



Halton District School Board

AUDIT COMMITTEE

Boardroom, J.W. Singleton Education Centre, 2050 Guelph Line, Burlington, Ontario

Tuesday, November 7, 2017

Public Session: 3 p.m.

PUBLIC SESSION AGENDA

1.0 – Opening

- 1.1 Welcome and Call to Order
- 1.2 Declarations of Possible Conflicts of Interest
- 1.3 Approval of the Agenda

2.0 – Ratification / Action

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- 2.1 Minutes of the Audit Committee Meetings
 - 2.1.1 Audit Committee Meeting, September 19, 2017 pages 2-6
- 2.2 Appointment of Audit Committee Vice-Chair for 2017/2018
per Audit Committee Terms of Reference
- 2.3 Approval of Business Transacted in Private Session
- 2.4 Action Items
 - 2.4.1 2016-2017 Financial Statements and Accumulated Surplus Balances pages 7-35
 - 2.4.2 Report to the Audit Committee on the 2016/2017 audit (*D. Tonin*) pages 36-55
 - 2.4.3 Audit Committee Approval of the 2016/2017 Financial Statements page 36
(*L. Veerman*)
 - 2.4.4 Regional Internal Audit Report (*J. Baker*) pages 57-60
 - Terms of Reference – Insurance Program Administration Audit

3.0 – Communication to the Audit Committee

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- 3.1 Information Items
 - 3.1.1 Supplementary Reporting (*L. Veerman*)
 - Annual Statement of Education Development Charges(EDC) Report pages 61-64
 - Summary of Trustee Expenses Report as of 2016/2017 pages 65-67
- 3.2 Audit Committee Annual Report to the Board of Trustees and Annual Report to the Ministry pages 68-72

4.0 – Business Arising

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- 4.1 Professional Development

5.0 – Other Business

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- 5.1 Update on Halton District School Board Internal Auditor Recruitment

6.0 – Adjournment

Date of Next Meeting: Suggested Tuesday, February 13, 2018 at 2:00 PM

**Halton District School Board
Audit Committee Public Session Meeting Minutes
Tuesday, September 19th, 2017**

Attendance:

Trustee Members: A. Harvey Hope, J. Gray, K. Graves (via telephone)

Trustee Guests: A. Collard, T. Ehl Harrison

Public Representatives: M. Caputi, D. McKerrall

Staff: S. Miller, D. Boag, L. Veerman, C. Salemi, J. Sweetman, K. Samarin

Regional Internal Audit Team: J. Baker

External Auditor:

Regrets: D. Tonin, External Auditor

Agenda Item 1.0

1.1 Call to Order

The Chair called the meeting to order at 2.02 p.m.

1.2 Approval of the Public Session Agenda

Motion: D. McKerrall / M. Caputi

Be it resolved that the Agenda for the Public session of the Audit Committee Meeting for September 19th, 2017 be approved as distributed.

Carried Unanimously.

1.3 Update to Audit Committee re: HDSB Internal Auditor

L. Veerman provided the Committee with information regarding the resignation of the Manager of Internal Audit effective August 2017 and the resignation of the Audit and Compliance Officer effective June 2017.

A. Harvey-Hope joined the meeting at 2:06 pm.

1.4 Annual Conflict of Interest Declaration Form

Audit Committee members were asked to complete the Annual Conflict of Interest Declaration Form.

Agenda Item 2.0

2.1 Minutes of the Audit Committee Meetings

2.1.1 Audit Committee Meeting, April 13th, 2017

Request to add the date draft minutes were originally circulated to the Audit Committee to the minutes included in the meeting package.

Motion: D. McKerrall / K. Graves

Be it resolved that the minutes from the Public Session Audit Committee Meeting held on April 13th, 2017 be approved as distributed. **Carried**

Unanimously.

2.2 Appointment of Audit Committee Chair for 2017/2018

L. Veerman spoke to the requirements of Regulation 361/10 Section 6(1) of the Education Act and explained the process for being elected to the position of Chair of the Audit Committee.

J. Gray was the only Committee member that expressed interest in the role and therefore no ballot was required.

Motion: A. Harvey Hope / D. McKerrall

Be it resolved that J. Gray be appointed Chair of the Audit Committee for the 2017/2018 fiscal year. **Carried Unanimously.**

2.2.1 Approval of Business Transacted in Private Session (Defer following private session)

2.3 Action Items:

2.3.1 2016/2017 Internal Audit Report

L. Veerman spoke to the Internal Audit Report and offered to respond to questions.

It was noted that effective August 1, 2017 and as a result of the resignations of the board internal auditors, Trustee expenses are not being audited, however they are still subject to appropriate approvals and Management review. Audit Committee has requested that the new Internal Audit Manager (when hired) audit Trustee expenses back to the August 1, 2017 timeline.

It was noted that L. Veerman received a call from the Internal Audit Manager in regards to her resignation while she was on holidays. L. Veerman met with the Internal Audit Manager on August 15th but communications were delayed due to vacations of both parties.

Motion: D. McKerrall / M. Caputi

Be it resolved that the Audit Committee receive the 2016/2017 Internal Audit Report – Public Session and that the report be included in the Audit Committee Summary to the Board of Trustees. **Carried Unanimously.**

2.3.2 Proposed 3-Year HDSB Internal Audit Plan (Defer Motion)

Committee discussed the Chair's proposal to defer the motion for the approval of the three year plan until the January/February 2018 meeting when a new Manager of Internal Audit is in place. This would allow the new Manager the opportunity to have some input into the three year plan.

Committee members noted concerns regarding the timing of the deferral. If new Manager is hired prior to the next meeting, they would not be able

to start working until plan has been approved by the Committee and presented to the Board. Suggestion to have an interim plan in place so that internal audit work could commence prior to next meeting. Also discussion around whether some items could be reassigned to External Auditor or other areas of Business Services.

Noted that an Internal Auditor Mandate would be helpful in this circumstance but there is currently not one in place.

Motion: A. Harvey Hope / D. McKerrall

Be it resolved that the Audit Committee approve the interim three year internal audit plan subject to further modification pending the hiring of the Internal Audit Manager. Any modifications will also be brought to the board for approval. **Carried Unanimously.**

2.3.3 Regional Internal Audit Report

J. Baker presented the report and made reference to the Audit Assertion confirmation for the year. Report represents work completed since April 13, 2017, not June 12, 2017 as stated on the report.

