

**AUDIT COMMITTEE MEETING  
AGENDA**

**CHAIR: D. Morton  
RESOURCE: A. Lofts**

Date: Thursday, November 26, 2020  
Time: 7:30 pm  
Location: Teleconference

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|   | <b>Pages</b> |
|---|--------------|
| 1. Call to Order  |              |
| 1.1. Opening Prayer (P. Murphy)   |              |
| 2. Approval of the Agenda   |              |
| 3. Declarations of Conflict of Interest   |              |
| 4. Approval of Minutes - Audit Committee Meeting September 17, 2020   | 1 - 2        |
| 5. Presentations  |              |
| 6. Business Arising from Previous Meetings  |              |
| 7. Action Items   |              |
| 7.1. 2019-20 Draft Audited Financial Statement (A. Lofts, A. Cross)   | 3 - 37       |
| 7.2. 2019-20 Audit Committee Annual Report to the Ministry (A. Lofts)   | 38 - 40      |
| 8. Reports / Discussion Items   |              |
| 8.1. Compliance Report (A. Lofts)   | 41 - 42      |
| 8.2. 2019-20 Treasurer's Annual Investment Report (A. Lofts)  | 43 - 53      |
| 8.3. Proposed 2020-21 Meeting Dates (A. Lofts)  | 54 - 54      |
| 9. Standing Reference Items   |              |
| 9.1. Ministry's Timing of the Audit Committee's Key Activities and proposed Audit Committee Meeting Agenda Topics | 55 - 63      |
| 9.2. Ontario Regulation 361/10  | 64 - 69      |
| 10. Resolution re Absentees   |              |
| 11. Adjournment   |              |

## MINUTES OF THE AUDIT COMMITTEE MEETING

|                            |   |
|----------------------------|---|
| Date:                      | September 17, 2020  |
| Time:                      | 7:00 pm   |
| Location:                  | Teleconference  |
| Committee Members Present: | J. Fahrer (Electronically)<br>D. Morton (Electronically)<br>P. Murphy (Electronically)<br>V. Iantomasi (In-Person)<br>P. DeRosa (In-Person) |
| Committee Members Excused: | N/A   |
| HCDSB Staff Present:       | P. Daly (Electronically)<br>A. Lofts (In-Person)<br>A. Cross, Senior Manager, Financial Services (In-Person)                                |
| RIAT Staff Present:        | J. Baker, Manager, Regional Internal Audit Team (RIAT)<br>(Electronically)  |
| Invited Guests:            | M. Fisher, External Auditor, KPMG (Electronically)  |
| Recording Secretary:       | K. Jones (In-Person)  |

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### 1. Call to Order

The Chair called the meeting to order.

#### 1.1 Opening Prayer

The meeting opened at 7:06 pm with a prayer led by P. DeRosa.

### 2. Approval of the Agenda

Moved By: D. Morton

Seconded By: P. Murphy

**RESOLVED** that the agenda be accepted as amended.

The Chair called for a vote, and it **UNANIMOUSLY CARRIED**.

### 3. Election of Chair

A. Lofts conducted the Election of the Chair.

V. Iantomasi nominated D. Morton. Seconded by P. DeRosa.

D. Morton accepted the nomination.

D. Morton was acclaimed.

**4. RIAT Mandate**

J. Baker explained that as per *School Business Support Branch memo, 2016: SB31: 'Update on Regional Internal Audit Consistency Measures'* requires that this mandate be re-signed when there are changes in the make-up of the committee so that all parties understand the role and mandate of the regional internal audit team.

Moved By: P. Murphy

Seconded By: P. DeRosa

**RESOLVED** that since there has been a change in the Chair of the HCDSB Audit Committee, that RIAT Mandate be signed.

**5. Declaration of Conflict of Interest**

None.

**6. Approval of Minutes**

V. Iantomasi requested that voting be recorded going forward.

Moved By: V. Iantomasi

Seconded By: P. DeRosa

**RESOLVED** that the minutes of the May 26, 2020 meeting be accepted as presented.

The Chair called for a vote, and it **UNANIMOUSLY CARRIED**.

**7. Business Arising from Previous Meetings**

None.

**8. Action Items**

None.

**9. Discussion Items**

**9.1 RIAT Status Report (RIAT)**

J. Baker explained that each September RIAT confirms their compliance to International standard and assert continuing education requirements have occurred for the designations that they hold.

**10. Motion to Adjourn**

Moved By: P. DeRosa

Seconded By: V. Iantomasi

**RESOLVED** that the meeting adjourned at 7:30 pm

The Chair called for a vote, and it **UNANIMOUSLY CARRIED**.



|  |                 |
|--|-----------------|
| 2019-20 Draft Audited Financial Statements | <b>Item 7.1</b> |
| November 26, 2020                          |                 |

**Alignment to Strategic Plan**

This report is linked to our strategic priority of **Foundational Elements:** Optimizing organizational effectiveness.

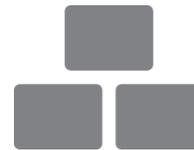
**NOTE:** The attached report is an Action Item on the Regular Board Agenda of December 1, 2020.

|  |                               |
|--|-------------------------------|
| <b>RECOMMENDATION</b>  | Moved by:<br><br>Seconded by: |
| <b>RESOLVED</b> , that the Audit Committee approve the 2019-20 Draft Audited Financial Statements for submission to the Board of Trustees at the December 1, 2020 Regular Board Meeting. |                               |

Report Prepared by: A. Cross  
 Senior Manager, Financial Services

Report Submitted by: A. Cross  
 Senior Manager, Financial Services

Report Approved by: A. Lofts  
 Superintendent of Business Services and Treasurer of the Board



|   |                 |
|---|-----------------|
| 2019-20 Draft Audited Consolidated Financial Statements | <b>Item x.x</b> |
| December 1, 2020  |                 |

### Alignment to Strategic Plan

This report is linked to our strategic priority of **Foundational Elements**: Optimizing organizational effectiveness.

### Purpose

To provide the Board of Trustees with the 2019-20 Draft Audited Consolidated Financial Statements for approval.

### Background Information

At the Board Meeting of June 2, 2020, the Board received and approved Action Item 8.2 “2019-20 Year-End Audit Planning Report from KPMG”. The report detailed the audit approach (including the areas of focus), audit materiality, required communications and independence. KPMG has provided to Audit Committee its audit findings report for the year ended August 31, 2020. The report provides important information to assist the Board of Trustees in satisfying their governance responsibility related to the review and approval of the annual Financial Statements.

### Comments

1. The financial statements have been prepared per the Financial Administration Act supplemented by the Ontario Ministry of Education Memorandum 2004:B2 and Ontario Regulation 395/11 “Accounting Policies and Practices Public Entities” of the Financial Administration Act.
2. The attached 2019-20 Draft Consolidated Audited Financial Statements (“Financial Statements”) are comprised of the following pages:
  - a. Covering Page
  - b. Management’s Responsibility for the Consolidated Financial Statements
  - c. Independent Auditors’ Report
  - d. Consolidated Statement of Financial Position



- e. Consolidated Statement of Operations
  - f. Consolidated Statement of Change in Net Debt
  - g. Consolidated Statement of Cash Flows
  - h. Notes to Consolidated Financial Statements
3. The Financial Statements were prepared by the Business Services staff and have been audited by the Board's External Auditors (KPMG). The form and content of the Financial Statements are primarily prescriptive in nature and present the actual results for the 2019-20 fiscal year. The Board approved the 2019-20 Original Budget on June 18, 2019, and the 2019-20 Revised Budget on January 21, 2020. The 2019-20 Draft Audited Consolidated Financial Statements are the culmination of the annual reporting cycle. The Director of Education and Secretary of the Board and the Chair of the Board are required to sign the approved Financial Statements on behalf of the Board.
  4. The *"Management's Responsibility for the Consolidated Financial Statements"* has remained essentially unchanged from the previous year.
  5. The *"Independent Auditor's Report"* contains four sections: Opinion, Basis for Opinion, Responsibilities of Management and Those Charged with Governance for the Financial Statements and the Auditor's Responsibilities for the Audit of the Financial Statements. The auditor's opinion, which can be found at the beginning of the auditor's report, reflects a "clean" or unmodified audit opinion.
  6. The *"Consolidated Statement of Financial Position"* presents the Board's Financial Assets and Liabilities at a point in time (August 31, 2020). The statement's layout provides two key performance measures: the Board's ability to finance its operations and the Board's ability to deliver future services. The difference between total Financial Assets and Total Liabilities is referred to as Net Debt. The Board's Net Debt balance is \$517.6 million for fiscal 2019-20. Net Debt is added to the Non-Financial Assets (Prepaid Expenses and Tangible Capital Assets) to give the Accumulated Surplus. The total Accumulated Surplus position of the Board is \$157.8 million.

Accounts receivable is \$45 million in 2019-20, an increase of \$26.8 million from 2018-19. The increase is primarily due to the Province of Ontario extending the municipalities' deadlines to pay education property tax to school boards.

The Long-term Accounts Receivable of \$174.5 million consists of \$130.8 million due from the Province over the remaining term of existing capital debt instruments issued to finance approved capital and \$18.1 million due from the Province in early 2020 for capital funded through the new funding model.

Beginning in 2018-19, the Ministry of Education introduced a cash management strategy. As part of the Ministry's strategy, it delayed part of the grant payment to Halton Catholic District School Board. The delayed grant payment reflected in the Financial Statements is \$25,619,910 for fiscal 2019-20 and was included in the long-term receivable – Government of Ontario.



Overall, the Provincial long-term receivable balance increased by \$3.1 million from 2018-19. The increase resulted from an increase in delayed grant payments of \$16.4 million, partially offset by a decrease of \$2.1 million in capital construction grants and \$11.2 million in principal payments made on the retirement of supported debt. Supported debt is old debenture debt through the Ontario School Boards Financing Corporation (OSBFC) and new debenture debt under the Ontario Financing Authority (OFA), both of which were primarily used to provide new pupil places.

Accounts payable increased by approximately \$24.7 million compared to 2018-19. \$24.1 million of the increase represents funds received from the Ministry for cashflow purposes after the Ministry passed a new regulation under the *Education Act* that extends the education tax due dates of June 30, 2020, and September 30, 2020, to September 30, 2020, and December 31, 2020.

The decrease in temporary borrowing of approximately (\$14.1) million is resulting from:

- Decrease in the EDC credit facility of (\$5.0) million.
- Decrease in line of credit of (\$9.1) million used for capital to be funded by the Province in 2018-19.

The decrease of deferred revenue by approximately \$11.9 million is resulting from:

- (\$14.6) million in proceeds of disposition;
- (\$0.66) million in deferred revenue relating to international students;

Partially offset by an increase in deferred revenue related to the following:

- 0.47 million in other revenue, including non-GSN programs such as Priorities and Partnerships Fund (PPF)
- \$1.8 million increase in school renewal deferred revenue; and
- \$1.1 million increase in student achievement deferred revenue

The Employee Future Benefits liability has increased by \$1.4 million due to the actuarial valuation undertaken this year, and changes in discount rates, as explained in Note 6 (pages 12-15) of the Financial Statements.

The decrease in net long-term liabilities of (\$12.3) million results from principal payments made throughout the year.

The Total Accumulated Surplus is broken down in Note 10 (Accumulated Surplus) of the Draft Audited Consolidated Financial Statements, and it is important to note that the non-designated portion (or unappropriated portion) for the 2019-20 year of this Total Accumulated Surplus is an operating surplus of \$1,097,153.

The in-year surplus for 2019-20 has been internally appropriated as follows:

- Transfer of \$0.9 million for retirement gratuities;
- Transfer to the reserve of \$3.1 million for WSIB costs;
- Transfer of \$0.2 million to Operating Reserve;



- Transfer of \$0.5 million to the Reserve for Student Activities;
- Net transfer of \$0.5 million to Facility Capital Reserve;
- Transfer of (\$0.1) million out of the Committed Sinking Fund interest earned;
- Transfer of (\$0.4) million out of the Committed Capital Projects, and
- Transfer \$0.5 million to Other Board Reserves representing budget rollover for items planned/ committed in 2019-20 but expected to be expensed in 2020-21.

Thus, the unappropriated and appropriated surplus reflects an in-year Total Accumulated Surplus Available for Compliance of \$5.3 million. The Revised Estimates approved by the Board on January 21, 2020, outlined an expected in-year deficit available for compliance of (\$2.0) million. The positive impact on the Financial Statements was mainly the result of lower actual salary and benefit costs (\$3.3 million), professional development (\$0.3 million) and supplies and service costs (\$6.3 million) partially offset by increased fees (\$1.4 million) and other expenses (\$1.6 million).

7. The “*Consolidated Statement of Operations*” explains the change in the Board’s accumulated surplus balance from the prior year. The difference between Revenues and Expenses gives the Total Annual Surplus/(Deficit) for the year, which is then added to the opening Total Accumulated Surplus/(Deficit) position to provide the closing Total Accumulated Surplus/(Deficit) position. The annual surplus for the year is \$12.8 million and includes the in-year Available for Compliance Surplus of \$5.3 million and the in-year Unavailable for Compliance Surplus of \$7.5 million. The Unavailable for Compliance Surplus includes \$0.46 million decreases in unfunded Employee Future Benefits, \$0.19 million for accrued interest, \$0.23 million for School Generated Funds and \$6.6 million in EDC revenue.
8. The “*Consolidated Statement of Change in Net Debt*” explains why the Board’s net debt position changed. It highlights the changes due to tangible capital asset (TCA) activities in the year and includes the acquisition of new TCA, amortization of existing TCA, and the sale of TCA if any occurred during the year. An increase in net debt means that more future revenues will be needed to pay for past transactions.
9. The “*Consolidated Statement of Cash Flows*” explains the change in cash and cash equivalents from the prior year and provides information about how the Board generated cash to meet its obligations. The statement presents the Board’s cash flow for the year in three categories: Operating, Capital and Financing Activities. The Board follows the indirect method, starting with the Annual Surplus/(Deficit), adding back non-cash items, and then analyzing the changes in amounts on the other lines in the Statement of Financial Position that affect cash flows.
10. The Ministry’s Education Finance Information System (EFIS) forms were submitted electronically on November 17, 2020; however, staff has received Ministry approval to resubmit following the December 1, 2020 Board meeting, which allows for any required adjustments. The resubmission will include the required signed forms needed to complete the Financial Statement’s package.
11. The Board is compliant with the Ministry’s defined expense enveloping provisions for the Administration and Governance Grant.



