



## **DURHAM DISTRICT SCHOOL BOARD**

### **NOTICE OF MEETING**

### **AUDIT COMMITTEE**

### **PUBLIC SESSION**

Monday, November 8, 2021

6:00 p.m Virtual

Chairperson: Michael Barrett

Recording Secretary: Kristin Talbot

**DATE:** Monday, November 8, 2021

**TIME:** 6:00 p.m.

**LOCATION:** Virtual

**ATTACHMENTS:** Agenda

Copies to:  
Committee Members  
Director of Education  
Associate Director of Corporate Services  
Invited Board Staff  
Invited Guests



## Durham District School Board

Audit Committee Meeting

### PUBLIC AGENDA

Monday, November 8, 2021

6:00 p.m.

Virtual

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	Presented By	Pages
1. Call to Order		
2. Land Acknowledgement	M. Barrett	
3. Declarations of Conflict of Interest		
4. Approval of the Agenda	M. Barrett	
5. Approval of the September 29, 2021 Audit Committee Public Meeting Minutes	M. Barrett	1 - 3
6. DDSB Code of Conduct – Update	M. Barrett	Verbal
7. Audit Committee External Members – Term of Appointment	D. Wright	4 - 13
8. Financial Process and the 2020-2021 Financial Report	D. Wright	14 - 54
9. Other Business		
10. Next Meeting – Proposed Date: March 23, 2022		
11. Adjournment		



# Durham District School Board

## Audit Committee Meeting

### DRAFT MINUTES

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A PUBLIC meeting of the Audit Committee was held on Wednesday, September 29, 2021, virtually via ZOOM.

#### 1. Call to Order

Chair Barrett called the meeting to order at approximately 6:01 p.m.

<b>Committee Members Present:</b>	Michael Barrett, Trustee Paul Crawford, Trustee Linda Stone, Trustee Olufunke Majebi, External Member Karla Mansfield, External Member
<b>Staff Present:</b>	Norah Marsh, Director of Education David Wright, Associate Director of Corporate Services Patrick Cotter, Legal Counsel Melissa Durward, Senior Manager of Finance Jennifer Machin, Senior Manager of Finance Sidney Lashley, Internal Auditor
<b>Guests Present:</b>	Joane Mui, Partner, KPMG LLP Shelyane Li, Senior Manager, KPMG LLP Jeff Henderson, Senior Regional Internal Auditor
<b>Recording Secretary:</b>	Kristin Talbot, Executive Assistant

#### 2. Land Acknowledgement

Chair Barrett advised that the Durham District School Board acknowledges that many Indigenous Nations have longstanding relationships, both historic and modern, with the territories upon which our school board and schools are located. Today, this area is home to many Indigenous peoples from across Turtle Island (North America). We acknowledge that the Durham Region forms a part of the traditional and treaty territory of the Mississaugas of Scugog Island First Nation, the Mississauga Peoples and the treaty territory of the Chippewas of Georgina Island First Nation. It is on these ancestral and treaty lands that we teach, learn and live.

#### 3. Declaration of Conflict of Interest

There were no declarations of conflict of interest.

#### **4. Approval of the Agenda**

Chair Barrett advised of an item to be added as agenda 6. 'Audit Committee Parameters Regarding DDSB Code of Conduct'.

**MOVED** by Linda Stone

That the agenda be approved as amended.

**CARRIED**

#### **5. Approval of the November 9, 2020 Audit Committee PUBLIC Meeting Minutes**

**MOVED** by Karla Mansfield

That the minutes be approved as presented.

**CARRIED**

#### **6. Audit Committee Parameters Regarding DDSB Code of Conduct**

Patrick Cotter reviewed O Reg 361/10, s.9 (5), which states '*An audit committee of a board has the following duties related to the board's compliance matters:*' subsection 3 states '*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.*' Patrick Cotter discussed this item with legal counsel at Borden Ladner Gervais. It was determined that the role of the Audit Committee is limited to the process of communication and administration of the DDSB Code of Conduct, not reviewing or providing input.

O Reg 361/10, s.12 states '*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.*' Therefore, the DDSB Code of Conduct applies to External Members, but does not provide them any additional authority.

It was suggested that this should be included in an onboarding binder for new Audit Committee members. An update on the DDSB Code of Conduct re-draft will be on the November 8 Audit Committee agenda. The final DDSB Code of Conduct will be brought to the Audit Committee for information.

A discussion ensued, and questions were responded to.

Patrick Cotter left the meeting at 6:26 p.m.

#### **7. Annual Agenda Plan**

Associate Director Wright presented the report, which contains constant agenda items for each meeting as suggested by the School Business Support Branch. Items can/will be added as issues arise. Discussion ensued, and questions were responded to.

**MOVED** by Karla Mansfield

It is recommended that the Audit Committee approve the annual agenda plan.

**CARRIED**

**8. Annual Audit Committee Report to the Board of Trustees**

Associate Director Wright presented the report, which contains a summary of the audit committee's work taken place in the previous year. This report is a requirement of the O Reg. 361/10. Discussion ensued, and questions were responded to.

**MOVED** by Olufunke Majebi

It is recommended that the Audit Committee approve the DDSB Annual Audit Committee Report to the Board of Trustees, for the year ended August 31, 2021, to be presented to the Board of Trustees.

**CARRIED**

**9. Annual Audit Committee Report to the Ministry of Education**

Associate Director Wright presented the report, which contains a summary of internal audits taken place in the previous year. This report is required to be submitted to the Ministry of Education, as per O Reg. 361/10. Discussion ensued, and questions were responded to.

**MOVED** by Linda Stone

It is recommended that the Audit Committee approve the DDSB Annual Audit Committee Report to the Ministry of Education, for the year ended August 31, 2021, to be presented to the Board of Trustees.

**CARRIED**

**10. Other Business**

There was no other business.

**11. Next Meeting Date**

November 8, 2021

**12. Adjournment**

**MOVED** by Paul Crawford

That the meeting does now adjourn.

**CARRIED**

The meeting was adjourned at approximately 6:31 p.m.

## DURHAM DISTRICT SCHOOL BOARD ADMINISTRATIVE REPORT

**REPORT TO:** Audit Committee **DATE:** November 8, 2021

**SUBJECT:** Audit Committee External Members - **PAGE:** 1 of 3  
Term of Appointment

**ORIGIN:** Norah Marsh, Director of Education and Secretary to the Board  
David Wright, Associate Director of Corporate Services

### 1.0 Purpose

The purpose of this report is to provide the Audit Committee with information regarding the Audit Committee External Members' term of appointment.