J. Baker also noted that R. Jelacic has joined the team. A. Etherington has been seconded to the Ministry on a half time basis but noted that there would be no conflict of interest issues as a result of her work at the Ministry.

Motion: D. McKerrall / A. Harvey Hope

Be it resolved that the Audit Committee receive the Regional Internal Audit Status Report and that the report be included in the Audit Committee Summary to the Board of Trustees. **Carried Unanimously.**

2.3.4 Audit Committee Annual Report to the Board and Ministry

J. Gray spoke to the report requirements and deadlines for submission to the Board of Trustees.

L. Veerman noted that this report was traditionally presented at the November Audit Committee Meeting but due to the number of items included on the November meeting agenda regarding the review of the year-end financial statements, it was determined that it would be helpful to present the report early.

Additional column should be added to attendance chart to reflect full cycle of meetings (i.e. 4 per year). If issuing this report early than should include November 2016 attendance.

Noted that the attendance of guest Trustees is reflected in the minutes and satisfies the criteria that their attendance is recorded for the public record and does not need to be included in the report to the Board of Trustees.

RIAT Audits do not overlap with Board's Internal Audits and there is no requirement to report to Ministry on Internal Audit work completed. The Board does report to Ministry that Board's Internal Auditor Enrollment Audits that have been completed.

Committee was unable to hold private meetings with the Internal Audit Manager due to absences, therefore a change to the wording on page 17 is needed to reflect this.

Include statement regarding addition of new committee member.

Motion: D. McKerrall / A. Harvey Hope

Be it resolved that the Board of Trustees accept the 2016/2017 Audit Committee Annual Report to the Board of Trustees and the 2016/2017 Audit Committee Report to the Ministry of Education.

Carried Unanimously.

Agenda Item 3.0

3.1 Information Items

3.1.1 Process for Recruitment of HDSB Internal Audit Manager

A. Harvey Hope volunteered to be the Audit Committee Representative for the interview team.

The posting for position to be advertised in various publications and professional websites in early October

3.1.2 Ministry Memo SB23- Update on Ministry Support for Audit Committees and Internal Audit

L. Veerman spoke to memo. J. Baker reiterated that the projects A. Etherington will be working on for the Ministry will not cause a conflict of interest.

3.1.3 Ministry Memo SB26- Audit Committee Annual Report to the Ministry

L. Veerman spoke to process and noted amendments to requirements in reports.

Agenda Item 4.0

4.1 Business Arising

It was noted that item 4.1 Audit Committee Professional Development has been deferred. This is due in part to the resignation of the Internal Audit Manager. Request that this be made a priority for the new Internal Audit Manager.

G. Gortmaker was called into the meeting and clarified the Public and Private Sessions of the meeting are considered to be one continuous meeting with two components. The meeting is called to order in the Public Session then there is a motion to move to Private Session where the Private Session agenda is approved and business is conducted then G. Gortmaker to share template for Board meetings with Staff to ensure consistency.

Agenda Item 5.0

5.1 Other business

Date of next meeting is November 7th 2-5pm.

Financial Statements are due to the Ministry on November 15th, however the Ministry is notified that the statements provided are draft until approved by the Board of Trustees.

Request made to have any available materials as early as possible to allow Committee members adequate time to review due to tight timelines.

Agenda Item 6.0

6.1 Motion to rise into private session

Motion: A. Harvey Hope / D. McKerrall

Be it resolved that the Audit Committee rise into Private Session. **Carried Unanimously.**

6.2 Adjournment

Motion:

Be it resolved that the Audit Committee approve the motions that were ratified in Private Session. **Carried Unanimously.**

Motion:

Be it resolved that the Public Session of the Audit Committee Meeting held on September 19th, 2017 be adjourned at 4:49pm. **Carried Unanimously.**



Halton District School Board

Report Number: 17125
Date: November 15, 2017
FOR DECISION

TO: The Chair and Members of the
Halton District School Board

FROM: Lucy Veerman,
Superintendent of Business Services and Treasurer

RE: **2016/2017 Financial Statements and Accumulated Surplus Balances**

Warrant

This report presents the Financial Statements for the fiscal year ended August 31, 2017, the Independent Auditor's Report, and the recommendation for transfer of funds to Accumulated Surplus.

RECOMMENDATION:

Be it resolved that the Halton District School Board authorize the 2016/2017 Year-end Surplus to be transferred to the Accumulated Surplus categories: Amounts Internally Restricted For Future Use by the Board

Year-End Roll Forwards

\$1,038,803 for Year-End Roll Forwards

Student Achievement

\$250,000 Technological Education Maintenance and Repairs

\$3,605,497 Multi-Year/Operational Plan Initiatives

Be it resolved that the Halton District School Board approve the audited financial statements for the fiscal year ended August 31, 2017.

Background

Each year, the treasurer of every board is required (subsection 252(1) of the Education Act) to prepare the financial statements for the school board and, on receiving the auditor's report on the financial statements, promptly submit them to the Ministry of Education.

Financial statements must be prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of The Chartered Professional Accountants, Canada. A summary of the significant accounting policies that form the basis of accounting in financial statements is provided in Note 1 to the financial statements.

Audit

The financial statements have been audited by Deloitte LLP, Chartered Accountants; independent external auditors appointed by the Board. In accordance with subsection 253(5) of the Education Act, the auditors have received full access to all books, records, documents of the Board, as well as any other information that in the auditor's opinion was necessary to enable them to carry out their duties. The audit was conducted in accordance with Canadian generally accepted auditing standards as outlined in the Auditors' Report. Based on their audit opinion, the auditors agree that the consolidated financial statements of Halton District School Board as at and for the year ended August 31, 2017 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements. In addition, the Halton District School Board was in compliance with all Ministry funding regulations.

Audit Committee

Per Ontario Regulation 361/10: Audit Committees, Section 9(4), the duties of the Audit Committee is "to recommend, if the audit committee considers it appropriate to do so, that the board approve the annual audited financial statements". The Board's Audit Committee met on November 7, 2017 and recommended that the audited financial statements of the Halton District School Board for the fiscal year ended August 31, 2017 be approved by the Board of Trustees.