12. The grant allocation for Special Education is \$49.4 million, \$2.0 million higher than in 2018-19. Special Education expenses continue to exceed the allocation, and the shortfall for 2019-20 is \$3.7 million. The Special Education deferred revenue balance is \$0.7 million; however, these funds can only be used for Special Equipment Amount expenses.
13. In accordance with Section 252(2) of the Education Act, and the Publication and Notice instructions from the Ministry of Education, the final Audited Financial Statements will be made available on the Board's website, and a notice indicating the same will be published in the Metroland newspapers throughout the four municipalities in the Region of Halton.
14. Attached is a 2019-20 Year-End Schedule, showing the remaining items to be completed.

## Conclusion

Staff has submitted the draft audited financial statements, which include an unqualified audit opinion for approval.

## Recommendation

The following recommendation is presented for the consideration of the Board:

|  |                     |
|--|---------------------|
| <b>Resolution#:</b>  | <i>Moved by:</i>    |
|  | <i>Seconded by:</i> |
| <b>Resolved</b> that the Halton Catholic District School Board <i>approve the attached 2019-20 Draft Audited Financial Statements.</i> |                     |

**Report Prepared by:** A. Cross  
Senior Manager, Financial Services

**Report Submitted by:** A. Lofts  
Superintendent of Business and Treasurer of the Board

**Report Approved by:** P. Daly  
Director of Education and Secretary of the Board

### Halton Catholic District School Board 2019-2020 Year-End Schedule

| Date (2020/2021)   | Item                               | Description of Activity  |
|--------------------|------------------------------------|--|
| November 26th      | Draft Audited Financial Statements | Audit Committee Approval and Presentation of Audit Findings Report                                     |
| December 1st       | Draft Audited Financial Statements | Board Approval   |
| December 3rd       | Ministry Memorandum 2020: SB:16    | Submission of Ministry Financial Statement Forms (EFIS) & Final Audited Financial Statements (signed)  |
| Est. December 17th | Final Audited Financial Statements | Place on Board's Public Website and Staffnet (signed)  |
| Est. December 17th | Final Audited Financial Statements | Publish notice in local newspapers [in accordance with Section 252(2) of the Education Act]            |
| Est. December 17th | Management Letter (Draft)          | Draft Management Letter received from KPMG   |
| Est. January 18th  | Management Letter (Final)          | Receive Final Management Letter from KPMG  |
| Est. January 25th  | Management Letter (Draft)          | Present Draft Management Letter with management responses at Administrative Council                    |
| Est. February 1st  | Management Letter (Final)          | Send the Management Letter with management responses to the Audit Committee                            |
| Est. February 5th  | Management Letter (Final)          | Send Final Management Letter to all Principals/Vice-Principals through numbered Business Services Memo |
| Est. February 5th  | Management Letter (Final)          | Send the specific Management Letter points to the four selected schools and respective Superintendent  |

Consolidated Financial Statements of

**HALTON CATHOLIC DISTRICT  
SCHOOL BOARD**

And Independent Auditors' Report hereon

Year ended August 31, 2020

DRAFT

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

The accompanying consolidated financial statements of the Halton Catholic 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 1 to the consolidated financial statements.

A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, 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 meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the Board's approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.

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Patrick Daly  
Director of Education  
and Secretary of the Board

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Aaron Lofts  
Superintendent of Business Services  
and Treasurer of the Board

December 1, 2020

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Halton Catholic District School Board:

### ***Opinion***

We have audited the consolidated financial statements of the Halton Catholic District School Board ("the Entity"), which comprise:

- the consolidated statement of financial position as at August 31, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows and for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our report.

We are independent of the Entity in accordance with the applicable independence standards, and we have fulfilled our other ethical responsibilities in accordance with these standards.

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

## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

December 1, 2020

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

## Consolidated Statement of Financial Position

As at August 31, 2020, with comparative information for 2019

|  | 2020                  | 2019                  |
|--|-----------------------|-----------------------|
| <b>Financial Assets</b>  |                       |                       |
| Cash and cash equivalents                                      | \$ 25,434,512         | \$ 60,857,515         |
| Accounts receivable (notes 2 and 18)                           | 45,031,161            | 18,202,065            |
| Long-term receivable - Government of Ontario (note 3)          | 174,475,245           | 171,328,709           |
| <b>Total financial assets</b>                                  | <b>244,940,918</b>    | <b>250,388,289</b>    |
| <b>Financial Liabilities</b>                                   |                       |                       |
| Temporary borrowing (note 4)                                   | 74,000,000            | 88,100,000            |
| Accounts payable and accrued liabilities (note 18)             | 57,356,496            | 32,664,501            |
| Deferred revenue (note 5)                                      | 22,899,613            | 34,800,985            |
| Retirement and other employee future benefits payable (note 6) | 7,364,036             | 5,941,720             |
| Net long-term liabilities (note 7)                             | 145,881,589           | 158,222,446           |
| Deferred capital contributions (note 8)                        | 455,074,415           | 435,239,109           |
| <b>Total financial liabilities</b>                             | <b>762,576,149</b>    | <b>754,968,761</b>    |
| <b>Net debt</b>  | <b>(517,635,231)</b>  | <b>(504,580,472)</b>  |
| <b>Non-Financial Assets</b>                                    |                       |                       |
| Prepaid expenses   | 457,443               | 316,113               |
| Tangible capital assets (note 9)                               | 675,011,040           | 649,351,094           |
| <b>Total non-financial assets</b>                              | <b>675,468,483</b>    | <b>649,667,207</b>    |
| <b>Accumulated surplus (note 10)</b>                           | <b>\$ 157,833,252</b> | <b>\$ 145,086,735</b> |
| Contractual obligations and contingent liabilities (note 15)   |                       |                       |
| Impact of COVID-19 (note 18)                                   |                       |                       |

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

Patrick Daly,  
Director of Education and  
Secretary of the Board

Vincent Iantomasi  
Chair of the Board

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

## Consolidated Statement of Operations

For the year ended August 31, 2020 with comparative information for 2019

|  | 2020<br>Budget<br>(note 16) | 2020<br>Actual        | 2019<br>Actual        |
|--|-----------------------------|-----------------------|-----------------------|
| <b>Revenues:</b>   |                             |                       |                       |
| Provincial legislative grants<br>(note 11)                 | \$ 385,459,208              | \$ 384,029,644        | \$ 384,687,145        |
| Provincial grants – other                                  | 1,803,728                   | 4,420,078             | 5,350,845             |
|  | <u>387,262,936</u>          | <u>388,449,722</u>    | <u>390,037,990</u>    |
| Federal grants and fees                                    | 2,592,740                   | 2,484,462             | 2,424,254             |
| Other fees and revenues                                    | 14,188,500                  | 14,576,135            | 15,930,230            |
| Investment income  | 100,000                     | 716,527               | 649,076               |
| School fundraising   | 13,000,000                  | 8,175,096             | 12,923,555            |
| Amortization of deferred<br>capital contributions (note 8) | 18,446,545                  | 16,283,524            | 15,420,440            |
| <b>Total revenues</b>                                      | <u>435,590,721</u>          | <u>430,685,466</u>    | <u>437,385,545</u>    |
| <b>Expenses:</b>   |                             |                       |                       |
| Instruction  | 330,251,157                 | 326,436,642           | 325,571,714           |
| Administration   | 11,244,095                  | 12,221,392            | 11,278,814            |
| Transportation   | 9,644,764                   | 8,891,123             | 9,045,929             |
| Pupil accommodation  | 62,892,713                  | 60,602,109            | 60,469,838            |
| Other  | 1,725,575                   | 1,838,159             | 2,041,378             |
| School funded activities                                   | 13,000,000                  | 7,949,524             | 12,885,328            |
| <b>Total expenses (note 12)</b>                            | <u>428,758,304</u>          | <u>417,938,949</u>    | <u>421,293,001</u>    |
| <b>Annual surplus</b>                                      | 6,832,417                   | 12,746,517            | 16,092,544            |
| <b>Accumulated surplus,<br/>beginning of year</b>          | 145,086,735                 | 145,086,735           | 128,994,191           |
| <b>Accumulated surplus,<br/>end of year (note 10)</b>      | <u>\$ 151,919,152</u>       | <u>\$ 157,833,252</u> | <u>\$ 145,086,735</u> |

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

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

## Consolidated Statement of Change in Net Debt

For the year ended August 31, 2020, with comparative information for 2019

|   | 2020<br>Budget   | 2020<br>Actual   | 2019<br>Actual   |
|---|------------------|------------------|------------------|
| Annual surplus                              | \$ 6,832,417     | \$ 12,746,517    | \$ 16,092,544    |
| Acquisition of tangible capital assets      | (21,421,742)     | (43,262,949)     | (85,512,437)     |
| Amortization of tangible capital assets     | 19,785,672       | 17,603,003       | 16,708,148       |
| Proceeds on sale of tangible capital assets | –                | –                | 10,286,446       |
| Gain on sale allocated to deferred revenue  | –                | –                | (10,286,446)     |
| (Use) receipt of prepaid expenses           | –                | (141,330)        | 64,316           |
| Change in net debt                          | 5,196,347        | (13,054,759)     | (52,647,429)     |
| Net debt, beginning of year                 | (504,580,472)    | (504,580,472)    | (451,933,043)    |
| Net debt, end of year                       | \$ (499,384,125) | \$ (517,635,231) | \$ (504,580,472) |

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

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

## Consolidated Statement of Cash Flows

For the year ended August 31, 2020, with comparative information for 2019

|  | 2020            | 2019            |
|--|-----------------|-----------------|
| Cash provided by (used in):                    |                 |                 |
| Operating Activities:                          |                 |                 |
| Annual surplus                                 | \$ 12,746,517   | \$ 16,092,544   |
| Items not involving cash:                      |                 |                 |
| Gain transferred to deferred revenue           | –               | (10,286,446)    |
| Amortization of tangible capital assets        | 17,603,003      | 16,708,148      |
| Change in employee future benefits             | 1,422,316       | (78,517)        |
| Amortization of deferred capital contributions | (16,283,524)    | (15,420,440)    |
| Change in non-cash assets and liabilities:     |                 |                 |
| Accounts receivable                            | (26,829,096)    | 2,103,959       |
| Accounts payable and accrued liabilities       | 24,691,995      | 9,068,134       |
| Deferred revenue                               | (11,901,372)    | (13,997,646)    |
| Prepaid expenses                               | (141,330)       | 64,316          |
| Net change in cash from operating activities   | 1,308,509       | 4,254,052       |
| Capital Activities:                            |                 |                 |
| Net proceeds on the sale of assets             | –               | 10,286,446      |
| Cash used to acquire tangible capital assets   | (43,262,949)    | (85,512,437)    |
| Net change in cash from capital activities     | (43,262,949)    | (75,225,991)    |
| Financing Activities:                          |                 |                 |
| Increase to deferred capital contributions     | 36,118,830      | 33,186,800      |
| (Increase) decrease in long-term receivable    |                 |                 |
| - Government of Ontario                        | (3,146,536)     | 5,288,420       |
| Debt principal repayments                      | (12,340,857)    | (11,736,940)    |
| Increase in deferred revenues - capital        | –               | 10,286,446      |
| Net change in cash from financing activities   | 20,631,437      | 37,024,726      |
| Net change in cash and cash equivalents        | (21,323,003)    | (33,947,213)    |
| Cash and cash equivalents, beginning of year   | (27,242,485)    | 6,704,728       |
| Cash and cash equivalents, end of year         | \$ (48,565,488) | \$ (27,242,485) |

The components of cash and cash equivalents are as follows:

|                           | 2020            | 2019            |
|---------------------------|-----------------|-----------------|
| Cash and cash equivalents | \$ 25,434,512   | \$ 60,857,515   |
| Temporary borrowings      | (74,000,000)    | (88,100,000)    |
|                           | \$ (48,565,488) | \$ (27,242,485) |

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

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

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## 1. Significant accounting policies:

The consolidated financial statements of the Halton Catholic District School Board (the "Board") are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the Board are as follows:

### (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 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. 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 Ontario Regulation 395/11 of the Financial Administration Act. The Regulation 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 statement of operations over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation 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:

- government transfers, 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;
- 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; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

---

## 1. Significant accounting policies (continued):

### (a) Basis of accounting (continued):

As a result, revenue recognized in the consolidated statement of operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

### (b) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by 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.

Consolidated entities:

- School Generated Funds

Proportionately consolidated entities:

- Halton Student Transportation Services

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

### (c) Trust funds:

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

### (d) Cash and cash equivalents:

Cash and cash equivalents comprise of cash on hand 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.

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

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## 1. Significant accounting policies (continued):

### (f) Deferred capital contributions:

Contributions received or receivable for the purpose of acquiring or developing depreciable tangible capital assets for use in providing services, or any contributions of depreciable tangible assets received or receivable for use in providing services, are recorded as deferred capital contributions when the asset has been acquired as required by Ontario Regulation 395/11. Amounts are recognized as revenue in the statement of operations at the same rate and over the same periods as the related asset is amortized.