### 2.0 Ignite Learning Strategic Priority/Operational Goals

**Success** – *Set high expectations and provide support to ensure all staff and students reach their potential every year.*

**Well-being** – *Create safe, welcoming, inclusive learning spaces to promote well-being for all students and staff.*

**Leadership** – *Identify future leaders, actively develop new leaders and responsively support current leaders.*

**Equity** – *Promote a sense of belonging and increase equitable outcomes for all by identifying and addressing barriers to success and engagement.*

**Engagement** – *Engage students, parents and community members to improve student outcomes and build public confidence.*

**Innovation** – *Re-imagine learning and teaching spaces through digital technologies and innovative resources.*

### 3.0 Background

#### 3.1 School Boards Requirement for Audit Committee

In accordance with the Education Act s.253.1, all schools are required to have an Audit Committee.

#### 3.2 Ontario Regulation 361/10: Audit Committees

The Ontario Regulation 361/10: Audit Committees is attached as Appendix A

##### i. Composition of Audit Committee s.3

O. Reg 361/10 s.3(1) requires that the Audit Committee shall consist of five members, including three board members and two persons who are not board members.

##### ii. Selection Committee s.5

O. Reg 361/10 s.5(2) requires that the selection committee be composed of the Chair of the Board, the Director of Education and a Senior Business Official.

### iii. Term of Appointment s.7

O. Reg 361/10 s.7 states that a term of office of three years for a member of the committee who is not a Board member, for a maximum of two terms. An external member may be reappointed after two terms if the Board advertised the position for at least 30 days and the selection committee did not identify any potential candidates.

### 3.3 DDSB Audit Committee Terms of Reference

The DDSB Terms of Reference, as approved on October 17, 2011, is attached as Appendix B. Audit Committee External Members have a term of office of 3 years.

### 3.4 Current External Audit Committee Members

The Board is very fortunate to have the expertise and experience of the current External Members, Karla Mansfield and Olufunke Majebi, who have served on the Audit Committee for the following terms of appointment:

Karla Mansfield	Olufunke Majebi
February 2018 - January 2021	February 2021 - January 2024
February 2021 - February 2022	

## 4.0 Analysis

### 4.1 Term of Appointment Dates

In an effort to maintain continuity, the term dates for the External Members are staggered to allow an overlap of terms for the two positions.

The terms of appointment are as follows:

- External Member One: February 2021 – February 2024
- External Member Two: February 2022 – February 2025

### 4.2 Steps for the Next Term of Appointment

The following chart outlines the steps for the term of appointment of February 2022 to February 2025:

Date	Action
November 22, 2021	<ul style="list-style-type: none"> <li>• A notice will be posted on the Board website for 30 days</li> <li>• This is an opportunity for the current external member to indicate their interest and/or new external members to indicate interest</li> <li>• Advertisements will appear in Durham's municipal newspapers</li> </ul>
December 20, 2021	<ul style="list-style-type: none"> <li>• Applications due to the Director of Education</li> </ul>
January 3-7, 2022	<ul style="list-style-type: none"> <li>• Resumes will be reviewed</li> <li>• Candidates will be contacted for interviews</li> </ul>
January 17-21, 2022	<ul style="list-style-type: none"> <li>• Interviews will be held with the Selection Committee, as noted in 2.2 (ii), as required</li> <li>• Successful candidate will be notified</li> </ul>
February 22, 2022	<ul style="list-style-type: none"> <li>• Report will go the Board meeting with a recommendation to appoint the successful candidate</li> </ul>

**5.0 Financial Implications**

N/A

**6.0 Evidence of Impact**

N/A

**7.0 Communication Plan**

Advertisements will appear in Durham's municipal newspapers, on the Board's website and a social media campaign will take place.

**8.0 Conclusion**

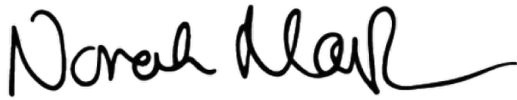
This report is provided to the Audit Committee for information.

**9.0 Appendices**

Appendix A - Ontario Regulation 361/10: Audit Committees

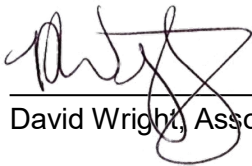
Appendix B – DDSB Audit Committee: Terms of Reference

Report reviewed and submitted by:



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Norah Marsh, Director of Education and Secretary to the Board



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David Wright, Associate Director of Corporate Services



## 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.

Français

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### **Audit Committee Terms of Reference**

The terms of reference for the Audit Committee of the Durham District School Board are set out in Ontario Regulation 361/10.

The term of office for members of the committee who are Board members is one year, and for members of the committee who are not Board members is three years.

Members of the committee are reimbursed for out-of-pocket expenses for travel to meetings and attendance at training sessions at Board-approved rates.

Approved October 17, 2011

## DURHAM DISTRICT SCHOOL BOARD ADMINISTRATIVE REPORT

**REPORT TO:** Audit Committee **DATE:** November 8, 2021

**SUBJECT:** Financial Process and 2020-2021 Financial Report **PAGE:** 1 of 4

**ORIGIN:** Norah Marsh, Director of Education and Secretary to the Board  
 David Wright, Associate Director of Corporate Services  
 Melissa Durward, Senior Manager of Finance

### 1.0 Purpose

The purpose of this report is to provide the Audit Committee with an overview of the financial process, and to present the 2020-2021 Financial Statements, as audited by KPMG, for approval.

### 2.0 Ignite Learning Strategic Priority/Operational Goals

**Success** – *Set high expectations and provide support to ensure all staff and students reach their potential every year.*

**Well-being** – *Create safe, welcoming, inclusive learning spaces to promote well-being for all students and staff.*

**Leadership** – *Identify future leaders, actively develop new leaders and responsively support current leaders.*

**Equity** – *Promote a sense of belonging and increase equitable outcomes for all by identifying and addressing barriers to success and engagement.*

**Engagement** – *Engage students, parents and community members to improve student outcomes and build public confidence.*