2016/2017 Financial Year

The Halton District School Board continues to be financially responsible with a clear focus on providing the system with the resources and supports necessary to ensure that we inspire and support learning; create safe, healthy and engaging environments, and provide opportunities for challenge and choice. The 2016/2017 Financial Statements reflect the financial results of the Board's operating and capital activity for the year. The Accumulated Surplus, as detailed in the Financial Statements, represents the net financial resources of the Board. The Board experienced an operational surplus of approximately \$4.9 million representing 0.68% of the approved budget.

Accumulated Surplus/Deferred Revenues

Under PSAB, traditional descriptions of Reserves and Reserve Funds have been changed to fall into two categories:

- (i) Accumulated Surplus – Boards have the authority to set aside funds for a restricted purpose and make local expenditure decisions.
- (ii) Deferred Revenues – Externally Restricted which are those amounts received subject to external restrictions arising from legislation or regulations.

Appendix A summarizes the changes to Accumulated Surplus from 2015/2016 to 2016/2017. Rationale for the recommended transfers to accumulated surplus is as follows:

Year-End Roll Forwards

- Year-End Roll Forwards represent savings in 2016/2017 due to under-spending in departmental areas mainly as a result of timing and to support previously approved initiatives including decentralized school budgets, implementation of the math plan, increasing teacher capacity for the learning disabled, specialized

equipment, and professional development per collective agreements and/or terms and conditions of employment.

Student Achievement

- **Technological Education Maintenance and Repairs**

Technological Education is thriving in the Halton District School Board. Student injury and prevention means that our Technological Education shops in all 19 of our secondary schools are regularly maintained and enhanced to meet current Canadian safety standards. Funds will be used to upgrade emergency shut off mechanisms and other enhancements to ensure safety of students.

- **Multi-Year/Operational Plan Initiatives**

Multi-Year/Operational Plan goals and initiatives are a major consideration during the Budget Development process. We need to ensure that we align the allocation of resources to support these plans. The 2017/2018 Budget Development process included challenges resulting from an increase in operational pressures, increased demand in resources to support student achievement, and a per pupil level of funding that is significantly below the provincial average. We anticipate that some of these challenges will continue into the 2018/2019 Budget Development process. As a result, we are recommending this allocation in order to provide flexibility and opportunities to support the Multi-Year/Operational plan to enhance student achievement.

Respectfully submitted,

*Lucy Veerman
Superintendent of Business Services and
Treasurer*

*Stuart Miller
Director of Education*

Halton District School Board
Summary of Accumulated Surplus
(Per Note 11 to the Consolidated Financial Statements)
Year Ended August 31, 2017

	<u>2016/2017</u>	<u>2015/2016</u>
Non-designated Surplus	5,000,000	5,000,000
Amounts Internally Restricted For Future Use By The Board		
Retirement Gratuities	4,615,211	5,748,211
Fast Track Centre for Skills Development & Training	1,598,914	1,776,081
Operating:		
Decentralized School Budgets	1,288,823	1,102,796
Year end roll forward-contractual Professional Development	557,806	512,723
Year end roll forward-other	163,579	236,905
Student Achievement	9,232,441	6,564,912
Full Day Kindergarten	433,737	781,153
Technology	1,215,476	1,230,679
Other	105,589	105,589
	<u>12,997,451</u>	<u>10,534,757</u>
Accommodation:		
Closing the Gap	6,714,538	6,969,216
Facility Weather Conditions	3,046,418	3,046,418
Vandalism	500,000	500,000
Temporary Accommodation (Portables)	3,715,668	3,715,668
Capital Projects - Non-Ministry Funded	1,125,002	1,125,002
Administrative Facility	23,548,329	23,563,347
Other	367,269	582,408
	<u>39,017,224</u>	<u>39,502,059</u>
Committed Capital Projects and Sinking Fund Interest	8,646,777	9,205,372
Total Internally Restricted For Future Use By The Board	66,875,577	66,766,480
Amounts To Be Recovered		
Employee Future Benefits	(13,776,664)	(18,409,846)
Interest to be Accrued	(3,578,610)	(3,698,011)
	<u>(17,355,274)</u>	<u>(22,107,857)</u>
Revenues Recognized for Land		
Land & Pre-Acquisition Land Costs	190,766,073	177,218,510
Educational Development Charges Outstanding	(28,608,998)	(38,137,054)
	<u>162,157,075</u>	<u>139,081,456</u>
School Generated Funds	6,235,278	5,419,532
Total Accumulated Surplus Balance, end of year	222,912,656	194,159,611

Report and consolidated financial statements of

Halton District School Board

August 31, 2017

DRAFT

Halton District School Board

August 31, 2017

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Management Report

Management's responsibility for the consolidated financial statements

The accompanying consolidated financial statements of the Halton District School 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.

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

The Audit Committee 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 Deloitte LLP, independent external auditors appointed by the Board of Trustees. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.

Director of Education

Superintendent of Business Services
And Treasurer

Stuart Miller

Lucy Veerman

December 6, 2017

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Independent Auditor's Report

To the Trustees of the
Halton District School Board

We have audited the accompanying consolidated financial statements of the Halton District School Board (the "Board"), which comprise the consolidated statement of financial position as at August 31, 2017, and the consolidated statements of operations, cash flows and change in net debt for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Halton District School Board as at and for the year ended August 31, 2017 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Chartered Professional Accountants
Licensed Public Accountants
December 6, 2017

D R A F T

Halton District School Board

Consolidated statement of financial position as at August 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash and cash equivalents	86,166,167	73,146,250
Accounts receivable	38,160,009	39,664,238
Accounts receivable - Government of Ontario (Note 2)	295,682,715	294,331,912
	420,008,891	407,142,400
Liabilities		
Accounts payable and accrued liabilities	63,975,297	53,084,959
Other (Note 4)	2,290,984	3,254,469
Net long-term liabilities (Note 5)	274,935,788	284,549,505
Deferred revenue (Note 7)	29,509,571	30,818,283
Employee future benefits payable (Note 9)	26,759,674	28,947,258
Deferred capital contributions (Note 8)	550,502,882	536,976,209
	947,974,196	937,630,683
Net debt	(527,965,305)	(530,488,283)
Non-financial assets		
Prepaid expenses	960,023	1,134,802
Tangible capital assets (Note 10)	749,917,938	723,513,092
	750,877,961	724,647,894
Accumulated surplus (Note 11)	222,912,656	194,159,611