### (g) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance, health care benefits, dental benefits, retirement gratuity, worker's compensation and long-term disability benefits. As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the Principals and Vice-Principals Associations, the following Employee Life and Health Trusts (ELHTs) were established in 2016-2017: OECTA. The following ELHTs were established in 2017-2019: EWAO, CUPE, ONE-T for non-unionized employees including principals and vice-principals. The ELHTs provide health, dental and life insurance benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), and other school board staff. Currently ONE-T ELHT also provides benefits to individuals who are retired prior to the Board's participation date in the ELHT. These benefits are provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Boards no longer administer health, life and dental plans for their employees and instead are required to fund the ELHTs on a monthly basis based on a negotiated amount per full-time equivalency (FTE). Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), including additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

Depending on prior arrangements and employee groups, the Board provides health, dental and life insurance benefits for retired individuals that were previously represented by the following unions/federations: OECTA and CUPE.

The Board has adopted the following policies with respect to accounting for these employee benefits:

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

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## 1. Significant accounting policies (continued):

### (g) Retirement and other employee future benefits (continued):

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. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities were 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. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses were recognized as at August 31, 2012. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest or accumulated over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation and long-term disability, 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.

(i) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employee Retirement System pensions, are the employer's contributions due to the plan in the period;

(ii) 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 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.

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

## 1. Significant accounting policies (continued):

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

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

| <b>Asset</b>            | <b>Estimated Useful Life in Years</b> |
|-------------------------|---------------------------------------|
| Land improvements       | 15 years                              |
| Buildings               | 40 years                              |
| Furniture and equipment | 5 to 15 years                         |
| Computer hardware       | 5 years                               |
| Computer software       | 5 years                               |
| Vehicles                | 5 to 10 years                         |
| Leasehold improvements  | Over the lease term                   |

Annual amortization is charged in the year of acquisition and in the year of disposal. 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 sale 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 sale 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.

### (i) Government transfers:

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period 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 (DCC) and recognized as revenue in the consolidated statement of operations at the same rate and over the same periods as the tangible capital asset is amortized.

### (j) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on externally restricted funds such as pupil accommodation, education development charges and special education forms part of the respective deferred revenue balances.

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

## 1. Significant accounting policies (continued):

### (k) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Trustees (Trustees). 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.

### (l) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in Note 1(a) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in net expenses in the periods in which they become known. Significant estimates include assumptions used in estimating the collectability of accounts receivable to determine the allowance for doubtful accounts, in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits liabilities.

### (m) Property tax revenue:

Under Canadian Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, property tax revenue received from the municipalities is recorded as part of Provincial Legislative Grants.

## 2. Accounts receivable:

Accounts receivable consists of the following:

|                       | 2020                 | 2019                 |
|-----------------------|----------------------|----------------------|
| Government of Canada  | \$ 3,279,194         | \$ 2,822,924         |
| Government of Ontario | 1,823,752            | 854,154              |
| Local governments     | 37,378,965           | 11,629,442           |
| Other                 | 2,549,250            | 2,895,545            |
|                       | <u>\$ 45,031,161</u> | <u>\$ 18,202,065</u> |

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

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### 3. Long-term receivable - Government of Ontario:

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. 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 will receive 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 Ontario of \$148,855,335 as at August 31, 2020 (2019 - \$162,202,440) with respect to this capital grant.

The Ministry of Education introduced a cash management strategy effective September 1, 2019. As part of the strategy, the ministry delays part of the grant payment to school boards where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments included in the receivable balance from the Government of Ontario at August 31, 2020 is \$25,619,910 (2019 - \$9,126,269).

### 4. Temporary borrowing:

To address operating requirements and to bridge capital expenses, the Board has an operating line of credit and short-term loans.

The operating line of credit bears interest at the bank's prime lending rate less 0.85%, is unsecured, is due on demand, and has a maximum limit of \$125,000,000. As at August 31, 2020, the amount drawn under the operating line of credit was \$nil (2019 - \$9,100,000).

The short-term loans bear interest ranging from 1.17% to 1.23%, are unsecured, and are due on dates ranging from September 6, 2020 to October 15, 2020. As at August 31, 2020, the Board has short-term loans of \$74,000,000 (2019 - \$79,000,000).

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

## 5. 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, 2020 is comprised of:

|                                    | Balance as<br>at August 31,<br>2019 | Externally<br>restricted<br>revenue and<br>investment<br>income | Revenue<br>recognized<br>in the<br>period | Transfer to<br>deferred<br>capital<br>contributions<br>(note 8) | Balance as<br>at August 31,<br>2020 |
|------------------------------------|-------------------------------------|---|---|---|-------------------------------------|
| Special education                  | \$ 763,736                          | \$ 49,288,468   | \$ (49,351,322)                           | \$ –  | \$ 700,882                          |
| Proceeds of disposition            | 29,711,334                          | 126,783   | –   | (14,738,023)  | 15,100,094                          |
| Retrofit for childcare             | 1,032,200                           | –   | –   | –   | 1,032,200                           |
| School renewal                     | –                                   | 4,734,425   | (900,762)                                 | (2,009,159)   | 1,824,504                           |
| International students'<br>tuition | 2,634,250                           | 1,994,725   | (2,657,586)                               | –   | 1,971,389                           |
| Other                              | 659,465                             | 35,330,691  | (32,481,060)                              | (1,238,552)   | 2,270,544                           |
|                                    | <b>\$ 34,800,985</b>                | <b>\$ 91,475,092</b>  | <b>\$ (85,390,730)</b>                    | <b>\$ (17,985,734)</b>  | <b>\$ 22,899,613</b>                |

## 6. Retirement and other employee future benefits:

|  | Retirement<br>benefits | Other<br>employee<br>future<br>benefits | 2020<br>Total<br>employee<br>future<br>benefits | 2019<br>Total<br>employee<br>future<br>benefits |
|--|------------------------|---|---|---|
| Retirement and other<br>employee future<br>benefit liabilities |                        |   |   |   |
| Accrued employee future<br>benefit obligations at<br>August 31 | \$ 2,423,491           | \$ 5,118,349                            | \$ 7,541,840                                    | \$ 6,146,518                                    |
| Less: Unamortized actuarial<br>loss at August 31               | (177,804)              | –                                       | (177,804)                                       | (204,798)                                       |
| Employee future benefits<br>liability at August 31             | <b>\$ 2,245,687</b>    | <b>\$ 5,118,349</b>                     | <b>\$ 7,364,036</b>                             | <b>\$ 5,941,720</b>                             |

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

## 6. Retirement and other employee future benefits (continued):

| Retirement and other employee future benefit expenses | Retirement benefits | Other employee future benefits | 2020 Total employee future benefits | 2019 Total employee future benefits |
|---|---------------------|--------------------------------|-------------------------------------|-------------------------------------|
| Current year benefit expense                          | \$ 174,284          | \$ 2,589,199                   | \$ 2,763,483                        | \$ 1,204,046                        |
| Interest on accrued benefit obligation                | 48,824              | 81,938                         | 130,762                             | 173,595                             |
| Employee future benefits expenses                     | \$ 223,108          | \$ 2,671,137                   | \$ 2,894,245                        | \$ 1,377,641                        |
| Total payments made during the year                   | \$ (310,775)        | \$ (1,161,154)                 | \$ (1,471,929)                      | \$ (1,456,158)                      |

Included in the current year benefit expense is income of \$31,687 (2019 - \$349,598) for amortization of net actuarial losses. The unamortized actuarial loss is amortized over the expected average remaining service life of 9.54 years (2019 - 10.54 years) other than sick leave benefits which are amortized in the year. The actuarial gain for the year was \$58,681 (2019 - \$248,118).

Retirement benefits:

(i) Ontario Teacher's Pension Plan:

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

(ii) Ontario Municipal Employees Retirement System:

All non-teaching and support staff employees of the Board are eligible to be members of the Ontario Municipal Employees' Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2020, the Board contributed \$4,961,113 (2019 - \$4,793,183) to the plan. 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.

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

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## 6. Retirement and other employee future benefits (continued):

Retirement benefits (continued):

### (ii) Ontario Municipal Employees Retirement System (continued):

The OMERS pension plan had a deficit as at December 31, 2019 based on the actuarial valuation of the pension benefit obligation resulting in the plan being 97.0% funded (2018 - 96.0% funded). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

### (iii) Gratuity benefits:

The Board provides 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 is based on their salary, accumulated sick days, and years of service up to August 31, 2012.

### (iv) Retirement life insurance and health care benefits:

The Board provides life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age.

The premiums are based on the Board experience and retirees' premiums may be subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, do not qualify for board subsidized premiums or contributions.

Other employee future benefits:

### (i) Workplace Safety and Insurance Board obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance 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. School boards are required to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision.

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

## 6. Retirement and other employee future benefits (continued):

Other employee future benefits (continued):

(ii) Long-term disability salary compensation:

The Board provides long-term disability benefits including partial salary compensation 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.

(iii) Sick leave benefits:

As a result of new changes made in 2013 to the short-term sick leave and disability plan, 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 2020 consolidated financial statements as a result of the change in the benefits was \$155,258 (2019 - \$219,608).

The accrued benefit obligations for employee future benefit plans as at August 31, 2020 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2019. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

|   | 2020  | 2019                                       |
|---|---|--|
| Inflation                                 | 1.5%  | 1.5%                                       |
| Wage and salary escalation                | 0.0%  | 0.0%                                       |
| Insurance and health care cost escalation | 7.25% decreasing by<br>¼% each year to 4.5% | 7.5% decreasing by<br>¼% each year to 4.0% |
| Dental cost escalation                    | 4.5% increase per annum                     | 3.5% decreasing by<br>¼% each year to 3.0% |
| Discount on accrued benefit obligations   | 1.4%  | 2.0%                                       |

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

## 7. Net long-term liabilities:

|   | 2020                  | 2019                  |
|---|-----------------------|-----------------------|
| OSBFC (2000) – F10, repayable in semi-annual installments of \$959,133 plus interest at 7.20% per annum, maturing June 9, 2025      | \$ 7,936,641          | \$ 9,214,095          |
| OSBFC (2001) – A3, repayable in semi-annual installments of \$2,515,121 plus interest at 6.55% per annum, maturing October 19, 2026 | 26,283,800            | 29,436,734            |
| OFA (2003) – A2, repayable in semi-annual installments of \$189,051 plus interest at 5.80% per annum, maturing November 7, 2028     | 2,509,230             | 2,732,058             |
| OFA (2006) – repayable in semi-annual installments of \$23,381 plus interest at 4.56% per annum, maturing November 15, 2031         | 414,911               | 441,830               |
| OFA (2007) – A1, repayable in semi-annual installments of \$1,117,034 plus interest at 5.38% per annum, maturing June 25, 2032      | 20,515,438            | 21,706,366            |
| OFA (2008) – F02, repayable in semi-annual installments of \$17,597 plus interest at 4.90% per annum, maturing March 3, 2033        | 331,648               | 349,917               |
| OFA (2008) – F03, repayable in semi-annual installments of \$26,107 plus interest at 4.83% per annum, maturing March 3, 2033        | 494,072               | 521,428               |
| OFA (2009) – repayable in semi-annual installments of \$908,987 plus interest at 5.06% per annum, maturing March 13, 2034           | 17,918,957            | 18,796,423            |
| OFA (2009) – A3, repayable in semi-annual installments of \$61,119 plus interest at 5.06% per annum, maturing March 13, 2034        | 1,204,842             | 1,263,841             |
| OFA (2010) – F02, repayable in semi-annual installments of \$738,166 plus interest at 5.23% per annum, maturing April 13, 2035      | 15,151,951            | 15,809,614            |
| OSBFC (2010) – repayable in semi-annual installments of \$1,294,708, plus interest at 3.94% per annum, maturing September 19, 2025  | 12,376,536            | 14,417,530            |
| OFA (2011) – repayable in semi-annual installments of \$719,169 plus interest at 2.43% per annum, maturing November 15, 2021        | 2,106,226             | 3,468,658             |
| OFA (2012) – F02, repayable in semi-annual installments of \$357,767 plus interest at 3.56% per annum, maturing March 9, 2037       | 8,991,142             | 9,375,917             |
| OFA (2014) – F02, repayable in semi-annual installments of \$1,068,719 plus interest at 4.00% per annum, maturing on March 11, 2039 | 28,068,262            | 29,052,481            |
| OFA (2015) – repayable in semi-annual installments of \$53,072 plus interest at 2.99% per annum, maturing on March 9, 2040          | 1,577,933             | 1,635,554             |
|   | <b>\$ 145,881,589</b> | <b>\$ 158,222,446</b> |

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

## 7. Net long-term liabilities (continued):

Principal payments relating to net debt of \$145,881,589 are due as follows:

|            | Principal             | Interest             | Total                 |
|------------|-----------------------|----------------------|-----------------------|
| 2020/21    | \$ 12,978,568         | \$ 7,227,697         | \$ 20,206,265         |
| 2021/22    | 12,932,950            | 6,554,146            | 19,487,096            |
| 2022/23    | 12,899,025            | 5,868,902            | 18,767,927            |
| 2023/24    | 13,615,031            | 5,152,896            | 18,767,927            |
| 2024/25    | 14,372,806            | 4,395,121            | 18,767,927            |
| Thereafter | 79,083,209            | 19,362,427           | 98,445,636            |
|            | <b>\$ 145,881,589</b> | <b>\$ 48,561,189</b> | <b>\$ 194,442,778</b> |

The expenditure for debt charges includes principal and interest payments as follows:

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| Principal payments on long-term liabilities | \$ 12,340,857        | \$ 11,736,940        |
| Interest payments on long-term liabilities  | 7,865,408            | 8,469,325            |
|   | <b>\$ 20,206,265</b> | <b>\$ 20,206,265</b> |