**Innovation** – *Re-imagine learning and teaching spaces through digital technologies and innovative resources.*

### 3.0 Background

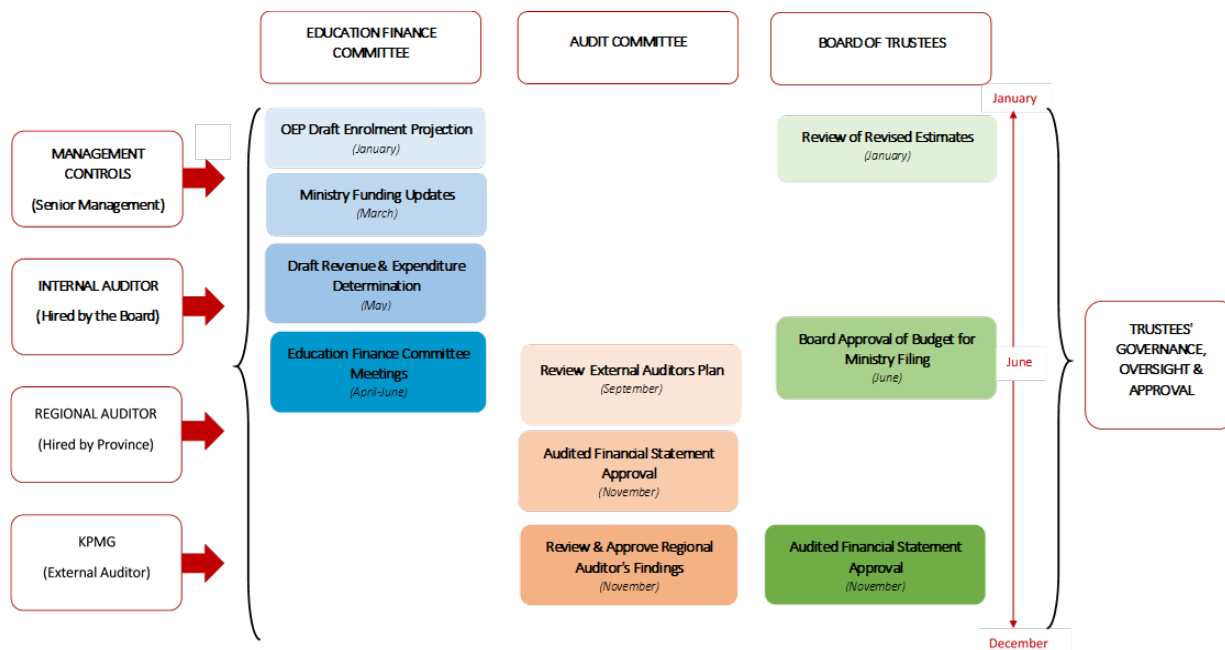
#### 3.1 Financial Process

The following table outlines the layers of Financial Governance and oversight at school boards across the province. The three layers are:

- Education Finance Committee
- Audit Committee
- Board of Trustees



The following chart entitled Trustees' Governance, Oversight and Approval is provided for illustrative purposes.



### Education Finance Committee

The Ministry of Education announces the Grants for Student Needs (GSN), which generally provide the details of grant formulas and other criteria for education funding in March/April. This Ministry funding update and the Draft Official Enrolment Projections (OEP) are used by budget staff to build draft revenue and expenditures for the deliberations of the Education Finance Committee. Through several meetings, the Education Finance Committee receives information from Board Staff and public deputations. The end result of these meetings is the approval of the budget by the Education Finance Committee, for final approval by the Board of Trustees.

### Audit Committee

The Audit Committee is composed of three members of the Board of Trustees and two independent members drawn from the community at large. The primary role of the Audit Committee is to assist the Board of Trustees in fulfilling its duties related to governance and oversight. The duties of the Audit Committee fall under the following key areas: the financial reporting process, internal control framework, risk management practices, performance and function of the Board's internal and external auditors and the Board's compliance with its obligations under legislation. This committee generally meets four times per year.

### Board of Trustees

Public School Trustees are an important link between residents of the municipalities served by the DDSB and the Board. Specifically, a Trustee is responsible, as a member of the Board:

- To govern and set policy
- To govern for the provision of curriculum, facilities, human and financial resources
- To advocate for the needs of the district

As a constituency representative, to explain the policies and decisions of the DDSB to residents.

The financial process for school boards is supported by senior management and auditors.

### **Senior Management**

Provides an environment of strong internal controls which correspond to best practices, Ministry/Provincial direction and Trustee approved Policies and Regulations.

### **Internal Audit**

Reviews individual school/location compliance with controls.

### **Regional Audit**

Reviews Board compliance with an entire process flow or control.

### **External Audit**

Reviews the Board's actual financial activity for the year-ended August 31, and provides an audit opinion with respect to overall compliance

## **3.2 Financial Statements**

The External Auditors present the Audited Financial Statements for the year-ended August 31. It represents the actual results for the period from September 1, 2020 to August 31, 2021. It is the financial results of this period which provide insight for the budget to be approved in June 2022, for the 2022-2023 school year.

## **4. Analysis**

### **4.1 2020-2021 Financial Statements**

The Board's external auditors from KPMG will be present at the Audit Committee meeting to present their audit opinion and address any questions that may arise.

The audited financial statements for the year ended August 31, 2021 include:

- Consolidated Statement of Financial Position
- Consolidated Statement of Operations and Accumulated Surplus
- Consolidated Statement of Changes in Net Debt
- Consolidated Statement of Cash Flows
- Notes to Consolidated Financial Statements

These 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. Note 1(a) to the consolidated financial statements further outlines this process.

#### **4.1.1 Consolidated Statement of Financial Position**

- Financial assets \$ 441,683,249
- Financial liabilities \$ 1,165,167,976
- Non-financial assets \$ 1,023,940,973

#### **4.1.2 Consolidated Statement of Operations and Accumulated Surplus**

- Revenues \$ 902,401,280
- Expenses \$ 869,475,387

#### **4.1.3 Notes to Consolidated Financial Statements**

- Retirement and other employee future benefits liabilities \$ 36,027,731
- Net debenture debt and capital loans \$ 214,021,018
- Tangible capital assets net book value \$ 1,020,755,331

### **4.0 Financial Implications**

This information is reflected in the DDSB Audited Consolidated Financial Statements, September 1, 2020 – August 31, 2021.

### **5.0 Evidence of Impact**

The preparation of these financial statements ensures board compliance with Ontario Regulation 395/11 of the Financial Administration Act.

### **6.0 Communication Plan**

The [2020-2021 Financial Statements](#) will be made available to the public on the DDSB website after the November Board meeting.

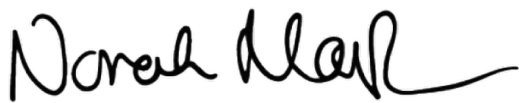
### **7.0 Recommendation**

That the Audit Committee recommend to the Board of Trustees that the 2020-2021 Financial Report of Durham District School Board, including transfers to and from internally restricted funds, be approved as presented.