Contractual obligations and contingent liabilities (Note 14)

Approved by the Board

Trustee

Trustee

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

Halton District School Board

Consolidated statement of operations year ended August 31, 2017

	Budget	2017 Actual	2016 Actual
	\$	\$	\$
Revenues			
Provincial grants - Grants for Student Needs	645,324,504	649,379,073	631,538,265
Provincial grants - other	8,910,514	10,320,745	11,253,962
Investment income	1,250,000	1,325,959	1,224,171
Federal grants	3,353,246	3,431,282	3,102,561
School fundraising and other revenues	19,000,000	21,353,914	18,962,216
Deferred capital contributions - grants recognized	27,089,003	28,547,307	27,934,486
Other fees and revenues	18,520,686	35,390,386	28,252,155
Total revenues	723,447,953	749,748,666	722,267,816
Expenses			
Instruction	562,065,795	560,329,685	534,636,817
Administration	14,850,404	14,753,337	13,709,433
Transportation	15,657,389	15,966,101	15,004,348
Pupil accommodation	102,620,893	103,699,571	101,194,103
Other	2,375,202	5,708,760	7,126,428
School funded activities	19,000,000	20,538,167	18,856,143
Total expenses (Note 12)	716,569,683	720,995,621	690,527,272
Annual surplus	6,878,270	28,753,045	31,740,544
Accumulated surplus, beginning of year	189,199,709	194,159,611	162,419,067
Accumulated surplus, end of year (Note 11)	196,077,979	222,912,656	194,159,611

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

Halton District School Board

Consolidated statement of cash flows year ended August 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	28,753,045	31,740,544
Non-cash items		
Amortization (Note 10)	29,105,902	28,493,141
Deferred capital contributions - grants recognized (Note 8)	(28,547,307)	(27,934,486)
Deferred gain on disposal of restricted assets	-	(8,617,350)
Other liabilities - Contaminated site	-	(60,632)
Net change in non-cash working capital balances		
Accounts receivable	1,504,229	(1,199,057)
Accounts payable and accrued liabilities	10,890,338	3,303,466
Other liabilities	(963,485)	(468,310)
Deferred revenues - operating	48,535	(312,476)
Employee future benefits payable	(2,187,584)	(5,914,279)
Prepaid expenses	174,779	260,639
	38,778,452	19,291,200
Capital transactions		
Proceeds on sale of tangible capital assets	-	8,713,724
Acquisition of tangible capital assets (Note 10)	(55,510,748)	(30,789,584)
	(55,510,748)	(22,075,860)
Financing transactions		
Debt repaid (Note 6)	(11,048,158)	(10,545,218)
Net long-term liabilities issued	1,434,441	169,204
Additions to deferred capital contributions (Note 8)	42,073,980	23,559,839
(Decrease) increase in deferred revenues - capital	(1,357,247)	6,478,197
(Increase) decrease in accounts receivable - Government of Ontario	(1,350,803)	18,984,304
	29,752,213	38,646,326
Change in cash and cash equivalents	13,019,917	35,861,666
Opening cash and cash equivalents	73,146,250	37,284,584
Closing cash and cash equivalents	86,166,167	73,146,250

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

Halton District School Board

Consolidated statement of change in net debt year ended August 31, 2017

	2017	2016
	\$	\$
Annual surplus	28,753,045	31,740,544
Tangible capital asset activity		
Acquisition of tangible capital assets (Note 10)	(55,510,748)	(30,789,584)
Sale of asset - net	-	96,374
Amortization of tangible capital assets (Note 10)	29,105,902	28,493,141
	(26,404,846)	(2,200,069)
Other non-financial asset activity		
Acquisition of prepaid expenses	(1,100,202)	(1,181,014)
Use of prepaids	1,274,981	1,441,653
	174,779	260,639
Decrease in net debt	2,522,978	29,801,114
Net debt, beginning of year	(530,488,283)	(560,289,397)
Net debt, end of year	(527,965,305)	(530,488,283)

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

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

1. Significant accounting policies

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

Basis of accounting

The consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the statement of operations over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

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

- government transfers, including amounts previously recognized as tax revenue, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

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

Reporting entity

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

- Fast Track Community Centre for Skills Development and Training ("The Centre"); and
- Halton Student Transportation Services ("HSTS").

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

1. Significant accounting policies (continued)

Reporting entity (continued)

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

All material inter-departmental and inter-organizational transactions and balances between these organizations are eliminated upon consolidation.

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.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and demand deposits.

Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

Leases which transfer substantially all 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:

Asset	Estimated useful life in years
Land improvements with finite lives	15
Buildings	40
Portable structures	20
Other buildings	20
First-time equipping of schools	10
Furniture	10
Equipment	5-15
Computer hardware	5
Computer software	5
Leasehold improvements - The Centre	10

Assets under construction and assets that relate to pre-acquisition and pre-construction costs are not amortized until the asset is available for productive use.

Land permanently removed from service and held for 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 which meet the criteria for financial assets are reclassified as "assets held for sale" on the consolidated statement of financial position.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

1. Significant accounting policies (continued)

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.

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, is recognized as deferred capital contributions (DCC) as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

- Government transfers received or receivable for capital purpose;
- Other restricted contributions received or receivable for capital purpose; and
- Amounts previously recognized as property taxation revenues which were historically used to fund capital assets.