## 8. Deferred capital contributions:

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with Ontario Regulation 395/11 that have been expended by year end. The contributions are amortized into revenue over the life of the asset acquired.

|  | 2020                  | 2019                  |
|--|-----------------------|-----------------------|
| Opening balance, September 1                   | \$ 435,239,109        | \$ 417,472,749        |
| Additions to deferred capital contributions    | 18,133,096            | 15,580,719            |
| Transfer from deferred revenue (note 5)        | 17,985,734            | 17,606,081            |
| Amortization of deferred capital contributions | (16,283,524)          | (15,420,440)          |
| Ending balance, August 31                      | <b>\$ 455,074,415</b> | <b>\$ 435,239,109</b> |

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

## 9. Tangible capital assets:

Year ended August 31, 2020

|                             | Cost                       |                         |                                     | Accumulated Amortization   |                            |               | Net book value August 31, 2020 | Net book value August 31, 2019 |                                     |
|-----------------------------|----------------------------|-------------------------|-------------------------------------|----------------------------|----------------------------|---------------|--------------------------------|--------------------------------|-------------------------------------|
|                             | Balance at August 31, 2019 | Additions and transfers | Transfers, disposals and write-offs | Balance at August 31, 2020 | Balance at August 31, 2019 | Amortization  |                                |                                | Transfers, disposals and write-offs |
| Land                        | \$ 190,729,545             | \$ 2,640,388            | \$ 3,009,109                        | \$ 196,379,042             | \$ —                       | \$ —          | \$ —                           | \$ 196,379,042                 | \$ 190,729,545                      |
| Land improvements           | 23,294,955                 | 1,878,887               | (3,009,109)                         | 22,164,733                 | 9,519,365                  | 1,443,993     | —                              | 10,963,358                     | 13,775,590                          |
| Buildings                   | 595,380,517                | 5,492,747               | 32,815,615                          | 633,688,879                | 176,594,388                | 14,786,508    | —                              | 191,380,896                    | 418,786,129                         |
| Construction in progress    | 21,294,446                 | 32,214,071              | (32,815,615)                        | 20,692,902                 | —                          | —             | —                              | 20,692,902                     | 21,294,446                          |
| Furniture and equipment     | 7,714,579                  | 347,287                 | (654,323)                           | 7,407,543                  | 4,579,682                  | 754,107       | (654,323)                      | 4,679,466                      | 3,134,897                           |
| Computer hardware           | 2,792,744                  | 595,592                 | (753,071)                           | 2,635,265                  | 1,487,369                  | 542,801       | (753,071)                      | 1,277,099                      | 1,305,375                           |
| Vehicles                    | 218,577                    | 71,381                  | —                                   | 289,958                    | 101,630                    | 50,853        | —                              | 152,483                        | 116,947                             |
| Pre-acquisition costs (PAC) | 183,424                    | 22,596                  | —                                   | 206,020                    | —                          | —             | —                              | 206,020                        | 183,424                             |
| Leasehold improvements      | 473,966                    | —                       | (473,966)                           | —                          | 449,225                    | 24,741        | (473,966)                      | —                              | 24,741                              |
|                             | \$ 842,082,753             | \$ 43,262,949           | \$ (1,881,360)                      | \$ 883,464,342             | \$ 192,731,659             | \$ 17,603,003 | \$ (1,881,360)                 | \$ 208,453,302                 | \$ 649,351,094                      |

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

## 9. Tangible capital assets (continued):

### (a) Assets under construction:

Assets under construction having a value of \$20,692,902 (2019 - \$21,294,446) have not been amortized. Amortization of these assets will commence when the asset is put into service.

### (b) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$nil (2019 - \$nil).

## 10. Accumulated surplus:

Accumulated surplus consists of the following:

|  | 2020                  | 2019                  |
|--|-----------------------|-----------------------|
| Available for compliance - unappropriated          |                       |                       |
| Total operating surplus                            | \$ 1,097,153          | \$ 1,097,153          |
| Available for compliance – internally appropriated |                       |                       |
| Retirement gratuities                              | 4,060,660             | -                     |
| Operating reserve                                  | 7,943,549             | 7,700,000             |
| School budgets                                     | 1,043,445             | 565,935               |
| Facility capital reserve                           | 9,105,113             | 13,337,193            |
| Capital capacity planning                          | 70,533                | 70,533                |
| Committed capital interest earned                  | 1,290,845             | 1,367,227             |
| Committed capital projects                         | 12,770,436            | 8,457,074             |
| Other programs                                     | 1,741,057             | 1,250,000             |
|  | 39,122,791            | 33,845,115            |
| Unavailable for compliance                         |                       |                       |
| Employee future benefit                            | (3,303,376)           | (3,761,594)           |
| Interest accrual                                   | (2,132,854)           | (2,319,239)           |
| School generated funds                             | 3,763,538             | 3,537,966             |
| Revenues recognized for land                       | 120,383,153           | 113,784,487           |
|  | 118,710,461           | 111,241,620           |
| <b>Balance, end of year</b>                        | <b>\$ 157,833,252</b> | <b>\$ 145,086,735</b> |

## 11. Provincial legislative grants:

Under Public Sector Accounting Standards the entity that determines and sets the tax levy records the revenue in their consolidated financial statements. As a result, property tax revenue received from the municipalities is recorded as part of Provincial legislative grants in the amount of \$94,264,521 (2019 - \$92,616,233).

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

## 12. Expenses:

The following is a summary of the current expenses reported on the Consolidated Statement of Operations by object:

|   | 2020<br>Budget<br>Note 1(k) | 2020<br>Actual        | 2019<br>Actual        |
|---|-----------------------------|-----------------------|-----------------------|
| Salary and wages                        | \$ 287,850,999              | \$ 284,886,672        | \$ 281,748,337        |
| Employee benefits                       | 47,494,498                  | 48,195,050            | 46,305,896            |
| Staff development                       | 928,174                     | 735,155               | 1,112,557             |
| Supplies and services                   | 40,162,598                  | 30,291,275            | 37,891,859            |
| Interest                                | 7,679,038                   | 7,679,039             | 8,292,890             |
| Rental expense                          | 5,589,582                   | 4,772,541             | 6,522,165             |
| Fees and contract services              | 18,403,313                  | 20,537,260            | 18,901,928            |
| Other                                   | 864,430                     | 3,238,954             | 3,809,221             |
| Amortization of tangible capital assets | 19,785,672                  | 17,603,003            | 16,708,148            |
|   | <b>\$ 428,758,304</b>       | <b>\$ 417,938,949</b> | <b>\$ 421,293,001</b> |

## 13. Partnership in Halton Student Transportation Services:

On September 1, 2007, the Board entered into an agreement with Halton District School Board, Le Conseil scolaire de district Catholique du Centre-Sud and Le Conseil scolaire de district du Centre-Sud-Ouest to provide common administration of student transportation services. On February 10, 2009, Service de Transport des Éléves de Halton/Halton Student Transportation Services (HSTS) was incorporated under the Corporations Act of Ontario. A revised agreement dated April 17, 2009 was created in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the School Boards. Each Board participates in the shared costs associated with this service for the transportation of their respective students through HSTS.

Effective September 1, 2013, two school boards have left the partnership and the partnership is supplying services exclusively to Halton District School Board and the Board.

HSTS is proportionately consolidated in the Board's consolidated financial statements whereby the Board's pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the Board's consolidated financial statements. Inter-organizational transactions and balances have been eliminated.

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

## 13. Partnership in Halton Student Transportation Services (continued):

The following provides condensed financial information:

|                            | 2020          |               | 2019          |               |
|----------------------------|---------------|---------------|---------------|---------------|
|                            | Total         | Board portion | Total         | Board portion |
| <b>Financial Position:</b> |               |               |               |               |
| Financial assets           | \$ 236,365    | \$ 87,470     | \$ 110,642    | \$ 41,020     |
| Financial liabilities      | (259,244)     | (95,936)      | (139,424)     | (51,690)      |
| Non-financial assets       | 23,639        | 8,748         | 29,542        | 10,952        |
| Accumulated surplus        | \$ 760        | \$ 282        | \$ 760        | \$ 282        |
| <b>Operations:</b>         |               |               |               |               |
| Revenues                   | \$ 24,027,244 | \$15,135,694  | \$ 24,282,296 | \$ 9,002,484  |
| Expenses                   | (24,027,244)  | (15,135,694)  | (24,282,296)  | (9,002,484)   |
| Accumulated surplus        | \$ -          | \$ -          | \$ -          | \$ -          |

## 14. Ontario School Board Insurance Exchange (OSBIE):

The school board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$27,000,000 per occurrence.

The ultimate premiums over a one-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, 2021.

## 15. Contractual obligations and contingent liabilities:

- (i) The Board has obligations under operating leases that require annual lease payments in the following amounts:

|                        |              |
|------------------------|--------------|
| 2020/21                | \$ 2,999,180 |
| 2021/22                | 2,431,809    |
| 2022/23                | 2,016,274    |
| 2023/24                | 1,333,126    |
| 2024/25 and thereafter | 717,109      |

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

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## 15. Contractual obligations and contingent liabilities (continued):

- (ii) The Board was contingently liable under letters of credit issued to municipalities with respect to construction projects in the amount of \$3,329,853 (2019 - \$2,815,325).
- (iii) The nature of the Board activities is such that there is usually litigation pending or in the prospect at any time. With respect to claims at August 31, 2020, management believes that the Board has valid defenses and appropriate insurance coverage in place. In the event claims are successful, management believes that such claims are not expected to have a material effect on the Board's financial position.
- (iv) The Board, in the normal course of business, enters into commodities contracts, in order to fix the price of commodities to be acquired in the future. The Board has entered into these contracts in conjunction with two consortiums which includes other school boards.

## 16. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2020 original budget approved by the Board on June 18, 2019.

## 17. Repayment of "55 School Board Trust" funding:

On June 1, 2003, the Board received \$635,000 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into 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 not reflected in the Board's financial position.

## 18. Impact of COVID-19:

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") a global pandemic. This resulted in the Province mandating that all Boards close their schools and administrative buildings on March 13, 2020 and moving to online/learn-from-home education format for the remainder of the 2019-2020 school year based on recommendations from Public Health Ontario. For the 2020-2021 school year the schools reopened to students, effective September 2020, with enhanced public health protocols, or the option to continue with online education and at-home distance learning. The Board continues to monitor the situation and plan for potential changes during the fiscal 2021 school year and beyond.

# HALTON CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

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## 18. Impact of COVID-19 (continued):

As a result of the pandemic, the Board may experience increased risk exposure in several areas. This includes an increased credit risk exposure on accounts receivable where the risk of default on contractual obligations may increase and continued reduction in international tuition fees.

The Board is actively monitoring cash flow forecasts and budget. Due to the response to COVID-19, the Province of Ontario extended the deadlines for municipalities to pay Education Property Tax (EPT) amounts to the Board. This amount for the Board was \$36,053,320 (2019 – \$11,369,663) and has been included in accounts receivable on the statement of financial position. This amount will be recovered fully by the Board in the following school year. Further, the Province of Ontario extended the deadlines for municipalities to pay Education Property Tax (EPT) amounts to the Board. To mitigate the financial impact of this deferral, the Province adjusted its cash flow through the School Board Operating Grant in July 2020 to pay an additional amount equal to about 25% of the annual education property tax amount as forecasted by the Board in the 2019-20 Revised Estimates. This amount for the Board was \$24,072,106 (2019 - \$nil) and is included in accounts payable and accrued liabilities on the statement of financial position. This amount will be recovered by the Province in 2021.

Subsequent to yearend, the Board received personal protective equipment and cleaning supplies from the Ministry of Education for all teachers, other school board staff and students.

As at August 31, 2020, the Board did not have significant adjustments to reflect the possible future impact of COVID-19. Management has assessed the impact on the Board and believes there are no significant financial issues as the Board has strong working capital available and access to sufficient liquid resources to sustain operations in the coming year. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its financial effect on future operations at this time.



|  |                 |
|--|-----------------|
| 2019-2020 Audit Committee Annual Report to the Ministry of Education | <b>Item 7.2</b> |
| November 26, 2020  |                 |

**Alignment to Strategic Plan**

This report is linked to our strategic priority of **Foundational Elements:** Optimizing organizational effectiveness.

**Purpose**

To provide the Halton Catholic District School Board Audit Committee with the 2019-20 Annual Report to the Board of Trustees and Forwarded to the Ministry of Education and recommend that it be forwarded to the Board of Trustees for approval.

**Comments**

This report includes the Annual Report of the Audit Committee to the Board of Trustees and Forwarded to the Ministry of Education for the year ended August 31, 2020.

This report follows the format outlined in Ministry Memo 2017: SB26 Audit Committee Annual Report (September 7, 2017) with Guideline on Audit Committee Reporting V5 (June 6, 2017).

|  |                                      |
|--|--------------------------------------|
| <b>RECOMMENDATION</b>  | <p>Moved by:</p> <p>Seconded by:</p> |
| <p><b>RESOLVED</b>, that the Audit Committee approve the 2019-2020 Audit Committee Annual Report for submission to the Board of Trustees and forwarded to the Ministry of Education.</p> |                                      |

Report Prepared by:

A. Lofts  
Superintendent of Business Services and Treasurer of the Board



Report Submitted by: A. Lofts  
Superintendent of Business Services and Treasurer of the Board

Report Approved by: D. Morton  
Chair, Audit Committee

**Annual Report to the Board of Trustees and Forwarded  
To the Ministry of Education  
For the year ended August 31, 2020**

**District School Board Name:** Halton Catholic District School Board

**Fiscal Year:** 2019-20

**Re:** Annual audit committee report to the Ministry of Education as per Ontario Regulation 361/10

The following audits or audit follow-ups were approved in the 2019-20 audit plan and were completed in the 2019-20 fiscal year:

**Audits:**

1. Privacy (Report presented at September 2020 meeting)

**Follow-up Audits:**

1. Continuing Education

Based on the internal audit plan, we are not expecting any enrolment audits to be performed.