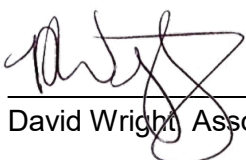
### **8.0 Appendices**

Appendix A – DDSB Audited Consolidated Financial Statements, September 1, 2020 – August 31, 2021

Report reviewed and submitted by:



Norah Marsh, Director of Education and Secretary to the Board



David Wright, Associate Director of Corporate Services

***DRAFT #4***  
***November 4, 2021***

Consolidated Financial Statements of

**DURHAM DISTRICT  
SCHOOL BOARD**

Year ended August 31, 2021



## **Durham District School Board**

### **AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**September 1, 2020 – August 31, 2021**

# DURHAM DISTRICT SCHOOL BOARD

## ***DRAFT*** Table of Contents

Year ended August 31, 2021

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## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Durham District School Board (the "Board") are the responsibility of the Board's 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.

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.

The Board's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Audit Committee of the Board meets with 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, Chartered Professional Accountants, 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.

**DRAFT**

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Director of Education

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Associate Director of Corporate  
Services

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Durham District School Board

### ***Opinion***

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

- the consolidated statement of financial position as at August 31, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows 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 consolidated financial position of the Entity as at August 31, 2021, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with the basis of accounting described in note 1 to the 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 auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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### ***Emphasis of Matter - Financial Reporting Framework***

We draw attention to note 1 in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

### ***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 described in note 1 in 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 the 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.

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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.

Page 4

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group 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.

***DRAFT***

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

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# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Consolidated Statement of Financial Position

August 31, 2021, with comparative information for 2020

	2021	2020
<b>Financial assets</b>		
Cash and cash equivalents	\$ 105,582,423	\$ 60,707,101
Accounts receivable (notes 2 and 3)	336,100,826	354,032,019
Assets held for sale (note 5)	—	124,735
	441,683,249	414,863,855
<b>Financial liabilities</b>		
Temporary borrowing (note 10)	39,000,000	16,500,000
Accounts payable and accrued liabilities (note 4)	81,623,476	109,272,923
Deferred revenue (note 6)	25,812,561	14,688,563
Retirement and other employee future benefits (note 8)	36,027,730	38,414,409
Capital loans (note 9)	214,021,019	224,265,218
Deferred capital contributions (note 7)	768,683,190	751,094,951
	1,165,167,976	1,154,236,064
Net debt	(723,484,727)	(739,372,209)
<b>Non-financial assets</b>		
Tangible capital assets (note 13)	1,020,755,336	992,757,365
Prepays and other assets	3,185,637	14,145,197
	1,023,940,973	1,006,902,562
Contractual obligations (note 17)		
Accumulated surplus (note 14)	\$ 300,456,246	\$ 267,530,353

See accompanying notes to consolidated financial statements.

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2021, with comparative information for 2020

	Budget 2021 (note 18)	Actual 2021	Actual 2020
Revenues:			
Provincial grants - grants for student needs	\$ 846,093,361	\$ 845,064,286	\$ 814,192,626
Provincial grants - other	1,798,842	30,531,574	5,526,383
Federal grants and fees	830,111	2,675,840	2,080,305
School-generated funds	8,697,577	1,794,050	8,662,939
Individual tuition fees	700,982	633,827	1,146,213
Other fees and revenue	11,483,960	20,790,014	11,157,204
Investment income:			
Operations	1,400,000	911,689	1,154,817
Sinking fund assets (note 11)	—	—	1,240,293
	871,004,833	902,401,280	845,160,780
Expenses (note 12):			
Instruction	678,066,535	674,437,049	650,004,839
Administration	23,013,564	22,138,958	22,068,143
School-funded activities	8,697,577	2,693,785	8,040,862
Transportation	24,160,200	20,314,247	24,819,352
Pupil accommodation	130,422,766	127,849,782	122,698,693
Other	4,688,787	22,041,566	10,304,051
	869,049,429	869,475,387	837,935,940
Annual surplus	1,955,404	32,925,893	7,224,840
Accumulated surplus, beginning of year	254,916,648	267,530,353	260,305,513
Accumulated surplus, end of year (note 14)	\$ 256,872,052	\$ 300,456,246	\$ 267,530,353

See accompanying notes to consolidated financial statements.

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Consolidated Statement of Changes in Net Debt

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Annual surplus	\$ 32,925,893	\$ 7,224,840
Amortization of tangible capital assets	56,810,499	49,661,715
Change in prepaids and other assets	10,959,560	1,864,761
Net book value of disposed tangible capital assets	—	3,534,676
Purchase of tangible capital assets	(84,808,470)	(76,902,662)
Increase in net debt	15,887,482	(14,616,670)
Net debt, beginning of year	(739,372,209)	(724,755,539)
Net debt, end of year	\$ (723,484,727)	\$ (739,372,209)

See accompanying notes to consolidated financial statements.

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Consolidated Statement of Cash Flows

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 32,925,893	\$ 7,224,840
Items not involving cash:		
Amortization of tangible capital assets	56,810,499	49,661,715
Amortization of deferred capital contributions	(49,729,903)	(42,943,455)
Net book value of disposed tangible capital assets	—	3,534,676
Change in non-cash assets and liabilities:		
Accounts receivable	17,931,193	(22,672,151)
Assets held for sale	124,735	(124,735)
Prepays and other assets	10,959,560	1,864,761
Accounts payable and accrued liabilities	(27,649,447)	66,214,446
Deferred revenue	11,123,998	3,370,987
Retirement and other employee future benefits	(2,386,679)	(3,198,405)
	50,109,849	62,932,679
Capital activities:		
Purchase of tangible capital assets	(84,808,470)	(76,902,662)
Financing activities:		
Temporary borrowing	22,500,000	(9,800,000)
Capital loans repaid	(10,244,199)	(9,801,332)
Additions to deferred capital contributions	67,318,142	56,126,879
	79,573,943	36,525,547
Increase in cash and cash equivalents	44,875,322	22,555,564
Cash and cash equivalents, beginning of year	60,707,101	38,151,537
Cash and cash equivalents, end of year	\$ 105,582,423	\$ 60,707,101

See accompanying notes to consolidated financial statements.

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements

Year ended August 31, 2021

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### **1. Significant accounting policies:**

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

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

The consolidated financial statements have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education (the "Ministry") 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 (the "Province"). A directive was provided by the Ministry 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, Accounting Policies and Practices Public Entities ("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 consolidated statement of operations and accumulated surplus 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 taxation revenue.



# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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### 1. Significant accounting policies (continued):

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- (i) government transfers, 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, Government Transfers;
- (ii) externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with Public Sector Accounting Standard PS3100, Restricted Assets and Revenues; and
- (iii) property taxation revenue be reported as revenue when received or receivable in accordance with Public Sector Accounting Standard PS3510, Tax Revenue.

As a result, revenue recognized in the consolidated statement of operations and accumulated surplus and certain related deferred revenue 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, expenses and accumulated surplus of the reporting entity. The reporting entity comprises all organizations accountable for the administration of their financial affairs and resources to Durham District School Board (the "Board") and which are controlled by the Board.