Retirement and other future benefits

The Board provides defined retirement, post retirement and workers' safety insurance benefits to specified employee groups. These benefits include pension, retirement gratuity, health and dental, workers' safety insurance benefits, carry-over sick leave and long term disability benefits.

a) Employee Life and Health Trusts

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 2016-17: Elementary Teachers' Federation of Ontario (ETFO), Elementary Teachers' Federation of Ontario Education Workers (ETFO-EW), Ontario Secondary School Teachers' Federation (OSSTF), Ontario Secondary School Teachers' Federation Education Workers (OSSTF-EW), Education Workers' Alliance of Ontario (EWA), Canadian Union of Public Employees (CUPE) and Education Council of Associations for Benefits (ECAB). The ELHTs provide health, life and dental benefits to teachers, education workers and other school board staff and retired individuals starting with a school board's participation date into the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Starting November 1, 2016, the Board is no longer responsible to provide certain benefits to ETFO, OSSTF, OCTU (under OSSTF-EW), PSSP (under OSSTF-EW) and DECE (under ETFO-EW). Beginning in the 2016-17 school year, school boards whose employee groups transitioned their health, dental and life benefits to the ELHT are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. The remaining employee groups will complete transition into ELHTs by February 1, 2018.

Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN) and additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

The Board continues to provide health, dental and life insurance benefits for retired individuals and the following employee groups: CUPE, HDEAA, Principals and Vice-Principals and other non Union employee groups that have not yet transferred into an ELHT, and continues to have a liability for payment of benefits for those who are on long-term disability and for some who are retired under these plans.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

1. Significant accounting policies (continued)

Retirement and other future benefits (continued)

b) Retirement gratuity plan, sick leave plan, and post-retirement health and dental plan

In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and post-retirement health and dental plan. 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 benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities were actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses were recognized as at August 31, 2012. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as post-retirement health and dental benefits, the cost is actuarially determined using the projected benefit method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. The changes to the post-retirement health and dental plan resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change were recognized as at August 31, 2012.

For those self-insured benefit obligations that arise from specific events that occur periodically, such as obligations for workers' compensation, 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 costs of multi-employer defined pension benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period.
- iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

Government transfers

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

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

Investment income

Investment income is reported as revenue in the period earned.

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

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

1. Significant accounting policies (continued)

Budget figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees of the Halton District School Board. The budget 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. Also included is the approved budget for the Fast Track Centre for Skills Development and Training. Budget figures in the consolidated statement of change in net debt have not been provided.

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 grants – Grants for Student Needs.

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 as at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known. Significant estimates include employee future benefits and certain accruals.

2. Accounts receivable - Government of Ontario

The Government of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. Halton District School Board received a one-time grant that recognized 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 be entitled to yearly capital grants to support capital programs which would be reflected in this account receivable.

The Board has an account receivable from the Government of Ontario of \$295,682,715 (2016 - \$294,331,912) with respect to capital grants.

3. Temporary borrowing

The Board's banking resolutions allow aggregate borrowings to the maximum of \$135 million. The Board has credit facilities available to the maximum of \$85 million with a Canadian chartered bank to address operating requirements, bridge capital expenditures and education development charges outstanding. As at August 31, 2017, the amount drawn was \$Nil (2016- \$Nil).

4. Other liabilities

In the prior year, a liability for contaminated sites was recorded for the estimated cost to remediate soil and ground water contamination resulting from the replacement of a fuel oil underground storage tank in a Board site that is not in productive use. The estimated liability of \$139,244 as at August 31, 2016 for remediation costs was provided by a third party geo-environmental consultant. During 2016-17, site remediation was completed and no liability has been recorded as at August 31, 2017.

Other liabilities also includes the Group Life Premium Stabilization Fund amounting to \$2,290,984 (2016 - \$3,115,225).

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

5. Net long-term liabilities

Net long-term liabilities on the consolidated statement of financial position is comprised of Ontario Financing Authority (OFA) and Ontario School Boards Financing Corporation (OSBFC) debentures as follows:

	2017	2016
	\$	\$
Debentures		
OSBFC, Series 2003-A2, 5.800%, maturing November 2028	17,848,021	18,914,529
OSBFC, Series 2004-A1, 5.483%, maturing November 2029	26,846,581	28,309,501
OSBFC, Series 2005-A1, 4.789%, maturing August 2030	7,981,717	8,415,720
OFA, Bylaw 06090, 4.560%, maturing November 2031	14,370,493	15,057,051
OFA, Bylaw 08012, 4.900%, maturing March 2033	29,469,287	30,682,062
OFA, Bylaw 09037, 5.062%, maturing March 2034	973,300	1,009,290
OFA, Bylaw 09036, 5.062%, maturing March 2034	5,264,591	5,459,261
OFA, Bylaw 09125, 5.384%, maturing May 2034	8,099,377	8,384,960
OFA, Bylaw 10052, 5.232%, maturing May 2035	10,986,576	11,350,014
OFA, Bylaw 10107, 4.947%, maturing May 2035	17,385,633	17,973,703
OFA, Bylaw 11034, 4.833%, maturing March 2035	16,981,530	17,525,190
OFA, Bylaw 11155, 3.970%, maturing November 2036	13,812,344	14,274,390
OFA, Bylaw 12024, 3.564%, maturing March 2037	17,120,174	17,706,469
OFA, Bylaw 13030, 3.799%, maturing March 2038	44,496,147	45,876,235
OFA, Bylaw 13120, 4.037%, maturing October 2028	14,292,497	15,256,349
OFA, Bylaw 14025, 4.003%, maturing March 2039	26,243,339	26,985,342
OFA, Bylaw 15010, 2.993%, maturing March 9, 2040	1,165,061	1,200,235
OFA, Bylaw 16024, 3.242%, maturing March 15, 2041	164,679	169,204
OFA, Bylaw 17020, 3.594%, maturing March 14, 2042	1,434,441	-
Net long-term liabilities	274,935,788	284,549,505

Of the net long-term liabilities outstanding of \$274,935,788, principal plus interest payable over the next five years and subsequent payments to maturity are as follows:

	Principal	Interest	Total
	\$	\$	\$
2017/18	11,607,432	12,430,244	24,037,676
2018/19	12,156,748	11,880,928	24,037,676
2019/20	12,732,677	11,304,999	24,037,676
2020/21	13,336,535	10,701,141	24,037,676
2021/22	13,969,707	10,067,969	24,037,676
Total	63,803,099	56,385,281	120,188,380
Thereafter	211,132,689	65,896,867	277,029,556
Net long-term liabilities	274,935,788	122,282,148	397,217,936

Interest payments on long-term liabilities amounted to \$12,791,049 (2016 - \$13,134,534) (Note 6).