On behalf of the Audit Committee,

\_\_\_\_\_  
D. Morton, Audit Committee Chair

\_\_\_\_\_  
Date



|                   |                 |
|-------------------|-----------------|
| Compliance Report | <b>Item 8.1</b> |
| November 26, 2020 |                 |

### Alignment to Strategic Plan

This report is linked to our strategic priority of **Foundational Elements:** Optimizing organizational effectiveness.

### Purpose

To provide the Halton Catholic District School Board Audit Committee with the Compliance report signed by the Director of Education.

### Comments

On an annual basis, the Audit Committee is required to obtain confirmation from the Director of Education that all statutory requirements have been met as prescribed under Ontario Regulation 361/10 of the Education Act.

The attached letter addressed to the Audit Committee and signed by the Director of Education is confirmation that the Board is compliant with current federal and provincial Acts, Regulations and Statutes.

Management has processes and procedures in place to ensure this compliance.

**Report Prepared by:** A. Cross  
Senior Manager, Financial Services

**Report Submitted by:** A. Cross  
Senior Manager, Financial Services

**Report Approved by:** A. Lofts  
Superintendent of Business Services and Treasurer of the Board



802 Drury Lane  
Burlington, ON  
L7R 2Y2  
(905) 632-6300  
[www.hcdsb.org](http://www.hcdsb.org)

November 26, 2020

Halton Catholic District School Board  
802 Drury Lane  
Burlington, ON L7R 2Y2

TO: Audit Committee of the Halton Catholic District School Board

**RE: School Board Compliance Report**

During the 2019-2020 fiscal year, nothing has come to our attention that would lead us to believe that the Halton Catholic District School Board was not compliant with the current federal and provincial Acts, Regulations and Statutes.

Date: 11/20/2020  
Month, Day, Year

  
Pat Daly, Director of Education



## Alignment to Strategic Plan

This report is linked to our strategic priority of **Foundational Elements**: Optimizing organizational effectiveness.

## Purpose

To provide the Audit Committee with the 2019-20 investment report, per Ontario Regulation (O. Reg.) 41/10 Board Borrowing, Investing, and Other Financial Matters, made under the Education Act.

## Background Information

- 1) Information Report "2018-19 Treasurer's Annual Investment Report" from the November 19, 2019, Regular Meeting of the Board.

## Comments

As prescribed under O.Reg. 41/10, the Board may invest in the following securities, as outlined in Part IV of the regulation, subsections 1 to 5 (outlined in Appendix A):

1. Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by,
  - i. Canada or a province or territory of Canada,
  - ii. an agency of Canada or of a province or territory of Canada,
  - iii. a municipality in Canada, or
  - iv. the Municipal Finance Authority of British Columbia.
2. Bonds, debentures, promissory notes or other evidence of indebtedness of a corporation if,
  - i. the bond, debenture or other evidence of indebtedness is secured by the assignment to a trustee, as defined in the Trustee Act, of payments that Canada or a province or territory of Canada has agreed to make or is required to make under a federal, provincial or territorial statute, and
  - ii. the payments referred to in subparagraph i are sufficient to meet the amounts payable under the bond, debenture or other evidence of indebtedness, including the amounts payable at maturity.



3. Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments, the terms of which provide that the principal and interest shall be fully repaid no later than two years after the day the investment was made, that are issued, guaranteed or endorsed by,
  - i. a bank listed in Schedule I or II of the Bank Act (Canada),
  - ii. a loan corporation or trust corporation registered under the Loan and Trust Corporations Act, or
  - iii. a credit union or league to which the Credit Unions and Caisses Populaires Act, 1994 applies.
  
4. Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments, the terms of which provide that the principal and interest shall be fully repaid more than two years after the day the investment was made, that are issued, guaranteed or endorsed by,
  - i. a bank listed in Schedule I or II of the Bank Act (Canada),
  - ii. a loan corporation or trust corporation registered under the Loan and Trust Corporations Act, or
  - iii. a credit union or league to which the Credit Unions and Caisses Populaires Act, 1994 applies.
  
5. Bonds, debentures, evidences, or long-term indebtedness issued by an institution listed in paragraph 4.

Further to O. Reg. 41/10, Board Operating Policy F-10 Banking, Investment and Borrowing (attached in Appendix B), sets out the Board's investment goals, which require Management to invest any surplus cash, accumulated surplus or deferred revenue in securities eligible under O. Reg. 41/10, that provide a positive rate of return, while limiting fiscal exposure of risk of loss.

To reduce the Province's borrowing costs, the Ministry has implemented a Delayed Grant Payment methodology resulting in a reduction in the Board's cashflow. Based on the 2020-21 budget estimates submission, the Board's estimated delayed grant payment expected as of September 1, 2020, is \$21,917,000.

During the 2019-20 fiscal year, the Board had one existing GIC that matured in the school year 2019-20. The following table outlines the investment date, maturity date, term, interest rate, and interest received.

| Principal                      | Issue Date       | Maturity Date     | Due on Maturity | Rate  | Term | Int Received to Aug 31, 2020 |
|--------------------------------|------------------|-------------------|-----------------|-------|------|------------------------------|
| \$ 10,200,000                  | December 7, 2018 | September 4, 2019 | \$ 10,393,115   | 2.55% | 271  | \$ 193,115                   |
| <b>TOTAL INTEREST RECEIVED</b> |                  |                   |                 |       |      | <b>\$ 193,115</b>            |



The above term deposits is an eligible investment under O. Reg. 41/10 and complies with Board Operating Policy I-10.

## Conclusion

Per O. Reg. 41/10 Board Borrowing, Investing and Other Financial Matters and Board Operating Policy I-10 Banking, Investment and Borrowing, investments matured in 2019-20 fiscal year, resulting in additional interest income of \$193,115.

**Report Prepared by:** A. Lofts  
Superintendent, Business Services and Treasurer of the Board

**Report Submitted by:** A. Lofts  
Superintendent, Business Services and Treasurer of the Board

Français

**Education Act****ONTARIO REGULATION 41/10****BOARD BORROWING, INVESTING AND OTHER FINANCIAL MATTERS****Consolidation Period:** From May 11, 2011 to the [e-Laws currency date](#).

Last amendment: 163/11.

Legislative History: 337/10, 163/11.

*This is the English version of a bilingual regulation.***PART I****NON-PERMANENTLY FINANCED DEBT OF DISTRICT SCHOOL BOARDS****Definitions****1.** In this Part,

“assignee” means the trustee of a trust or another person to whom a portion of a legislative grant is assigned by a district school board under an agreement prescribed by this Part; (“cessionnaire”)

“non-permanently financed debt” means, in respect of a district school board, the amount as of August 31, 2001 that is listed in Column (e) under the heading “Not Permanently Financed” opposite the name of the board in Table 2, “Capital Related Debt Eligible for Funding Support, by District School Board”, in the document entitled *School Board Capital Related Debt (June 17, 2002)*, published by the Ministry; (“dette sans financement permanent”)

“participating board” means a district school board that enters into an agreement prescribed by this Part with an assignee; (“conseil participant”)

“refinanced debt” means the debt incurred by the assignee in respect of the financing arranged to refinance the non-permanently financed debt of district school boards; (“dette refinancée”)

“unreimbursed costs” means the costs, expenses or liabilities for which an assignee that is a trustee of a trust is held to be personally liable in connection with administering the trust or arranging for the financing to refinance the non-permanently financed debt. (“frais non remboursés”) O. Reg. 41/10, s. 1.

**Prescribed instrument**

**2.** (1) An agreement that contains the following is prescribed for the purposes of clause 247 (3) (f) of the Act as an instrument that may be executed by a district school board:

1. The agreement provides for the irrevocable assignment by the board to the assignee named in the agreement of the portion of each legislative grant that is paid under the Act in respect of,
  - i. the board’s non-permanently financed debt, other than amounts referred to in clause 37 (1) (b) of Ontario Regulation 154/01 (Student Focused Funding — Legislative Grants for the 2001-2002 School Board Fiscal Year) made under the Act or clause 37 (1) (b) of Ontario Regulation 156/02 (Student Focused Funding — Legislative Grants for the 2002-2003 School Board Fiscal Year) made under the Act as those regulations read immediately before they were revoked, or
  - ii. the portion of the refinanced debt attributable to the board.
2. The agreement requires the board to give a direction to the Minister to pay the assigned portion of each legislative grant directly to an account specified in the agreement.
3. The agreement requires the assignee to,
  - i. assume the board’s liability to pay its non-permanently financed debt,
  - ii. arrange financing to refinance the non-permanently financed debt of the board and other participating boards by,
    - A. creating and issuing, pursuant to one or more trust indentures, bonds, debentures or other evidences of the refinanced debt,
    - B. entering into one or more underwriting agreements in respect of the bonds, debentures or other evidences of the refinanced debt,

- C. obtaining ratings of the bonds, debentures or other evidences of the refinanced debt from one or more nationally recognized rating agencies, and
  - D. causing an offering document to be prepared in respect of the bonds, debentures or other evidence of the refinanced debt and making it available to underwriters and other potential purchasers of the bonds, debentures or other evidences of the refinanced debt,
- iii. out of the proceeds of the refinanced debt, pay the board's non-permanently financed debt, and
  - iv. obtain from the holder of the non-permanently financed debt a receipt for the payment of the board's non-permanently financed debt.
4. If the assignee is the trustee of a trust, the agreement requires the board to do the following:
- i. indemnify the trustee in its personal capacity for all unreimbursed costs, if any, to the extent that the assets of the trust out of which the trustee is entitled at law or in equity to be indemnified for the unreimbursed costs are insufficient to satisfy the unreimbursed costs, and
  - ii. make just and equitable contribution to satisfy the claims giving rise to the unreimbursed costs in an amount that is in the same proportion to the aggregate of the unreimbursed costs that the board's non-permanently financed debt bears to the sum of the non-permanently financed debt of all the participating boards and the amount of fees paid to the trustee, if the indemnity referred to in subparagraph i is for any reason held by a court to be unenforceable.
5. The agreement provides that if the board is required, pursuant to a provision in an agreement described in paragraph 4, to indemnify the trustee or make just and equitable contribution to satisfy the claims giving rise to the unreimbursed costs, the liability of the board under the rights of indemnity or contribution,
- i. shall be several and not joint, and
  - ii. shall not exceed the amount by which the board's non-permanently financed debt exceeds the cumulative amount of the legislative grants in respect of the principal amount of the refinanced debt paid to the account referred to in paragraph 2 established by the board. O. Reg. 41/10, s. 2 (1).

(2) An agreement is prescribed for the purposes of clause 247 (3) (f) of the Act if it satisfies the requirements of subsection (1) and it contains provisions that are not inconsistent with the requirements of subsection (1). O. Reg. 41/10, s. 2 (2).

**Board to provide copy to the Minister**

3. If a district school board enters into an agreement prescribed by this Part, it shall give a written direction described in paragraph 2 of subsection 2 (1) and a copy of the agreement to the Minister. O. Reg. 41/10, s. 3.

**PART II  
RISK MANAGEMENT BY BOARDS IN RESPECT OF ENERGY PRICES**

**Commodity price hedging agreements**

4. (1) A board may enter into commodity price hedging agreements under this Part in order to hedge the risks associated with the fluctuations in the prices of the natural gas, electricity and other energy commodities that are required by the board to operate its schools, other properties and vehicles. O. Reg. 41/10, s. 4 (1).

(2) The agreement must fix, directly or indirectly, or enable the board to fix the price or range of prices to be paid by the board for the future delivery of some or all of a commodity described in subsection (1) or the future cost to the board of an equivalent quantity of the commodity. O. Reg. 41/10, s. 4 (2).

(3) A board shall not sell or otherwise dispose of the commodity price hedging agreement or any interest of the board in the agreement. O. Reg. 41/10, s. 4 (3).

**Report on commodity price hedging agreements**

5. (1) If a board has any subsisting commodity price hedging agreements in a fiscal year, the treasurer of the board shall prepare and present to the board as part of the annual financial report to the board for the fiscal year a detailed report on all of those agreements. O. Reg. 41/10, s. 5 (1).

(2) The report must contain the following information and documents:

- 1. A statement about the status of the agreements during the period of the report, including a comparison of the expected and actual results of using the agreements.
- 2. Such other information as the board may require.
- 3. Such other information as the treasurer considers appropriate to include in the report. O. Reg. 41/10, s. 5 (2).

**PART III  
BORROWING FOR PERMANENT IMPROVEMENTS**

**Borrowing for permanent improvements**

6. A board that, under subsection 247 (1) or (2) of the Act, borrows money or incurs debt for permanent improvements shall do so only in accordance with this Part. O. Reg. 41/10, s. 6.

**Permitted loans**

7. (1) A board may by by-law borrow money for permanent improvements by way of a loan with an initial maturity of more than one year from the Ontario Financing Authority. O. Reg. 41/10, s. 7 (1).

(2) To obtain a loan described in subsection (1), a board shall make a loan application to the Ontario Financing Authority in accordance with any applicable policies, procedures or terms set by the Ontario Financing Authority. O. Reg. 41/10, s. 7 (2).

(3) If the Ontario Financing Authority approves a board's loan application and the board can demonstrate to the satisfaction of the Minister that another entity would provide a loan with the same terms and conditions as the Ontario Financing Authority but at a lower cost, the board may by by-law borrow money for permanent improvements by way of a loan with an initial maturity of more than one year from that other entity if it is one of the following:

1. A bank listed in Schedule I or II of the *Bank Act* (Canada).
2. A loan corporation or trust corporation registered under the *Loan and Trust Corporations Act*.
3. A credit union or league to which the *Credit Unions and Caisses Populaires Act, 1994* applies.
4. A municipality in Canada. O. Reg. 41/10, s. 7 (3).