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

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

#### (c) Trust funds:

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

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

---

### 1. Significant accounting policies (continued):

#### (d) Cash and cash equivalents:

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

#### (e) Investments:

Temporary investments consist of marketable securities which are liquid short-term investments with maturities of between three months and one year at the date of acquisition, and are carried on the consolidated statement of financial position at the lower of cost or market value.

Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost and assessed regularly for permanent impairment.

#### (f) 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.

#### (g) Deferred capital contributions:

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

- (i) government transfers received or receivable for capital purpose;
- (ii) other restricted contributions received or receivable for capital purpose; and
- (iii) property taxation revenue which were historically used to fund capital assets.

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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### 1. Significant accounting policies (continued):

#### (h) 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: Elementary Teachers' Federation of Ontario ("ETFO"), ETFO-EW and Ontario Secondary School Teachers' Federation ("OSSTF"). The following ELHTs were established in 2017-2018: Canadian Union of Public Employees ("CUPE"), Education Workers' Benefits Trust ("EWBT") and Ontario Non-union Education Trust ("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 and retired individuals from the school board's participation date into the ELHTs. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. The Board no longer administers 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 continues to provide health, dental and life insurance benefits for retired individuals.

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

---

### **1. Significant accounting policies (continued):**

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

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

For self-insured retirement and other employee future benefits that vest or accumulate 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.

- (ii) The cost of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pension, is the employer's contribution due to the plan during the year.
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the year.

- (i) 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. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

### 1. Significant accounting policies (continued):

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

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

Land improvements with finite lives	15 years
Buildings	20 years and 40 years
Portable structures	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5 - 15 years
Computer hardware	3 years
Computer software	5 years
Vehicles	5 - 10 years
Buildings - leasehold improvements	Remaining term of lease

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.

The useful life for some computer hardware was revised from five years to three years based on new information related to the actual life of the assets. As such, additional amortization has occurred for these assets as needed to bring the net book value in line with the new estimated useful life. This resulted in additional amortization expense of \$3,583,502 in 2021.

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

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

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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### 1. Significant accounting policies (continued):

#### (j) Government transfers:

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions and recognized as revenue in the consolidated statement of operations and accumulated surplus at the same rate and over the same periods as the asset is amortized.

#### (k) Investment income:

Investment income earned is reported as revenue in the fiscal year earned.

Investment income earned on externally restricted funds, such as pupil accommodation, education development charges and special education, when required by the funding government or related act, forms part of the respective deferred revenue balances.

#### (l) Budget figures:

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

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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### 1. Significant accounting policies (continued):

#### (m) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the Board is directly responsible or accepts responsibility for the liability;
- (iv) future economic benefits will be given up; and
- (v) a reasonable estimate of the liability can be made.

#### (n) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the consolidated statement of operations and accumulated surplus in the year in which they become known. 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. In addition, the Board's implementation of Public Sector Accounting Standard PS3150, Tangible Capital Assets, requires management to make estimates of historical cost and useful lives of tangible capital assets. Actual results could differ from these estimates.

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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### **1. Significant accounting policies (continued):**

#### **(o) 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, which are reported in provincial grants - grants for student needs revenue.

### **2. Accounts receivable - Government of Ontario:**

The Province 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 receives this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive yearly capital grants to support capital programs which would be reflected in accounts receivable.

Included in accounts receivable as at August 31, 2021 is an amount from the Province of \$242,167,870 (2020 - \$247,149,172) with respect to capital grants.

The Ministry introduced a cash management strategy effective September 1, 2018. 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, 2021 is \$57,128,910 (2020 - \$28,822,496).

### **3. Accounts receivable - municipalities:**

In fiscal 2020, due to the response to COVID-19, the Province extended the deadlines for municipalities to pay Education Property Tax ("EPT") amounts to the Board. As at year-end, this amount for the Board was nil (2020 - \$46,783,991) in accounts receivable on the consolidated statement of financial position.



# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

### 4. Accounts payable - government of Ontario:

In fiscal 2020, due to the response to COVID-19, the Province extended the deadlines for municipalities to pay 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 June 2020 to pay an additional amount equal to about 25% of the annual EPT amount as forecasted by the Board in the 2019-20 Revised Estimates. As at year-end, this amount for the Board was nil (2020 - \$47,162,690).

### 5. Assets held for sale:

As at August 31, 2021, no buildings or land were recorded as assets held for sale (2020 - \$124,735 of buildings and nil land). During 2021, one school property was sold. Net proceeds of \$795,745 were received on the sale of this property, which had a carrying value of \$124,735. This resulted in a gain of \$671,010, which was deferred for future capital asset purchases according to Ontario Regulation 193/10. In 2020, there were no sales of properties classified as held for sale.

### 6. Deferred revenue:

Revenue received that has been set aside for specific purposes by legislation, regulation or agreement is included in deferred revenue and reported in the consolidated statement of financial position.

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2021 is summarized below:

2021	Deferred revenue, beginning of year	Increase	Decrease	Deferred revenue, end of year
Education development charges	\$ —	\$ 15,305,980	\$ 15,305,980	\$ —
Proceeds of disposition, including interest allocation	2,410,694	795,745	1,233,737	1,972,702
Other:				
Capital	9,185,245	12,421,327	6,566,646	15,039,926
Operating	3,092,624	118,703,503	112,996,194	8,799,933
	\$ 14,688,563	\$ 147,226,555	\$ 136,102,557	\$ 25,812,561

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

### 6. Deferred revenue (continued):

2020	Deferred revenue, beginning of year	Increase	Decrease	Deferred revenue, end of year
Education development charges	\$ —	\$ 7,599,589	\$ 7,599,589	\$ —
Proceeds of disposition, including interest allocation	1,528,678	6,746,605	5,864,589	2,410,694
Other:				
Capital	7,032,749	10,591,370	8,438,874	9,185,245
Operating	2,756,149	110,512,982	110,176,507	3,092,624
	\$ 11,317,576	\$ 135,450,546	\$ 132,079,559	\$ 14,688,563

### 7. Deferred capital contributions:

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

	2021	2020
Balance, beginning of year	\$ 751,094,951	\$ 737,911,527
Additions to deferred capital contributions	67,318,142	56,126,879
Revenue recognized in the year	(49,729,903)	(42,943,455)
Balance, end of year	\$ 768,683,190	\$ 751,094,951

# DURHAM DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

## 8. Retirement and other employee future benefits:

Retirement and other employee future benefits liabilities:

	Retirement benefits	Other employee future benefits	Total employee future benefits
2021			
Accrued employee future benefits liability	\$ 27,294,052	\$ 12,356,049	\$ 39,650,101
Unamortized actuarial loss	(3,622,371)	–	(3,622,371)
Employee future benefits liability at August 31	\$ 23,671,681	\$ 12,356,049	\$ 36,027,730