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

6. Debt charges and capital loan interest

Debt charges and capital loan interest includes principal and interest payments as follows:

	2017	2016
	\$	\$
Principal payments on long-term liabilities	11,048,158	10,545,218
Interest payments on long-term liabilities (Note 5)	12,791,049	13,134,534
Interest payments on temporary financing of capital projects	119,147	114,869
	23,958,354	23,794,621

7. Deferred revenue

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position.

Deferred revenue set-aside for specific purposes by legislation, regulation or agreement as at August 31, 2017 is comprised of:

	Balance as at August 31, 2016	Externally restricted revenue and investment income	Revenue recognized in the period	Transfers to deferred capital contributions	Balance as at August 31, 2017
	\$	\$	\$	\$	\$
Renewable energy - capital	142,793	-	-	-	142,793
School renewal	4,848,737	9,772,373	2,704,017	5,454,107	6,462,986
Special education	2,930,021	88,768,987	88,990,121	-	2,708,887
Legislative grants	1,818,816	32,188,798	30,692,288	1,647,967	1,667,359
Other Provincial grants	100,687	1,757,464	1,628,785	-	229,366
Other Ministry of Education grants	14,964	3,675,872	3,505,013	-	185,823
Education development charges	-	23,325,014	23,325,014	-	-
Other third party	454,797	4,509,079	3,948,342	590,606	424,928
Proceeds of disposition	20,507,468	(1,161)	-	2,818,878	17,687,429
Total deferred revenue	30,818,283	163,996,426	154,793,580	10,511,558	29,509,571

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

8. Deferred capital contributions

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

	2017	2016
	\$	\$
Balance, beginning of year	536,976,209	541,350,856
Net additions to deferred capital contributions	42,073,980	23,559,839
Deferred capital contributions - grants recognized	(28,547,307)	(27,934,486)
Balance, end of year	550,502,882	536,976,209

9. Retirement and other employee future benefits

						2017	2016
	Retirement gratuities	Post retirement benefits	Workers' safety insurance board	Sick leave top-up benefits	Long-term disability plans	Total employee future benefits	Total employee future benefits
	\$	\$	\$	\$	\$	\$	\$
Accrued employee future benefit obligations	21,778,620	203,857	5,974,868	393,364	68,471	28,419,180	31,531,260
Unamortized actuarial (losses)	(1,659,506)	-	-	-	-	(1,659,506)	(2,584,002)
Employee future benefits liability	20,119,114	203,857	5,974,868	393,364	68,471	26,759,674	28,947,258

The Board has designated reserves for certain of these employee future benefit obligations. The balance of these reserves totaled \$4,615,211 at August 31, 2017 (2016 - \$5,748,211).

						2017	2016
	Retirement gratuities	Post retirement benefits	Workers' safety insurance board	Sick leave top-up benefits	Long-term disability plans	Total employee future benefits	Total employee future benefits
	\$	\$	\$	\$	\$	\$	\$
Recognition of unamortized actuarial (gains) losses	374,627	(1,333)	-	118,460	-	491,754	183,600
Current year benefit cost	-	-	1,746,505	393,363	(234,168)	1,905,700	1,703,580
Gain on plan amendments	-	38,875	-	-	-	38,875	(889,121)
Interest on accrued benefit obligation	483,881	4,223	113,537	-	4,381	606,022	843,179
Employee future benefits expense	858,508	41,765	1,860,042	511,823	(229,787)	3,042,351	1,841,238

Above amounts exclude pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

9. Retirement and other employee future benefits (continued)

Actuarial assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2017 are based on actuarial valuations completed for accounting purposes as at August 31, 2017. These actuarial valuations take into account any plan changes and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2017	2016
	%	%
Inflation		
Retirement gratuities	1.50	1.50
Healthcare cost escalation		
Dental	4.00	4.25
Health	8.00	8.25
Discount on accrued benefit obligation		
Retirement gratuities	2.55	2.05
Post-retirement benefits	2.55	2.05

Ontario Teachers' Pension Plan

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

During the year ended August 31, 2017, the employee contributions to this plan were \$45,668,244 (2016 - \$44,376,271).

Ontario Municipal Employees Retirement System

All permanent non-teaching employees of the Board are eligible to be members of Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ending August 31, 2017, the Board contributed \$8,123,745 (2016 - \$8,099,630) 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, as these obligations are a direct responsibility of OMERS.

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. As a result of the 2012 plan change, the amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012. Retirement gratuities expensed amounted to \$858,508 (2016 - \$3,842).

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

9. Retirement and other employee future benefits (continued)

Post-retirement benefits

The Board continues to provide post-retirement health and dental 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 are 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, no longer qualify for board subsidized premiums or contributions.

Other employee future benefits

Workers' Safety Insurance Board

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act ("Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act.

Occurrences between \$1,000,000 and \$25,000,000 are insured under third party insurance coverage. The Board participates in the Workers' Compensation Assistance Program with the School Boards' Co-operative Inc. (SBCI). For an annual fee, this program provides funds to Participating Members that incur claim costs on any workers' compensation incident between \$500,000 and \$1,000,000. The Board is self-insured for all other occurrences. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. School boards are required to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreements negotiated prior to 2012 included such provisions.

As of August 31, 2017, these obligations, as actuarially determined, amounted to \$5,974,868 (2016 - \$5,215,485) and are included in Employee Future Benefits Payable. The change in this amount from the previous year has been reflected in the statement of operations.