(4) A board that obtains a loan described in this section shall ensure that the proceeds of it are used for permanent improvements. O. Reg. 41/10, s. 7 (4).

(5) Despite the lifetime of a permanent improvement for which a loan described in this section is made, the loan shall be payable over a term not exceeding 25 years. O. Reg. 41/10, s. 7 (5).

**PART IV  
ELIGIBLE INVESTMENTS**

**Eligible investments**

8. A board does not have the power under section 241 of the Act to invest in a security other than a security prescribed under this Part. O. Reg. 41/10, s. 8.

**Eligible investments**

9. The following are prescribed, for the purposes of subsection 241 (1) of the Act, as securities that a board may invest in:

1. Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by,
  - i. Canada or a province or territory of Canada,
  - ii. an agency of Canada or of a province or territory of Canada,
  - iii. a municipality in Canada, or
  - iv. the Municipal Finance Authority of British Columbia.
2. Bonds, debentures, promissory notes or other evidence of indebtedness of a corporation if,
  - i. the bond, debenture or other evidence of indebtedness is secured by the assignment to a trustee, as defined in the *Trustee Act*, of payments that Canada or a province or territory of Canada has agreed to make or is required to make under a federal, provincial or territorial statute, and
  - ii. the payments referred to in subparagraph i are sufficient to meet the amounts payable under the bond, debenture or other evidence of indebtedness, including the amounts payable at maturity.
3. Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments, the terms of which provide that the principal and interest shall be fully repaid no later than two years after the day the investment was made, that are issued, guaranteed or endorsed by,
  - i. a bank listed in Schedule I or II of the *Bank Act* (Canada),
  - ii. a loan corporation or trust corporation registered under the *Loan and Trust Corporations Act*, or
  - iii. a credit union or league to which the *Credit Unions and Caisses Populaires Act, 1994* applies.

4. Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments, the terms of which provide that the principal and interest shall be fully repaid more than two years after the day the investment was made, that are issued, guaranteed or endorsed by,
  - i. a bank listed in Schedule I or II of the *Bank Act* (Canada),
  - ii. a loan corporation or trust corporation registered under the *Loan and Trust Corporations Act*, or
  - iii. a credit union or league to which the *Credit Unions and Caisses Populaires Act, 1994* applies.
5. Bonds, debentures or evidences or long-term indebtedness issued by an institution listed in paragraph 4. O. Reg. 41/10, s. 9; O. Reg. 163/11, s. 1.

**Rating of certain eligible investments**

**10.** (1) A board shall not invest in a security under paragraph 4 or 5 of section 9 unless the bond, debenture, promissory note or evidence of indebtedness is rated,

- (a) by DBRS Limited as “AA(low)” or higher;
- (b) by Fitch Ratings as “AA–” or higher;
- (c) by Moody’s Investors Services Inc. as “Aa3” or higher; or
- (d) by Standard and Poor’s as “AA–” or higher. O. Reg. 41/10, s. 10 (1).

(2) If an investment made under paragraph 4 or 5 of section 9 falls below the standard required under subsection (1), the board shall sell the investment within 90 days after the day the investment falls below the standard. O. Reg. 41/10, s. 10 (2).

**Restriction: securities expressed or payable in foreign currency**

**11.** (1) A board shall not invest in a security that is expressed or payable in any currency other than Canadian dollars. O. Reg. 41/10, s. 11 (1).

(2) Subsection (1) does not prevent a board from continuing an investment, made before this Regulation comes into force, that is expressed and payable in the currency of the United States of America or the United Kingdom. O. Reg. 41/10, s. 11 (2).

**Restriction: investment of money in securities**

**12.** A board shall not invest money in a security unless,

- (a) the money is made repayable on or before the day on which the board requires the money; or
- (b) any interest or other earnings from the investment are credited to the account from which the money was invested. O. Reg. 337/10, s. 1.

**Statement of investment policies and goals**

**13.** (1) Before a board invests in a security prescribed under this Part, the board shall, if it has not already done so, adopt a statement of the board’s investment policies and goals. O. Reg. 41/10, s. 13 (1).

(2) In preparing the statement of the board’s investment policies and goals under subsection (1), the board shall consider,

- (a) the board’s risk tolerance and the preservation of its capital;
- (b) the board’s need for a diversified portfolio of investments; and
- (c) obtaining legal advice and financial advice with respect to the proposed investments. O. Reg. 41/10, s. 13 (2).

**Investment report**

**14.** (1) If a board has an investment in a security prescribed under this Part, the board shall require the treasurer of the board to prepare an investment report as part of the treasurer’s annual financial report to the board. O. Reg. 41/10, s. 14 (1).

(2) The investment report referred to in subsection (1) shall contain,

- (a) a statement about the performance of the portfolio of investments of the board during the period covered by the report;
- (b) a description of the estimated proportion of the total investments of the board that are invested in its own long-term and short-term securities to the total investment of the board and a description of the change, if any, in that estimated proportion since the previous year’s report;
- (c) a list of any investments of the board that are not eligible investments under this Part or that fall below the prescribed ratings, and a description of the plans for disposing of those investments;
- (d) a statement by the treasurer as to whether or not, in his or her opinion, all investment were made in accordance with the investment policies and goals adopted by the board;

- (e) a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security; and
- (f) such other information that the board may require or that, in the opinion of the treasurer, should be included. O. Reg. 41/10, s. 14 (2).

**Ineligible investments**

**15.** (1) Despite this Regulation, if on the day this Regulation comes into force, a board holds an investment that is not prescribed under this Regulation, the board shall sell the investment within 90 days after the day this Regulation comes into force. O. Reg. 41/10, s. 15 (1).

(2) Despite subsection (1), if the sale of the investment would result in the board realizing an amount below the net book value of the investment, the board may retain the investment, but only until it has an opportunity to realize an amount equal to the net book value of the investment, at which time it shall sell the investment. O. Reg. 41/10, s. 15 (2).

**16.** OMITTED (PROVIDES FOR COMING INTO FORCE OF PROVISIONS OF THIS REGULATION). O. Reg. 41/10, s. 16.

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| <b>Banking, Investment and Borrowing</b>   |  |
| <b>Adopted:</b><br>February 21, 2012   | <b>Last Reviewed/Revised:</b><br>March 3, 2020 |
| <b>Next Scheduled Review:</b> 2022-2023  |  |
| <b>Associated Policies &amp; Procedures:</b><br><a href="#">VI-91 Banking, Investment and Borrowing</a><br><a href="#">VI-26 Cheque Requisitions</a> |  |

## Purpose

To define the Halton Catholic District School Board's ("the Board") policy with regard to the selection and/or retention of the Board's banker, signing authorities, investing and borrowing, in accordance with the Education Act.

## Application and Scope

This policy applies to all Halton Catholic District School Board (the Board) employees and trustees having financial stewardship responsibilities.

## References

[Education Act, Ontario Regulation 41/10](#)

[Bank Act \(Canada\) Loan and Trust Corporations Act](#)

[Credit Unions and Caisses Populaires Act](#)

## Principles

- Financial operations support the overall goals, priorities, strategic directions and accountability measures established by the Board.
- Providing financial stewardship requires taking care of the Board's financial resources and ensuring they are used for the purpose intended.
- Effective and efficient financial management practices ensure:
  - the prudent use of the Board's fiscal and tangible capital assets;

- an annual budget that is linked to Board-approved goals and priorities and complies with legal and statutory requirements; and
- The Board's assets are safeguarded for the use of future generations of students by limiting fiscal exposure to risk.
- The Board strives to optimize the utilization of its cash resources within statutory limitations and its primary fiduciary responsibility to protect and preserve capital while maintaining liquidity to meet ongoing financial requirements.
- The Board shall maintain and foster high ethical standards, integrity and respect for all stakeholders in conducting the Board's business.

## Requirements

- All investments of surplus cash and/or accumulated surplus and/or deferred revenue are made by Management in accordance with the Education Act, Ontario Regulation 41/10. All investments must be in accordance with the following investment goals:
  - To provide a positive rate of return on funds invested, in accordance with this policy, and consistent with the Board's governing values, mission, and vision.
  - To utilize self-financing where practical and possible.
  - To limit fiscal exposure to risk or loss.
- All Board borrowing will be as instructed in the Education Act, Ontario Regulation 41/10 and follow the Board's By-Laws.
- The banking agent for the Board shall be limited to, but maybe any bank to which the *Bank Act (Canada)* applies or any trust company to which the *Loan and Trust Corporations Act* applies or any credit union to which the *Credit Unions and Caisses Populaires Act*.
- Signing authorities for Halton Catholic District School Board's operating, capital and US banks are as follows:
  - Cheques over \$100,000 must be signed by one of two signatures (Chair of the Board; or Vice-Chair of the Board) and one of three signatures (Secretary of the Board, Treasurer of the Board, or Senior Administrator, Financial Services).
  - Cheques under \$100,000 must be signed by the Secretary of the Board and one of four signatures (Treasurer of the Board; Senior Administrator, Financial Services; Chair of the Board; or Vice-Chair of the Board).
  - The Board's payroll cheques require two of three signatures (Secretary of the Board; Treasurer of the Board; Senior Administrator, Financial Services).



**Policy No. I-10** | Banking, Investment and Borrowing

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APPROVED: Regular Meeting of the Board

AUTHORIZED BY: \_\_\_\_\_

*Chair of the Board*



## **2020-21 Proposed Audit Committee Meeting Schedule**

### **Meeting 1**

- Thursday, September 17, 2020

### **Meeting 2**

- Thursday, November 26, 2020

### **Meeting 3**

- Thursday, February 25, 2021
- March 11, 2021
- March 25, 2021

### **Meeting 4**

- Tuesday, May 25, 2021

## Timing of the Audit Committee's Key Activities

This document lists key activities the audit committee is required to undertake under Ontario Regulation 361/10, along with a suggested schedule for these activities (schedule may vary for each board). Audit committees may choose to engage in other activities or hold additional meetings, the timing of which is at the discretion of the individual committee.

### September

- Internal auditor performance evaluation (prior fiscal year)
- Internal audit mandate review (current fiscal year)

### November

- Review of financial statements (prior fiscal year)
- Review of external auditor's management letter (prior fiscal year)
- External auditor performance evaluation (prior fiscal year)
- Review of compliance report (prior fiscal year)
- Audit committee self-assessment (prior fiscal year)
- Detailed annual report to the Board of Trustees (prior fiscal year)
- Annual report to the Ministry (prior fiscal year)\*

### June

- Review of external auditor's audit plan (next fiscal year)
- Review of internal audit plan (next fiscal year)

### When Available

- Review of current external and/or internal audit plan where any major changes are proposed
- Review of internal audit reports
- Review of reports on audits or other engagements conducted by regulatory entities

\*Note: This report should be reviewed by the audit committee at or before the November meeting. Report should be presented to the Board of Trustees no later than November 30<sup>th</sup> and submitted to the Ministry of Education by January 15<sup>th</sup> of the following year.

## Proposed Audit Committee Meeting Agenda Topics

Audit committees can use this tool to assist in planning annual activities and meeting agendas, based primarily on actions or responsibilities outlined in Ontario Regulation 361/10 (the regulation). Note that the meeting dates are only a suggestion and that the actual schedule may vary by board.

A one-page document outlining the timing of key responsibilities has also been developed. Please refer to “Timing of the Audit Committee’s Key Activities” on the School Business Support Branch (SBSB) [website](#).

For guidance on whether to discuss an agenda item in open or closed session, please refer to the Deloitte report “Open vs. closed sessions of audit committee meetings”. This report is also available on the SBSB website.