	Retirement benefits	Other employee future benefits	Total employee future benefits
2020			
Accrued employee future benefits liability	\$ 31,642,408	\$ 11,850,866	\$ 43,493,274
Unamortized actuarial loss	(5,078,865)	–	(5,078,865)
Employee future benefits liability at August 31	\$ 26,563,543	\$ 11,850,866	\$ 38,414,409

Retirement and other employee future benefits expense:

	Retirement benefits	Other employee future benefits	Total employee future benefits
2021			
Current year benefit cost	\$ –	\$ 2,402,918	\$ 2,402,918
Interest on accrued benefit obligation	550,409	160,148	710,557
Amortized actuarial loss	864,182	239,755	1,103,937
Employee future benefits expense <sup>(1)</sup>	\$ 1,414,591	\$ 2,802,821	\$ 4,217,412

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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

	Retirement benefits	Other employee future benefits	Total employee future benefits
2020			
Current year benefit cost	\$ —	\$ 2,255,807	\$ 2,255,807
Interest on accrued benefit obligation	643,211	229,790	873,001
Amortized actuarial loss	755,675	(85,105)	670,570
<b>Employee future benefits expense<sup>(1)</sup></b>	<b>\$ 1,398,886</b>	<b>\$ 2,400,492</b>	<b>\$ 3,799,378</b>

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

#### (a) Retirement benefits:

##### (i) Ontario Teachers' Pension Plan:

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

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

All non-teaching employees of the Board are eligible to be members of 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's contributions equal the employee's contributions to the plan. During the year ended August 31, 2021, the Board contributed \$11,179,253 (2020 - \$10,345,965) 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.

# DURHAM DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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

### (iii) Retirement gratuities:

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days and years of service 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.

### (b) Other employee future benefits:

#### (i) Sick leave top-up benefits:

A maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the consolidated financial statements are \$961,960 (2020 - \$361,137).

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2019 (the date at which the probabilities of usage were determined) and is based on the average daily salary and banked sick days of employees as at August 31, 2021.

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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

#### (ii) Workplace Safety and Insurance Board ("WSIB") obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Board Act (the "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 4-1/2 years for employees receiving payments from WSIB, where the collective agreement negotiated prior to 2012 included such a provision.

#### (iii) Long-term disability:

The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the defined benefit plan.

The accrued benefit obligations for employee future benefit plans as at August 31, 2021 are based on actuarial assumptions of future events determined for accounting purposes as of August 31, 2019 and based on updated average daily salary and banked sick days as at August 31, 2021. These valuations take into account the plan changes outlined above and assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates:

	2021	2020
Inflation	1.50%	1.50%
Wages and salary escalation	0.00%	0.00%
Insurance and health care cost escalation	4.50% - 7.00%	4.50% - 7.25%
Discount on accrued benefit obligations	1.80%	1.40%

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

### 9. Capital loans:

	2021	2020
Capital loan - Good Places to Learn:		
4.56%, 25-year amortizing debenture for \$25,375,026 held with Ontario Financing Authority, maturing November 2031	\$ 14,155,207	\$ 15,185,884
4.90%, 25-year amortizing loan for \$14,996,927 held with Ontario Financing Authority, maturing March 2033	9,335,261	9,908,115
5.06%, 25-year amortizing loan for \$15,944,350 held with Ontario Financing Authority, maturing March 2034	10,614,610	11,190,692
5.232%, 25-year amortizing loan for \$34,865,412 held with Ontario Financing Authority, maturing April 2035	24,685,517	25,867,809
4.83%, 25-year amortizing loan for \$17,404,657 held with Ontario Financing Authority, maturing March 11, 2036	12,714,876	13,290,852
Capital loan - New Pupil Places:		
4.86%, 25-year amortizing loan for \$16,000,000 held with Ontario Financing Authority, maturing June 2033	10,179,941	10,784,546
5.047%, 25-year amortizing loan for \$74,957,615 held with Ontario Financing Authority, maturing November 2034	51,534,553	54,144,956
3.97%, 25-year amortizing loan for \$1,772,255 held with Ontario Financing Authority, maturing March 2036	1,307,852	1,367,929
3.564%, 25-year amortizing loan for \$13,710,012 held with Ontario Financing Authority, maturing March 2037	10,051,289	10,517,572
4.003%, 25-year amortizing loan for \$12,786,341 held with Ontario Financing Authority, maturing March 2039	10,344,298	10,735,977
2.993%, 25-year amortizing loan for \$35,634,064 held with Ontario Financing Authority, maturing March 2040	29,255,716	30,399,262
3.242%, 25-year amortizing loan for \$25,580,732 held with Ontario Financing Authority, maturing March 2041	21,929,452	22,707,416
3.594%, 25-year amortizing loan for \$8,867,856 held with Ontario Financing Authority, maturing March 2042	7,912,447	8,164,208
	<b>\$ 214,021,019</b>	<b>\$ 224,265,218</b>

Principal and interest payments relating to capital loans of \$214,021,019 (2020 - \$224,265,218) outstanding as at August 31, 2021 and 2020 are due as follows:

2021	Principal	Interest	Total
2021 - 2022	\$ 10,707,718	\$ 9,218,613	\$ 19,926,331
2022 - 2023	11,192,875	8,733,457	19,926,332
2023 - 2024	11,700,700	8,225,630	19,926,330
2024 - 2025	12,232,284	7,694,045	19,926,329
2025 - 2026	12,788,763	7,137,566	19,926,329
Thereafter	155,398,679	37,427,797	192,826,476
	<b>\$ 214,021,019</b>	<b>\$ 78,437,108</b>	<b>\$ 292,458,127</b>

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

### 9. Capital loans (continued):

2020	Principal	Interest	Total
2020 - 2021	\$ 10,244,199	\$ 9,682,130	\$ 19,926,329
2021 - 2022	10,707,717	9,218,613	19,926,330
2022 - 2023	11,192,875	8,733,457	19,926,332
2023 - 2024	11,700,700	8,225,630	19,926,330
2024 - 2025	12,232,284	7,694,045	19,926,329
Thereafter	168,187,443	44,565,363	212,752,806
	\$ 224,265,218	\$ 88,119,238	\$ 312,384,456

### 10. Temporary borrowing:

The Board has a line of credit available to the maximum of \$95,000,000 to address operating requirements and/or to bridge capital expenditures.

Interest on the operating facilities is the bank's prime lending rate minus 0.50%, while bankers' acceptance facility is the bankers' acceptance rate plus 0.75%. All loans are unsecured, due on demand and are in the form of bankers' acceptance notes and bank overdraft.

