of Operations is for external financial statement purposes which differs from the actual Ministry Compliance Surplus of \$5.6 million.

Changes to the Revenue since the Revised Estimates presentation in December 2019, were reviewed. The GSN grant, the largest portion of the Board’s revenue, included a variance reflective of the strike savings clawback of Ministry funds to correspond with labour savings generated during the strike. The funds to be returned to the Ministry, was offset by the 1% for the wage increase that was negotiated in the in the contract with the three main unions, OECTA, CUPE and OSSTF.

Other Revenue increased by \$2.5 million compared to the Revised Estimates to reflect of a decrease in revenue from e.g. rental interest, Community Use of Schools due to the COVID-19 pandemic plus an offset through the application of a retroactive grant recovery of the Teachers Qualification and Experience grant amount from the Ministry of \$4.6M.

Continuing Education revenue also decreased due to the cancellation of the summer Italy Semester Program due to the COVID-19 pandemic. A decrease to PPF and Other Grants of approximately \$800,000 is partly due to the new CUPE Support for Student funds, a grant that covers the areas of school secretaries as well as custodians. As a result of school closures related to the COVID-19 pandemic, the use of the funds will be dependent on discussions with CUPE and will be carried over to next year. PSAB Adjustments, specific to school boards, includes the Deferred Capital Contributions (DCC) amortization allocation which was the Ministry’s

Capital Grants wrap-up 10 years ago whereby the sum of Ministry grants over a 20 - 30-year range has an offsetting entry to the Tangible Capital Assets. Every year as assets are amortized there is an offsetting revenue equal to the amortization of the Deferred Capital Contribution. In terms of the Expenses, Salary and Benefits decreased by \$2.6M as noted related to the labor actions. However, the reduction in the salaries and benefits because of the labor actions are offset by an increase of 1% as negotiated in the in the contract. Other Expenses includes a \$3.7M decrease largely attributed to the COVID-19 closures due to halting various services, including transportation. This year due to mostly due to the COVID-19 savings the Board was able to achieve a surplus of \$5.5M.

For the Accumulated Surplus, there is a difference between how it has been reported for Ministry compliance purposes vs. the external financial statements. The external financial statements accumulated Surplus balance is \$237M, but not all of that is available for the Ministry compliance purposes. For Ministry compliance, revenue for land and school generated funds is excluded from the balance.

In terms of the retirement gratuities, approximately five or six years ago, the Ministry changed the policy on sick leave payout for teachers. The Ministry created a liability for accumulated sick days and boards are now required to bring that liability into our compliance results over time. In terms of the debenture interest, again, that is based on a previous Capital initiative that the Ministry asked boards to record as a liability to reduce over time. Those components total \$218 million.

Addressing an earlier question from Trustee Cotton, A. Yeung stated that annually as part of the financials statements preparation, a review of whether there is any information that has been provided to Administration from schools or from anyone within the board regarding impairment of assets. There has not been any such notice at this point to bring awareness to any impairment, therefore, there is no information reported.

A. Yeung concluded that the submission of the Board's Audited Consolidated Financial Statements would be sent to the Ministry through the Education Financial Information System (EFIS) on November 13, 2020, as required by the Ministry of Education. Further, the 2019-2020 Financial Statements will be posted on the Board website.

ii. **2019-2020 DRAFT FINANCIAL STATEMENTS**

The *York Catholic District School Board Consolidated Financial Statement for the Year-Ended August 31, 2020* were provided in the agenda.

A. Yeung thanked staff and the audit team their efforts in completing the year-end financials.

9. DISCUSSION/INFORMATION ITEMS:

a) 2019-20 Year-End Financial Report

The *2019-20 Year-End Financial Report to the Audit Committee as at November 10, 2020* provides a summary of the Year-End Financial Statements, including summary tables and explanatory comments, for information purposes.

A. Yeung noted that the Year-End Financial Report focuses on the balance sheet items and provided Trustees a walk-through of the assets and liabilities at year-end and made note of some of the information in the report.

The Statement of Financial Position reflects an increase to the Accumulated Surplus due to a \$6.9M surplus as mentioned in the earlier financial statements presentation. It was noted that the financial assets - cash position decreased over the prior year in part due to investments in GICs, however, temporary Investments has increased. Also, due to the timing of receivables on items such as HST, the outstanding receivables at the end of 2020 was higher than the previous year. Trustee Cantisano asked for an explanation about the accounts receivable. A. Yeung explained the receivable balance includes a portion received from the Ontario government of about so \$9.8M in addition to the HST and other miscellaneous receivables that made up that that balance. The Ontario government receivable is a reflection of the timing of the grant entitlement calculations versus the payments that they have made to us throughout the year. Normally after the school board submits their Financial Statements, the Ministry will look at our updated grant entitlement and compare how much they have given the Board throughout the year. At this time, the government of Ontario owes us approximately \$9.8 million.