### General Responsibilities

| Action or Responsibility  | Fiscal Year | Suggested Meeting         | Open/Closed Session | Completed? (Yes/No/N/A) | Comments |
|---|-------------|---------------------------|---------------------|-------------------------|----------|
| 3.(1) - Ensure committee composition complies with the regulation                                   | Current     | September and as required |                     |                         |          |
| 4.(1) – Ensure newly appointed external members meet eligibility requirements                       | Current     | As required               |                     |                         |          |
| 6.(1) - Elect the chair and appoint a secretary for the year  | Current     | September                 |                     |                         |          |
| 7.(2) - Ensure external members have not exceeded the maximum term of appointment                   | Current     | Each meeting              |                     |                         |          |
| 8.(1) & 8.(2) - Review committee members’ compliance with membership rules listed in the regulation | Current     | Each meeting              |                     |                         |          |
| 9.(7) - Report as required to the Board regarding the execution of duties and responsibilities      | Current     | As required               |                     |                         |          |

| Action or Responsibility  | Fiscal Year | Suggested Meeting               | Open/Closed Session | Completed? (Yes/No/N/A) | Comments |
|---|-------------|---------------------------------|---------------------|-------------------------|----------|
| 9.(8) – Ensure the regulation is posted on board’s website  | Current     | Annually                        |                     |                         |          |
| 10.(a) - As necessary (and with Board approval), retain counsel, accountants or other professionals to advise or assist the committee | Current     | As required                     |                     |                         |          |
| 10.(c) - Meet with management privately to discuss any necessary matters  | Current     | Private session at each meeting |                     |                         |          |
| 11.(6) – Ensure a quorum is present   | Current     | Each meeting                    |                     |                         |          |
| 11.(7) - Maintain minutes, review and approve the minutes of prior meetings   | Current     | Each meeting                    |                     |                         |          |
| 14.(3) – Members declare any potential financial benefits relating to agenda items  | Current     | Each meeting                    |                     |                         |          |
| 15.(1) &15.(3) – Annual report to the Board   | Previous    | November                        |                     |                         |          |
| 15.(2) – Annual report to the Ministry of Education   | Previous    | November                        |                     |                         |          |

### Financial Reporting

| Action or Responsibility  | Fiscal Year | Suggested Meeting | Open/Closed Session | Completed? (Yes/No/N/A) | Comments |
|---|-------------|-------------------|---------------------|-------------------------|----------|
| 9.(1) 1 - Review:<br><ul style="list-style-type: none"> <li>- relevant accounting and reporting practices and issues</li> <li>- complex or unusual transactions</li> <li>- material judgments and accounting estimates</li> <li>- any departures from PSAB</li> </ul> | Current     | As required       |                     |                         |          |

| <b>Action or Responsibility</b>   | <b>Fiscal Year</b> | <b>Suggested Meeting</b> | <b>Open/Closed Session</b> | <b>Completed? (Yes/No/N/A)</b> | <b>Comments</b> |
|---|--------------------|--------------------------|----------------------------|--------------------------------|-----------------|
| 9.(1) 2i - Review the external audit results  | Previous           | November                 |                            |                                |                 |
| 9.(1) 2ii - Review any difficulties encountered in the course of the audit  | Previous           | November                 |                            |                                |                 |
| 9.(1) 2iii – Review any significant changes made to the external audit plan in response to issues identified during the audit | Previous           | November                 |                            |                                |                 |
| 9.(1) 2iv - Review significant disagreements between external audit and management and how those disagreements were resolved  | Previous           | November                 |                            |                                |                 |
| 9.(1) 3 - Review the annual financial statements  | Previous           | November                 |                            |                                |                 |
| 9.(1) 4 - Recommend to the Board the approval of the annual audited financial statements                                      | Previous           | November                 |                            |                                |                 |
| 9.(1) 5 - Review all external auditor communications required under GAAS  | Previous           | November                 |                            |                                |                 |
| 9.(1) 6 - Review any material written communication between the external auditor and management                               | Previous           | November                 |                            |                                |                 |
| 9.(1) 7 – Ask the external auditor whether all reporting entities were consolidated into the board’s financial statements     | Previous           | November                 |                            |                                |                 |

## Internal Controls

| Action or Responsibility  | Fiscal Year | Suggested Meeting | Open/Closed Session | Completed? (Yes/No/N/A) | Comments |
|---|-------------|-------------------|---------------------|-------------------------|----------|
| 9.(2) 1 & 9.(2) 3 - Enquire about significant financial risks and the measures taken to manage such risks (reviewing the overall effectiveness of board's internal controls)                                | Current     | Each meeting      |                     |                         |          |
| 9.(2) 2 - Review the scope of the internal and external auditor's reviews of the board's internal controls, as well as any significant findings and recommendations made and management's response to these | Current     | Each meeting      |                     |                         |          |

## Internal Audit

| Action or Responsibility   | Fiscal Year | Suggested Meeting | Open/Closed Session | Completed? (Yes/No/N/A) | Comments |
|--|-------------|-------------------|---------------------|-------------------------|----------|
| 9.(3) 1 - Review their mandate, activities, staffing and organizational structure                    | Current     | September         |                     |                         |          |
| 9.(3) 2 - Make recommendations to the Board on the content of the internal audit plan                | Next        | June              |                     |                         |          |
| 9.(3) 2 - Make recommendations to the Board on all proposed major changes to the internal audit plan | Current     | As required       |                     |                         |          |
| 9.(3) 4 - Review internal auditor performance and provide comments to the Board and host board       | Previous    | September         |                     |                         |          |

| Action or Responsibility  | Fiscal Year         | Suggested Meeting                            | Open/Closed Session | Completed? (Yes/No/N/A) | Comments |
|---|---------------------|--|---------------------|-------------------------|----------|
| 9.(3) 5 - Review internal audit's effectiveness, including compliance with professional internal auditing standards. This could include a review of the quality assurance and improvement program results, which may use tools such as peer reviews and/or periodic external assessments. | Current or Previous | As available                                 |                     |                         |          |
| 9.(3) 6 - Meet with internal audit privately to discuss any necessary matters   | Current             | Private session at each meeting, as required |                     |                         |          |
| 9.(3) 7i - Review significant findings and recommendations made by internal audit and management's response to the recommendations  | Current             | Each meeting                                 |                     |                         |          |
| 9.(3) 3 & 9.(3) 7ii - Discuss significant difficulties, disagreements or scope restrictions/limitations encountered by the internal auditor   | Current             | As required                                  |                     |                         |          |
| 9.(3) 7iii - Review any significant changes internal audit made to the audit plan in response to issues identified during the audit   | Current             | As required                                  |                     |                         |          |

**External Auditor**

| Action or Responsibility                      | Fiscal Year | Suggested Meeting | Open/Closed Session | Completed? (Yes/No/N/A) | Comments |
|---|-------------|-------------------|---------------------|-------------------------|----------|
| 9.(4) 1 – Review external auditor performance | Current     | Annually          |                     |                         |          |

| Action or Responsibility  | Fiscal Year | Suggested Meeting                            | Open/Closed Session | Completed? (Yes/No/N/A) | Comments |
|---|-------------|--|---------------------|-------------------------|----------|
| 9.(4) 1 – Make recommendations to the Board on the appointment, replacement or dismissal of the external auditor and on the external auditor’s fee and fee adjustment | Current     | Annually                                     |                     |                         |          |
| 9.(4) 2 – Review the external audit plan (engagement letter, coordination with internal audit, use of other independent accountants)                                  | Next        | June   |                     |                         |          |
| 9.(4) 2.1 - Make recommendations to the Board on the content of the external audit plan   | Next        | June   |                     |                         |          |
| 9.(4) 2.1 - Make recommendations to the Board on all proposed major changes to the external audit plan  | Current     | As required                                  |                     |                         |          |
| 9.(4) 3 - Review and confirm external auditor’s independence  | Current     | November                                     |                     |                         |          |
| 9.(4) 4 - Meet with the external auditor to discuss any necessary matters   | Current     | Private session at each meeting, as required |                     |                         |          |
| 9.(4) 5 - Oversee the resolution of any disagreements between the external auditor and management   | Current     | As required                                  |                     |                         |          |
| 9.(4) 6 - Recommend a policy on services the external auditor may perform and oversee its implementation  | Current     | As required                                  |                     |                         |          |

## Compliance

| Action or Responsibility   | Fiscal Year | Suggested Meeting | Open/Closed Session | Completed? (Yes/No/N/A) | Comments |
|--|-------------|-------------------|---------------------|-------------------------|----------|
| 9.(5) 1 - Review the board's system for monitoring compliance with legislative requirements, board policies and procedures                       | Current     | September         |                     |                         |          |
| 9.(5) 1 & 9.(5) 4 - Review instances of non-compliance with legislative requirements and board policies and procedures, as well as actions taken | Current     | As required       |                     |                         |          |
| 9.(5) 2 - Review any legal matters or findings of regulatory entities  | Current     | As required       |                     |                         |          |
| 9.(5) 3 - Review the board's process for communicating and administering any codes of conduct  | Current     | September         |                     |                         |          |
| 9.(5) 5 - Receive confirmation that all statutory requirements have been met, e.g., through the annual compliance report signed by the Director  | Previous    | September         |                     |                         |          |

## Risk Management

| Action or Responsibility   | Fiscal Year | Suggested Meeting | Open/Closed Session | Completed? (Yes/No/N/A) | Comments |
|--|-------------|-------------------|---------------------|-------------------------|----------|
| 9.(6) 1 - Enquire about significant risks, review and assess the board's risk management policies  | Current     | September         |                     |                         |          |
| 9.(6) 2 - Perform other activities related to the oversight of the board's risk management issues or financial matters as requested by the Board | Current     | As required       |                     |                         |          |

| <b>Action or Responsibility</b>   | <b>Fiscal Year</b> | <b>Suggested Meeting</b> | <b>Open/Closed Session</b> | <b>Completed? (Yes/No/N/A)</b> | <b>Comments</b> |
|---|--------------------|--------------------------|----------------------------|--------------------------------|-----------------|
| 9.(6) 3 - Initiate and oversee investigations into auditing matters, internal financial controls and allegations of inappropriate or illegal financial dealings (including fraud) | Current            | As required              |                            |                                |                 |

**Other Leading Practices**

| <b>Action or Responsibility</b>                                 | <b>Fiscal Year</b> | <b>Suggested Meeting</b>    | <b>Open/Closed Session</b> | <b>Completed? (Yes/No/N/A)</b> | <b>Comments</b> |
|---|--------------------|-----------------------------|----------------------------|--------------------------------|-----------------|
| Develop work plan and meeting schedule for the next fiscal year | Next               | June                        |                            |                                |                 |
| Succession planning for audit committee members                 | Next               | June                        |                            |                                |                 |
| Perform a self-assessment of the audit committee                | Previous           | September                   |                            |                                |                 |
| Appropriate continuing education                                | Current            | As required                 |                            |                                |                 |
| Review interim financial reports                                | Current            | As information is available |                            |                                |                 |

Français

**Education Act****ONTARIO REGULATION 361/10  
AUDIT COMMITTEES****Consolidation Period:** From July 10, 2015 to the [e-Laws currency date](#).

Last amendment: O. Reg. 204/15.

*This is the English version of a bilingual regulation.***Interpretation**

1. (1) This Regulation applies in respect of audit committees established by district school boards under subsection 253.1 (1) of the Act. O. Reg. 361/10, s. 1 (1).

(2) In this Regulation,

“external auditor” means an auditor appointed by a board under subsection 253 (1) of the Act to perform the duties referred to in subsection 253 (4) of the Act; (“vérificateur externe”)

“internal auditor” means a contractor or employee of a board who examines and evaluates a board’s records and procedures related to the board’s risk management, internal controls and governance processes and makes recommendations on ways to improve the board’s risk management, internal controls and governance processes; (“vérificateur interne”)

“reporting entity” means, with respect to a board, an organization that is required to prepare reports for the purposes of the board regarding the organization’s financial affairs and resources; (“entité comptable”)

“senior business official” means a senior business official described in subsection 3 (2) of Regulation 309 of the Revised Regulations of Ontario, 1990 (Supervisory Officers) made under the Act. (“cadre supérieur de l’administration des affaires”) O. Reg. 361/10, s. 1 (2).

**Establishment of audit committee**

2. (1) Subject to subsection (3), every board shall establish an audit committee in accordance with this Regulation no later than January 31, 2011. O. Reg. 361/10, s. 2 (1).

(2) The first meeting of an audit committee established under subsection (1) shall be held no later than March 31, 2011. O. Reg. 361/10, s. 2 (2).

(3) A board established after the day this Regulation comes into force shall establish an audit committee in accordance with this Regulation no later than October 1 of the school year following the calendar year in which the board’s members are first elected. O. Reg. 361/10, s. 2 (3).

(4) The first meeting of an audit committee established under subsection (3) shall be held no later than December 1 of the school year following the calendar year in which the board’s members are first elected. O. Reg. 361/10, s. 2 (4).

**Composition of audit committee**

3. (1) An audit committee of a board shall consist of the following individuals appointed in accordance with the board’s by-laws:

1. If the board has fewer than eight board members, the audit committee shall consist of four members, including two board members and two persons who are not board members.
2. If the board has eight or more board members, but less than fifteen, the audit committee shall consist of five members, including three board members and two persons who are not board members.
3. If the board has fifteen or more board members, the audit committee shall consist of seven members, including four board members and three persons who are not board members. O. Reg. 361/10, s. 3 (1).

(2) In the absence of a by-law setting out an appointment process, the board shall appoint the members of the audit committee in accordance with paragraphs 1, 2 and 3 of subsection (1). O. Reg. 361/10, s. 3 (2).

(3) If the number of persons required by paragraphs 1, 2 and 3 of subsection (1) is not appointed to the audit committee, the Minister may appoint a person to each vacant position. O. Reg. 361/10, s. 3 (3).

(4) A person appointed under subsection (3) holds the position until the board appoints another person to the position. O. Reg. 361/10, s. 3 (4).

(5) An appointment made under subsection (3) must comply with paragraphs 1, 2 and 3 of subsection (1) and section 4. O. Reg. 361/10, s. 3 (5).

**Eligibility for appointment of persons who are not board members**

4. (1) A person who is not a board member is eligible to be appointed to the board's audit committee only if he or she,
- (a) has accounting, financial management or other relevant business experience that would enable him or her to understand the accounting and auditing standards applicable to the board;
  - (b) is not an employee or officer of the board or of any other board at the time of his or her appointment;
  - (c) does not have a conflict of interest, as described in subsection (2), at the time of his or her appointment; and
  - (d) was identified by the selection committee described in section 5 as a potential candidate for appointment to the audit committee. O. Reg. 361/10, s. 4 (1).
- (2) For the purposes of clause (1) (c), a person has a conflict of interest if his or her parent, child or spouse is employed by the board. O. Reg. 361/10, s. 4 (2).
- (3) Clause (1) (d) does not apply if the person is appointed by the Minister under subsection 3 (3). O. Reg. 361/10, s. 4 (3).

**Selection committee**

5. (1) Each board shall have a selection committee for the purpose of identifying persons who are not board members as potential candidates for appointment to the board's audit committee. O. Reg. 361/10, s. 5 (1).
- (2) The selection committee shall be composed of,
- (a) the board's director of education;
  - (b) a senior business official of the board; and
  - (c) the chair of the board or a board member designated by the chair. O. Reg. 361/10, s. 5 (2).

**Chair of the audit committee**

6. (1) At the first meeting of the audit committee in each fiscal year, the members of the committee shall elect the chair of the committee for the fiscal year of the board from among the members appointed to the committee. O. Reg. 361/10, s. 6 (1); O. Reg. 204/15, s. 1.
- (2) If at any meeting of the audit committee the chair is not present, the members present may elect a chair for that meeting. O. Reg. 361/10, s. 6 (2).