Long-term disability benefits

The Board provides long-term disability benefits including payment of life insurance premiums and health care benefits to employees who are not yet members of an ELHT, during the period an employee is unable to work. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

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 accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2017. This actuarial valuation is based on assumptions about future events.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

10. Tangible capital assets

				Cost	
	Balance at August 31, 2016	Additions and betterments	Disposals	Transfer to/from construction in progress	August 31, 2017
	\$	\$	\$	\$	\$
Halton District School Board					
Land	177,135,490	13,395,691	-	11,626	190,542,807
Land improvements	32,769,287	2,961,889	-	-	35,731,176
Buildings (40 yrs)	712,249,543	33,547,094	-	4,187,774	749,984,411
Other Buildings	112,268	-	-	-	112,268
Portable structures	9,054,193	-	-	-	9,054,193
Construction in progress	4,187,774	1,845,400	-	(4,187,774)	1,845,400
Pre-acquisition costs - land	83,020	151,872	-	(11,626)	223,266
Pre-acquisition costs - building	1,124,600	1,129,302	-	-	2,253,902
Equipment (5 years)	188,185	58,660	58,134	-	188,711
Equipment (10 years)	3,936,182	246,150	-	-	4,182,332
Equipment (15 years)	1,327,757	147,013	-	-	1,474,770
First time equipping	14,254,778	318,602	-	-	14,573,380
Furniture	478,486	108,683	-	-	587,169
Computer hardware	6,824,753	1,172,892	928,976	-	7,068,669
Computer software	1,752,085	55,619	334,222	-	1,473,482
	965,478,401	55,138,867	1,321,332	-	1,019,295,936
The Centre					
Computers	30,114	-	-	-	30,114
Leasehold improvements	933,541	371,881	-	-	1,305,422
Equipment and furniture	907,667	-	-	-	907,667
	1,871,322	371,881	-	-	2,243,203
Total	967,349,723	55,510,748	1,321,332	-	1,021,539,139

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

10. Tangible capital assets (continued)

					Accumulated amortization	Net book value	
	Balance at August 31, 2016	Amortization and write-offs and adjustments	Disposals	Transfer to assets held for sale	Balance at August 31, 2017	2017	2016
	\$	\$	\$	\$	\$	\$	\$
Halton District School Board							
Land	-	-	-	-	-	190,542,807	177,135,490
Land improvements	10,371,087	2,318,392	-	-	12,689,479	23,041,697	22,398,200
Buildings (40 yrs)	213,043,999	22,523,213	-	-	235,567,212	514,417,200	499,205,544
Other Buildings	14,033	5,613	-	-	19,646	92,622	98,235
Portable structures	5,849,828	462,981	-	-	6,312,809	2,741,384	3,204,365
Construction in progress (a)	-	-	-	-	-	1,845,399	4,187,774
Pre-acquisition costs - land (a)	-	-	-	-	-	223,266	83,020
Pre-acquisition costs - building (a)	-	-	-	-	-	2,253,902	1,124,600
Equipment (5 years)	113,926	37,689	58,134	-	93,481	95,230	74,259
Equipment (10 years)	1,352,509	402,332	-	-	1,754,841	2,427,491	2,583,673
Equipment (15 years)	175,030	84,695	-	-	259,725	1,215,045	1,152,727
First time equipping	6,576,348	1,437,965	-	-	8,014,313	6,559,067	7,678,430
Furniture	215,636	53,283	-	-	268,919	318,250	262,850
Computer hardware	3,575,088	1,389,342	928,976	-	4,035,454	3,033,215	3,249,665
Computer software	817,122	322,556	334,222	-	805,456	668,026	934,963
	242,104,606	29,038,061	1,321,332	-	269,821,335	749,474,601	723,373,795
The Centre							
Computers	20,912	9,202	-	-	30,114	-	9,202
Leasehold improvements	803,446	58,639	-	-	862,085	443,337	130,095
Equipment and furniture	907,667	-	-	-	907,667	-	-
	1,732,025	67,841	-	-	1,799,866	443,337	139,297
Total	243,836,631	29,105,902	1,321,332	-	271,621,201	749,917,938	723,513,092

a) Assets under construction

Assets under construction which include construction in progress, pre-acquisition costs – land and pre-acquisition costs – building for a total value of \$4,322,567 (2016 - \$5,395,394) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

11. Accumulated surplus

Accumulated surplus consists of the following:

	2017	2016
	\$	\$
Non-designated surplus	5,000,000	5,000,000
Amounts internally restricted for future use of the Board		
Retirement gratuities	4,615,211	5,748,211
Fast Track Centre for Skills and Development & Training	1,598,914	1,776,081
Other operating	12,997,451	10,534,757
Accommodation	39,017,224	39,502,059
Committed capital projects and sinking fund interest	8,646,777	9,205,372
	66,875,577	66,766,480
Unavailable for Compliance		
Employee future benefits	(13,776,664)	(18,409,846)
Interest accrual	(3,578,610)	(3,698,011)
	(17,355,274)	(22,107,857)
Revenues recognized for land		
Land (Note 10)	190,542,807	177,135,490
Pre-acquisition costs - land (Note 10)	223,266	83,020
Education development charges outstanding (i)	(28,608,998)	(38,137,054)
	162,157,075	139,081,456
School generated funds	6,235,278	5,419,532
Total accumulated surplus	222,912,656	194,159,611

- (i) The Education Act, Part IX, Division E and Ontario Regulation 20/98 (amended by Ontario Regulation 95/02) provide requirements for determining a board's eligibility to impose Education Development Charges ("EDC") on new development, and the calculation of these charges. The accumulated eligible education development charge expenditures may be financed through cash and cash equivalents or temporary borrowing on the consolidated statement of financial position. Interest on education development charges outstanding amounted to \$355,185 (2016 - \$406,372).

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

12. Expenses by object

The following is a summary of expenses reported in the consolidated statement of operations by object:

	Budget	2017 Actual	2016 Actual
	\$	\$	\$
Salary and wages	478,081,368	476,987,068	459,351,179
Employee benefits	77,070,223	78,287,219	71,399,814
Staff development	4,262,442	5,970,093	4,830,118
Supplies and services	64,128,131	63,003,449	59,287,718
Interest charges on capital	13,658,732	13,265,381	13,655,775
Rental expenses	147,615	121,031	116,132
Fees and contract services	36,624,561	37,002,459	35,023,650
Other	14,897,803	17,253,019	18,369,745
Amortization of tangible capital assets	27,698,808	29,105,902	28,493,141
Total	716,569,683	720,995,621	690,527,272

13. Ontario School Board Insurance Exchange ("OSBIE")

The school board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$24 million per occurrence.

The ultimate premiums over a five year period are based on each member of the reciprocal 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 31, 2021.

14. Contractual obligations and contingent liabilities

- a) The Board has the following annual lease and contract commitments over the next 5 years with respect to furniture, equipment, computer hardware and software, construction, and portables, totaling \$21,592,192.