As mentioned earlier, about 10 years ago the Ministry changed the capital funding model to recognize Tangible Capital Assets (TCA) in school boards' financial statements in order to be aligned with the external financial reporting standards, PSAB. In recording that TCA balance an offsetting grant entry is also required. The Ministry doesn't actually pay out that that grant up front, but instead, boards are required to set up a receivable to pay for remaining balances for capital constructions in the past; instead of the Board paying for that payment, the Ministry provides a grant to assist the Board to fund repayment of debentures. As the Ministry paid on the debt, the receivable balance would also decrease. The reason why the balance had increased this year is the Ministry changed its policy about a year ago to account for boards' Proceeds of Disposition (POD) balances; for Boards that have a certain amount of POD, the Ministry defers the grant payment. Last year this policy did not impact YCDSB, however, this year the board is affected by the full impact to cash flow. The \$335M in receivable includes a portion of that deferred grant payment.

In terms of the Accounts Receivable – Municipalities, a large increase compared to last year is due to the provincial government directing municipalities to defer their remittance of the educational portion of the property tax to school boards, which is approximately \$50M to York Catholic DSB. The change from last year to this year is because the municipalities paid one installment but what happened is the government has actually paid on their behalf of the municipalities. So YCDSB actually received the payment in our bank but rather than receiving from the municipalities it was received from the provincial government. The receivable balance reflects that the municipalities will be paying this amount. However, the liability side has the payable to the Government of Ontario for the amounts that they have paid to the Board temporarily on behalf of the municipalities.

In terms of liabilities, there is a minor change to the current accounts payable and accrued liabilities. Deferred revenue included the proceeds of \$17M from the sale of a school that that was closed in September 2019 as part of the Proceeds of Disposition which is part of the deferred revenue balance. There's also the EDC revenues that we collect annually that is also part of that increase. Over the past year the Board has received about \$8.5M for EDC. In addition, there are some other minor grant changes that affected the balance.

For Deferred Capital Contributions (DCC) and long-term debt and capital leases; the change is simply a balance decrease reflecting amortization of the DCC balance as well as the annual principal repayment of the long term debt made throughout the year.

b) Annual Audit Committee Report to the Ministry of Education

As per Regulation 361/10, The Ministry of Education requires that all boards undertake two internal audits every year. The annual report completed by York CDSB has indicated that the requirements for 2019-2020 have been met and indicates the audits that were done.

10. APPROVAL OF YCDSB 2018-19 AUDITED FINANCIAL STATEMENTS

A. Yeung, CFO and Treasurer of the Board, provided the 2019-2020 Financial Results and recommendations for the approval of the 2019-20 Consolidated Audited Financial Statements audited by Grant Thornton. Upon approval by the Board the Financial Statements will also be posted on the Board website as required by the Education Act.

Motion: Cantisano/Cotton

- 1. THAT the Board approve the 2019-2020 Consolidated Financial Statements of the York Catholic District School Board, for the period ended August 31, 2020, as audited by Grant Thornton LLP.**
- 2. THAT the 2019-20 Audited Consolidated Financial Statements of the York Catholic District School Board, together with the Auditors' Report, will be made available as part of the Board's regular publications and posted on the Board's website.**

– MOTION CARRIED –

11. APPROVAL OF YCDSB 2018-19 EDUCATIONAL DEVELOPMENT CHARGES (EDC) FINANCIAL STATEMENTS

A. Yeung, CFO and Treasurer of the Board, highlighted the Educational Development Charges (EDC) Summary Schedules and Financial Statements for York Catholic District School Board which have been audited by Grant Thornton and provided in the agenda package for review as per the EDC Bylaws.

Motion: Cotton/Rocha

THAT the Board approve the Summary Schedules of Education Development Charges of the York Catholic District School Board for the period ended August 31, 2020 as audited by Grant Thornton LLP.

– MOTION CARRIED –

FUTURE ITEM(S): Nil

Adjournment: 6:00 P.M.

On Motion: Cotton/Cantisano and CARRIED