**Term of appointment**

7. (1) The term of office of a member of the audit committee who is a board member shall be determined by the board but shall not exceed four years. O. Reg. 361/10, s. 7 (1).
- (2) The term of office of a member of the audit committee who is not a board member shall be determined by the board but shall not exceed three years. O. Reg. 361/10, s. 7 (2).
- (3) Subject to subsection (4), a member of the audit committee may be reappointed. O. Reg. 361/10, s. 7 (3).
- (4) An individual who is not a board member may not be appointed to the audit committee more than twice unless,
- (a) the board advertised the position for at least 30 days; and
  - (b) after the 30 days, the selection committee did not identify any potential candidates. O. Reg. 361/10, s. 7 (4).
- (5) When the term of a member of the audit committee expires, he or she continues to be a member until a successor is appointed or the member is reappointed. O. Reg. 361/10, s. 7 (5).

**Vacancies**

8. (1) A member who is a board member vacates his or her position on the audit committee if,
- (a) he or she is convicted of an indictable offence; or
  - (b) he or she is absent from two consecutive regular meetings of the committee and the committee has not authorized those absences by a resolution at the first regular meeting of the committee that follows the second absence. O. Reg. 361/10, s. 8 (1).
- (2) A member who is not a board member vacates his or her position on the audit committee if,
- (a) he or she is convicted of an indictable offence;

- (b) he or she is absent from two consecutive regular meetings of the committee and the committee has not authorized those absences by a resolution at the first regular meeting of the committee that follows the second absence;
  - (c) he or she becomes an employee or officer of the board or of any other board; or
  - (d) it is discovered that he or she had a conflict of interest as described in subsection 4 (2) at the time of his or her appointment and failed to disclose it. O. Reg. 361/10, s. 8 (2).
- (3) Despite any by-law of a board, if a position on the audit committee becomes vacant, the position shall be filled as soon as possible in accordance with this Regulation. O. Reg. 361/10, s. 8 (3).
- (4) A person who is appointed to fill a vacancy shall hold the position for the remainder of the term of the member whose position became vacant. O. Reg. 361/10, s. 8 (4).

**Duties of an audit committee**

9. (1) An audit committee of a board has the following duties related to the board's financial reporting process:

1. To review with the director of education, a senior business official and the external auditor the board's financial statements, with regard to the following:
  - i. Relevant accounting and reporting practices and issues.
  - ii. Complex or unusual financial and commercial transactions of the board.
  - iii. Material judgments and accounting estimates of the board.
  - iv. Any departures from the accounting principles published from time to time by the Canadian Institute of Chartered Accountants that are applicable to the board.
2. To review with the director of education, a senior business official and the external auditor, before the results of an annual external audit are submitted to the board,
  - i. the results of the annual external audit,
  - ii. any difficulties encountered in the course of the external auditor's work, including any restrictions or limitations on the scope of the external auditor's work or on the external auditor's access to required information,
  - iii. any significant changes the external auditor made to the audit plan in response to issues that were identified during the audit, and
  - iv. any significant disagreements between the external auditor and the director of education or a senior business official and how those disagreements were resolved.
3. To review the board's annual financial statements and consider whether they are complete, are consistent with any information known to the audit committee members and reflect accounting principles applicable to the board.
4. To recommend, if the audit committee considers it appropriate to do so, that the board approve the annual audited financial statements.
5. To review with the director of education, a senior business official and the external auditor all matters that the external auditor is required to communicate to the audit committee under generally accepted auditing standards.
6. To review with the external auditor material written communications between the external auditor and the director of education or a senior business official.
7. To ask the external auditor about whether the financial statements of the board's reporting entities, if any, have been consolidated with the board's financial statements.
8. To ask the external auditor about any other relevant issues. O. Reg. 361/10, s. 9 (1).

(2) An audit committee of a board has the following duties related to the board's internal controls:

1. To review the overall effectiveness of the board's internal controls.
2. To review the scope of the internal and external auditor's reviews of the board's internal controls, any significant findings and recommendations by the internal and external auditors and the responses of the board's staff to those findings and recommendations.
3. To discuss with the board's officials the board's significant financial risks and the measures the officials have taken to monitor and manage these risks. O. Reg. 361/10, s. 9 (2).

(3) An audit committee of a board has the following duties related to the board's internal auditor:

1. To review the internal auditor's mandate, activities, staffing and organizational structure with the director of education, a senior business official and the internal auditor.

2. To make recommendations to the board on the content of annual or multi-year internal audit plans and on all proposed major changes to plans.
3. To ensure there are no unjustified restrictions or limitations on the scope of the annual internal audit.
4. To review at least once in each fiscal year the performance of the internal auditor and provide the board with comments regarding his or her performance.
5. To review the effectiveness of the internal auditor, including the internal auditor's compliance with the document *International Standards for the Professional Practice of Internal Auditing*, as amended from time to time, published by The Institute of Internal Auditors and available on its website.
6. To meet on a regular basis with the internal auditor to discuss any matters that the audit committee or internal auditor believes should be discussed.
7. To review with the director of education, a senior business official and the internal auditor,
  - i. significant findings and recommendations by the internal auditor during the fiscal year and the responses of the board's staff to those findings and recommendations,
  - ii. any difficulties encountered in the course of the internal auditor's work, including any restrictions or limitations on the scope of the internal auditor's work or on the internal auditor's access to required information, and
  - iii. any significant changes the internal auditor made to the audit plan in response to issues that were identified during the audit. O. Reg. 361/10, s. 9 (3).

**(4) An audit committee of a board has the following duties related to the board's external auditor:**

1. To review at least once in each fiscal year the performance of the external auditor and make recommendations to the board on the appointment, replacement or dismissal of the external auditor and on the fee and fee adjustment for the external auditor.
2. To review the external auditor's audit plan, including,
  - i. the external auditor's engagement letter,
  - ii. how work will be co-ordinated with the internal auditor to ensure complete coverage, the reduction of redundant efforts and the effective use of auditing resources, and
  - iii. the use of independent public accountants other than the external auditor of the board.
- 2.1 To make recommendations to the board on the content of the external auditor's audit plan and on all proposed major changes to the plan.
3. To review and confirm the independence of the external auditor.
4. To meet on a regular basis with the external auditor to discuss any matters that the audit committee or the external auditor believes should be discussed.
5. To resolve any disagreements between the director of education, a senior business official and the external auditor about financial reporting.
6. To recommend to the board a policy designating services that the external auditor may perform for the board and, if the board adopts the policy, to oversee its implementation. O. Reg. 361/10, s. 9 (4); O. Reg. 204/15, s. 2.

**(5) An audit committee of a board has the following duties related to the board's compliance matters:**

1. To review the effectiveness of the board's system for monitoring compliance with legislative requirements and with the board's policies and procedures, and where there have been instances of non-compliance, to review any investigation or action taken by the board's director of education, supervisory officers or other persons employed in management positions to address the non-compliance.
2. To review any significant findings of regulatory entities, and any observations of the internal or external auditor related to those findings.
3. To review the board's process for communicating any codes of conduct that apply to board members or staff of the board to those individuals and the board's process for administering those codes of conduct.
4. To obtain regular updates from the director of education, supervisory officers and legal counsel regarding compliance matters.
5. To obtain confirmation by the board's director of education and supervisory officers that all statutory requirements have been met. O. Reg. 361/10, s. 9 (5).

**(6) An audit committee of a board has the following duties related to the board's risk management:**

1. To ask the board's director of education, a senior business official, the internal auditor and the external auditor about significant risks, to review the board's policies for risk assessment and risk management and to assess the steps the director of education and a senior business official have taken to manage such risks, including the adequacy of insurance for those risks.
2. To perform other activities related to the oversight of the board's risk management issues or financial matters, as requested by the board.
3. To initiate and oversee investigations into auditing matters, internal financial controls and allegations of inappropriate or illegal financial dealing. O. Reg. 361/10, s. 9 (6).

(7) An audit committee of a board shall report to the board annually, and at any other time that the board may require, on the committee's performance of its duties. O. Reg. 361/10, s. 9 (7).

(8) An audit committee shall make all reasonable efforts to ensure that a copy of this Regulation is posted on the board's website. O. Reg. 361/10, s. 9 (8).

#### **Powers of an audit committee**

10. In carrying out its functions and duties, an audit committee of a board has the power to,
  - (a) with the prior approval of the board, retain counsel, accountants or other professionals to advise or assist the committee;
  - (b) meet with or require the attendance of board members, the board's staff, internal or external auditor or legal counsel or representatives from a reporting entity of the board at meetings of the committee, and require such persons or entities to provide any information and explanation that may be requested;
  - (c) where the committee determines it is appropriate, meet with the board's external or internal auditor, or with any staff of the board, without the presence of other board staff or board members, other than board members who are members of the committee;
  - (d) require the board's internal or external auditor to provide reports to the committee; and
  - (e) have access to all records of the board that were examined by the internal or external auditor. O. Reg. 361/10, s. 10.

#### **Meetings**

11. (1) An audit committee of a board shall meet at least three times in each fiscal year at the call of the chair of the committee, and at such other times as the chair considers advisable. O. Reg. 361/10, s. 11 (1).

(2) The first meeting of the audit committee in each fiscal year after the 2011 year shall take place no later than September 30. O. Reg. 361/10, s. 11 (2).

(3) Each member of the audit committee has one vote. O. Reg. 361/10, s. 11 (3).

(4) The audit committee shall make decisions by resolution. O. Reg. 361/10, s. 11 (4).

(5) In the event of a tie vote, the chair is entitled to cast a second vote. O. Reg. 361/10, s. 11 (5).

(6) A majority of the members of the audit committee that includes at least one member who is not a board member constitutes a quorum for meetings of the committee. O. Reg. 361/10, s. 11 (6).

(7) The chair of the audit committee shall ensure that minutes are taken at each meeting and provided to the members of the committee before the next meeting. O. Reg. 361/10, s. 11 (7).

(8) Despite subsection (1), an audit committee of a board is required to meet only twice during the 2010-2011 fiscal year. O. Reg. 361/10, s. 11 (8).

#### **Codes of Conduct**

12. Any code of conduct of the board that applies to board members also applies to members of the audit committee who are not board members in relation to their functions, powers and duties as members of the committee. O. Reg. 361/10, s. 12.

#### **Remuneration and compensation**

13. (1) A person shall not receive any remuneration for serving as a member of the audit committee. O. Reg. 361/10, s. 13 (1).

(2) Subsection (1) does not preclude payment of an honorarium under section 191 of the Act that takes into account the attendance of a board member at an audit committee meeting. O. Reg. 361/10, s. 13 (2).

(3) A board shall establish policies respecting the reimbursement of members of its audit committee for expenses incurred as members of the committee. O. Reg. 361/10, s. 13 (3).

(4) A board shall reimburse members of its audit committee for expenses incurred as members of the committee in accordance with the policies referred to in subsection (3). O. Reg. 361/10, s. 13 (4).

#### **Declaration of conflicts**

14. (1) Every member of an audit committee shall, when he or she is appointed to the committee for the first time and at the first meeting of the committee in each fiscal year, submit a written declaration to the chair of the committee declaring whether he or she has a conflict of interest as described in subsection 4 (2). O. Reg. 361/10, s. 14 (1).

(2) A member of an audit committee who becomes aware after his or her appointment that he or she has a conflict of interest, as described in subsection 4 (2), shall immediately disclose the conflict in writing to the chair. O. Reg. 361/10, s. 14 (2).

(3) If a member or his or her parent, child or spouse could derive any financial benefit relating to an item on the agenda for a meeting, the member shall declare the potential benefit at the start of the meeting and withdraw from the meeting during the discussion of the matter and shall not vote on the matter. O. Reg. 361/10, s. 14 (3).

(4) If no quorum exists for the purpose of voting on a matter only because a member is not permitted to be present at the meeting by reason of subsection (3), the remaining members shall be deemed to constitute a quorum for the purposes of the vote. O. Reg. 361/10, s. 14 (4).

(5) If a potential benefit is declared under subsection (3), a detailed description of the potential benefit declared shall be recorded in the minutes of the meeting. O. Reg. 361/10, s. 14 (5).

#### **Reporting**

15. (1) An audit committee of a board shall submit to the board on or before a date specified by the board an annual report that includes,

- (a) any annual or multi-year audit plan of the board's internal auditor;
- (b) a description of any changes made to a plan referred to in clause (a) since the last report of the committee;
- (c) a summary of the work performed by the internal auditor since the last annual report of the committee, together with a summary of the work the auditor expected to perform during the period, as indicated in the plan referred to in clause (a);
- (d) a summary of risks identified and findings made by the internal auditor; and
- (e) a summary of any enrolment audits planned by the internal auditor. O. Reg. 361/10, s. 15 (1); O. Reg. 204/15, s. 3 (1).

(2) A board who receives a report under subsection (1) shall submit the information described in clauses (1) (c) and (e) to the Minister in each fiscal year on or before a date specified by the Minister. O. Reg. 204/15, s. 3 (2).

(3) An audit committee of a board shall submit a report to the board in each fiscal year on or before a date specified by the board, and at any other time as may be requested by the board, that includes,

- (a) a summary of the work performed by the committee since the last report;
- (b) an assessment by the committee of the board's progress in addressing any findings and recommendations that have been made by the internal or external auditor;
- (c) a summary of the matters addressed by the committee at its meetings;
- (d) the attendance record of members of the committee; and
- (e) any other matter that the committee considers relevant. O. Reg. 361/10, s. 15 (3).

16. OMITTED (PROVIDES FOR COMING INTO FORCE OF PROVISIONS OF THIS REGULATION). O. Reg. 361/10, s. 16.

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