As at August 31, 2021, the amount drawn under the bankers' acceptance facility was \$39,000,000 (2020 - \$16,500,000) at a rate of 1.17% (2020 - 1.23%).

### 11. Debt charges and interest on capital loans and leases:

	2021	2020
Capital loan principal payments	\$ 10,244,199	\$ 169,801,332
Interest on capital loan	9,682,130	15,524,996
	\$ 19,926,329	\$ 185,326,328

Included in capital loans repayment on the consolidated statement of cash flows in total of \$10,244,199 (2020 - \$171,041,625) are principal payments on long-term debt of \$10,244,199 (2020 - \$169,801,332) and nil sinking fund interest revenue (2020 - \$1,240,293). During 2020, the remaining debenture debt became due and was fully repaid with sinking fund assets at the time of maturity. There are no remaining debenture debt and associated sinking fund assets as at August 31, 2021.



# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

### 12. Expenses by object:

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

	Budget 2021 (note 18)	Actual 2021	Actual 2020
Salary and wages	\$ 618,814,686	\$ 610,301,532	\$ 590,945,095
Employee benefits	94,987,321	96,643,743	94,432,257
Staff development	756,720	970,024	764,597
Supplies and services	44,654,057	39,763,037	37,930,414
Interest	10,210,523	10,094,210	12,944,468
Rental expenditures	338,150	250,356	273,806
Fees and contract services	34,965,140	30,431,082	32,701,855
Other	4,221,619	21,517,119	10,016,195
School funded activities	8,697,577	2,693,785	8,040,862
Amortization, write-down and loss on disposal of tangible capital assets/assets held for sale	51,403,636	56,810,499	49,886,391
	<b>\$ 869,049,429</b>	<b>\$ 869,475,387</b>	<b>\$ 837,935,940</b>

### 13. Tangible capital assets:

Cost	Balance at August 31, 2020	Additions	Disposals and adjustments	Balance at August 31, 2021
Land	\$ 158,044,377	\$ 17,697,851	\$ —	\$ 175,742,228
Land improvements	12,454,459	1,835,716	—	14,290,175
Buildings - 40 years	1,194,006,844	33,479,900	—	1,227,486,744
Buildings - 20 years	1,732,114	—	—	1,732,114
Buildings - leasehold improvements	15,651	—	—	15,651
Portable structures	25,363,382	20,289	—	25,383,671
First-time equipping of schools	12,602,772	1,225,159	(1,930,431)	11,897,500
Furniture	456,640	8,142	—	464,782
Equipment	6,514,991	647,938	(270,713)	6,892,216
Computer hardware	54,039,270	13,583,664	(18,428,381)	49,194,553
Computer software	1,150,121	—	(162,881)	987,240
Vehicles	1,470,999	—	—	1,470,999
Assets under construction	8,803,164	16,309,811	—	25,112,975
<b>Total</b>	<b>\$ 1,476,654,784</b>	<b>\$ 84,808,470</b>	<b>\$ (20,792,406)</b>	<b>\$ 1,540,670,848</b>

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

### 13. Tangible capital assets (continued):

Accumulated amortization	Balance at August 31, 2020	Amortization	Disposals and adjustments	Balance at August 31, 2021
Land improvements	\$ 3,845,237	\$ 908,503	\$ —	\$ 4,753,740
Buildings - 40 years	433,235,875	36,710,938	—	469,946,813
Buildings - 20 years	241,653	86,606	—	328,259
Buildings - leasehold improvement	11,739	3,912	—	15,651
Portable structures	7,377,797	1,288,518	—	8,666,315
First-time equipping of schools	6,848,682	1,092,704	(1,930,431)	6,010,955
Furniture	170,318	45,752	—	216,070
Equipment	2,525,657	623,387	(270,713)	2,878,331
Computer hardware	27,976,667	15,693,546	(18,428,381)	25,241,832
Computer software	810,751	158,297	(162,881)	806,167
Vehicles	853,043	198,336	—	1,051,379
<b>Total</b>	<b>\$ 483,897,419</b>	<b>\$ 56,810,499</b>	<b>\$ (20,792,406)</b>	<b>\$ 519,915,512</b>

Cost	Balance at August 31, 2019	Additions	Disposals and adjustments	Balance at August 31, 2020
Land	\$ 137,691,647	\$ 23,562,156	\$ (3,209,426)	\$ 158,044,377
Land improvements	10,956,206	1,498,253	—	12,454,459
Buildings - 40 years	1,153,983,385	29,739,620	10,283,839	1,194,006,844
Buildings - 20 years	1,732,114	—	—	1,732,114
Buildings - leasehold improvements	15,651	—	—	15,651
Portable structures	24,226,146	1,137,236	—	25,363,382
First-time equipping of schools	15,093,580	197,370	(2,688,178)	12,602,772
Furniture	437,470	36,884	(17,714)	456,640
Equipment	5,257,008	1,363,939	(105,956)	6,514,991
Computer hardware	45,475,580	12,059,997	(3,496,307)	54,039,270
Computer software	1,431,003	66,092	(346,974)	1,150,121
Vehicles	1,586,607	133,988	(249,596)	1,470,999
Assets under construction	13,513,237	7,107,127	(11,817,200)	8,803,164
<b>Total</b>	<b>\$ 1,411,399,634</b>	<b>\$ 76,902,662</b>	<b>\$ (11,647,512)</b>	<b>\$ 1,476,654,784</b>

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

### 13. Tangible capital assets (continued):

Accumulated amortization	Balance at August 31, 2019	Amortization	Disposals and adjustments	Balance at August 31, 2020
Land improvements	\$ 3,013,379	\$ 831,858	\$ –	\$ 3,845,237
Buildings - 40 years	398,741,240	35,702,746	(1,208,111)	433,235,875
Buildings - 20 years	155,047	86,606	–	241,653
Buildings - leasehold improvement	3,913	7,826	–	11,739
Portable structures	6,118,217	1,259,580	–	7,377,797
First-time equipping of schools	8,382,971	1,153,889	(2,688,178)	6,848,682
Furniture	144,211	43,821	(17,714)	170,318
Equipment	2,075,937	555,676	(105,956)	2,525,657
Computer hardware	21,876,362	9,596,612	(3,496,307)	27,976,667
Computer software	950,597	207,128	(346,974)	810,751
Vehicles	886,666	215,973	(249,596)	853,043
<b>Total</b>	<b>\$ 442,348,540</b>	<b>\$ 49,661,715</b>	<b>\$ (8,112,836)</b>	<b>\$ 483,897,419</b>

	Net book value	
	2021	2020
Land	\$ 175,742,228	\$ 158,044,377
Land improvements	9,536,435	8,609,222
Buildings - 40 years	757,539,931	760,770,969
Buildings - 20 years	1,403,855	1,490,461
Buildings - leasehold improvement	–	3,912
Portable structures	16,717,356	17,985,585
First-time equipping of schools	5,886,545	5,754,090
Furniture	248,712	286,322
Equipment	4,013,885	3,989,334
Computer hardware	23,952,721	26,062,603
Computer software	181,073	339,370
Vehicles	419,620	617,956
Assets under construction	25,112,975	8,803,164
<b>Total</b>	<b>\$ 1,020,755,336</b>	<b>\$ 992,757,365</b>

(a) Assets under construction:

Assets under construction, consisting of new schools, have a value of \$25,112,975 (2020 - \$8,803,164) and have not been amortized. Amortization of these assets will commence when the asset is put into service.

# DURHAM DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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## 13. Tangible capital assets (continued):

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

The write-down of tangible capital assets during the year was nil (2020 - nil).

During the year, tangible capital assets, including land with a net book value of nil (2020 - \$3,209,426) and buildings with a net book value of nil (2020 - \$200,515) were disposed of for proceeds of nil (2020 - \$6,746,605), resulting in a gain of nil (2020 - \$3,336,660). In accordance with Ontario Regulation 193/10, the full proceeds were deferred for future tangible capital asset purchases.

### (c) Assets permanently removed from service:

The Board has not identified any land or building properties that qualify as assets permanently removed from service.

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

### 14. Accumulated surplus:

Accumulated surplus consists of the following:

	2021	2020
Working funds	\$ 39,993,513	\$ 17,466,155
Amounts restricted for future use of Board:		
Retirement benefits	23,500,000	26,500,000
WSIB	11,633,844	11,404,624
School Block Budget	5,720,592	6,092,951
Transportation	798,478	798,478
Continuing education	250,000	250,000
Outdoor education	600,557	600,557
Special education	580,415	580,415
Committed capital projects	17,777,793	18,951,182
	60,861,679	65,178,207
Amounts to be recovered:		
Employee future benefits	(10,165,130)	(15,911,502)
Interest accrual	(2,719,061)	(2,860,293)
Committed sinking fund interest earned	57,720,789	63,492,867
	44,836,598	44,721,072
Other:		
School-generated funds	7,966,260	8,924,795
Revenue recognized for land	146,798,196	131,240,124
	154,764,456	140,164,919
<b>Total surplus</b>	<b>\$ 300,456,246</b>	<b>\$ 267,530,353</b>

According to the Education Act, most of the specific restricted amounts described below can only be used for the purposes for which they were created. If it is determined that the need for a specific fund is no longer required, such as due to legislative changes or discontinuance in benefits programs, then these funds are transferred to Working Funds. The Board has limited discretionary authority to utilize restricted funds for purposes other than those for which they were created.

#### (a) Working funds:

This fund can be used to provide for unexpected contingencies and cash flow requirements.

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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### **14. Accumulated surplus (continued):**

(b) Retirement benefits:

This fund is drawn on for the payment of retirement gratuities.

(c) Other employee future benefits:

The Board is self-insured for Workplace Safety Insurance and has a liability set up that equals the estimate provided by the Board's actuary. This fund is used to cover claims against the Board.

(d) School Block Budget:

This fund represents the net surplus/deficit of all schools at year end and is allocated back to each in the following year.

(e) Transportation:

This fund was created to assist with increased operating costs for student transportation, as a consequence of fuel price increases.

(f) Continuing education:

This fund was created to assist with increased operating costs associated with continuing education programs.

(g) Outdoor education:

This fund represents fees from the after-hours programs operating at the various centres and is intended to cover future maintenance and equipment purchases.

(h) Special education:

This fund can only be used for special education requirements.

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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### **14. Accumulated surplus (continued):**

#### (i) Committed capital projects:

This fund represents the net book value of tangible capital assets where there have not been any capital contributions from the Province and therefore no offsetting deferred capital contributions have been set up.

### **15. Ontario School Board Insurance Exchange ("OSBIE"):**

The Board is a member of 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 five-year period are based on the reciprocals 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 five-year term expires December 2021.

### **16. Mississaugas of Scugog Island First Nation:**

The Mississaugas of Scugog Island First Nation paid tuition fees of approximately \$155,092 (2020 - \$185,412) to the Board in 2020 - 2021.

### **17. Contractual obligations:**

The Board had in previous years entered into contracts for several major projects under the Board's School Improvement and Accommodation Plan. These projects relate to the construction and upgrading of several schools. As at August 31, 2021, the Board has contracts outstanding for capital work valued at approximately \$13,156,392 (2020 - \$20,441,000).

### **18. Budget data:**

The budget data presented in these consolidated financial statements is based upon the 2021 budgets approved by the Board on July 15, 2020. Where amounts were not budgeted for, the actual amounts for 2021 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

# DURHAM DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2021

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### **19. Durham Student Transportation Services:**

On December 19, 2005, the Board entered into a consortium agreement with Durham Catholic District School Board in order to provide common administration of student transportation in the Durham Region. This agreement was executed in an effort to increase delivery efficiency and cost-effectiveness of student transportation for each of the school boards. Under the agreement, decisions related to the financial and operating activities of the Durham transportation consortium are shared. No party is in a position to exercise unilateral control.

The Board's consolidated financial statements reflect proportionate consolidation, whereby they include the assets that it controls, the liabilities that it has incurred, and its pro rata share of revenues and expenses.

### **20. Trust funds:**

The trust fund balances administered by the Board amount to \$1,933,492 (2020 - \$1,876,247) and have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

### **21. In-kind transfers from the Ministry of Government and Consumer Services ("MGCS"):**

The Board has recorded entries for both revenues and expenses, associated with centrally procured in-kind transfers of personal protective equipment ("PPE") and critical supplies and equipment ("CSE") received from the MGCS. The amounts recorded were calculated based on the weighted average cost of the supplies as determined by MGCS and quantity information based on the Board's records. The in-kind revenue recorded for these transfers is \$2,488,657, included in provincial grants - other revenue, with expenses, included in other expenses, based on use of \$2,488,657 for a net impact of nil. There were no in-kind transfers in 2020.

### **22. Impact of COVID-19:**

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The Board has experienced physical closure of schools from April 16, 2021 to August 31, 2021 based on public health recommendations, temporarily implemented mandatory working from home requirements for those able to do so, and the cancellation of fundraising events and other programs. The duration and ongoing impact of the COVID-19 pandemic remains unclear at this time. As such, it is not possible to reliably estimate the impact on the Board's financial position or results of operations for future periods.