Fiscal year ending August 31	\$
2018	8,829,627
2019	2,847,812
2020	2,230,578
2021	2,015,225
2022	5,668,950

- b) As of August 31, 2017 the Board had guarantees outstanding of \$1,230,217 (2016 - \$1,230,217) relating to construction projects in progress.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

14. Contractual obligations and contingent liabilities (continued)

- c) In the normal course of operations, the Board becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at August 31, 2017 cannot be predicted with certainty, it is in the opinion of the Board that their resolution will not have a material adverse effect on the Board's financial position or results of operations.

15. Partnership in Halton Student Transportation Services

Transportation services for the Board are provided by Halton Student Transportation Services ("HSTS") in partnership with Halton Catholic District School Board. Under the agreement created at the time HSTS was established, decisions related to the financial and operating activities of HSTS are shared. No partner is in a position to exercise unilateral control. Operations of HSTS have been included in these consolidated financial statements based on the share of net financial resources contributed by the Board during the fiscal period being reported.

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

The following provides condensed financial information:

	2017		2016	
	Total	Board portion	Total	Board portion
	\$	\$	\$	\$
Financial position				
Financial assets	71,877	45,714	300,374	196,745
Liabilities	102,151	64,968	323,446	211,857
Non-financial assets	31,034	19,738	23,832	15,610
Accumulated surplus	760	484	760	498
Operations				
Revenues	22,813,652	15,470,334	21,374,800	14,670,704
Expenditures	22,813,652	15,470,334	21,374,800	14,670,704
Annual surplus	-	-	-	-

16. Repayment of "55 School Board Trust" funding

On June 1, 2003, the Board received \$7,294,000 from The 55 School Board Trust (the "Trust") for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered with the Trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed debt of participating boards that are beneficiaries of the Trust. Under the terms of the agreement, The 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the Trust of future provincial grants payable to the Board in respect of the not permanently financed debt.

As a result of the above agreement, the liability in respect of the not permanently financed debt is no longer reflected in the Board's financial position.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

17. Funds administered by the Board

Trust funds administered by the Board amounting to \$1,397,704 (2016 - \$1,408,184) have not been included in the consolidated financial statements, as they are not controlled by the Board.

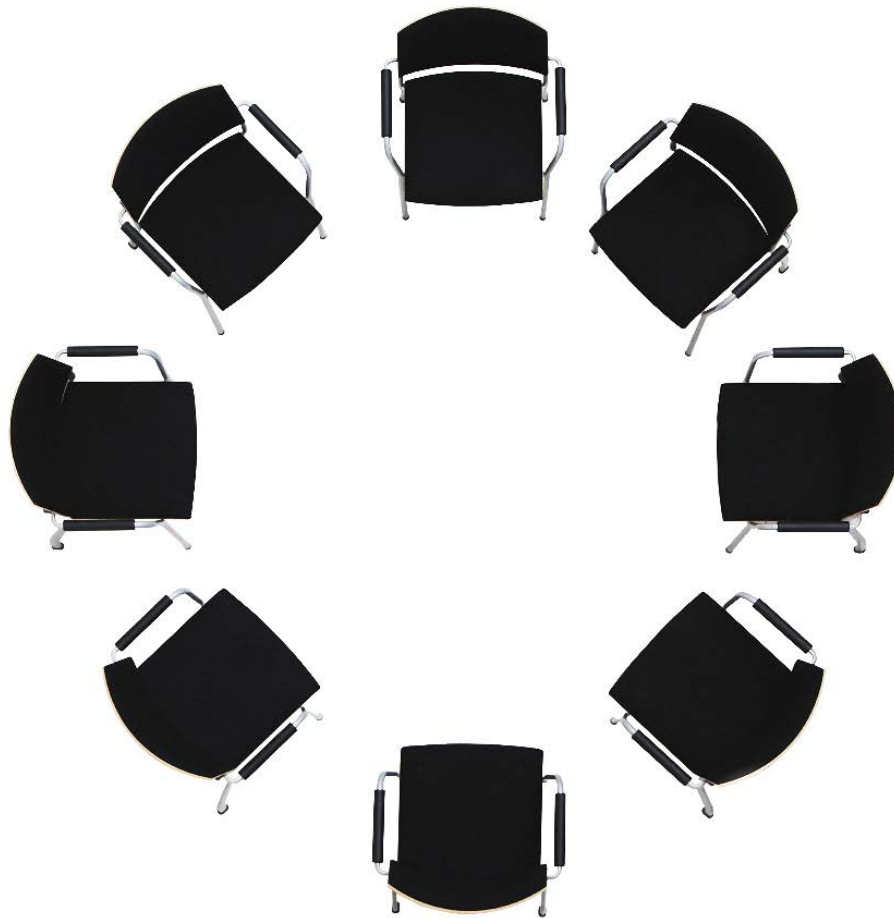
	Trust funds	Deferred leave plan	2017 Total	2016 Total
	\$	\$	\$	\$
Opening balance at September 1, 2016	716,169	692,015	1,408,184	1,688,323
Capital received in 2017	4,443	383,156	387,599	347,221
Earnings on investments in 2017	7,270	86	7,356	7,347
	727,882	1,075,257	1,803,139	2,042,891
Disbursements in 2017	28,870	376,565	405,435	634,707
Closing balance at August 31, 2017	699,012	698,692	1,397,704	1,408,184

18. Subsequent event

In October 2017, the Board entered into an agreement with Everstrong Construction for the construction of Milton South West #10 Elementary Public School. The contract value is \$16,758,298. An additional amount of \$2,735,623 has been approved for architect fees, miscellaneous fees and permits, site preparation costs, furniture, equipment and taxes. As of August 31, 2017, expenses of \$629,491 have been incurred.

In October 2017, the Board also entered into an agreement with Snyder Architects Inc., as the architect for the transition of educational programs project into Nelson High School and M.M. Robinson High School.

DRAFT



Halton District School Board Report to the audit committee on the 2017 audit

November 7, 2017

November 1, 2017

Private and confidential

To the Audit Committee
Halton District School Board
J.W. Singleton Education Centre
2050 Guelph Line
Burlington ON L7R 3Z2

Dear Audit Committee Members,

Report on audited annual financial statements

We are pleased to submit this report on the status of our audit of Halton District School Board ("the School Board") for the 2017 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

As agreed in our master service agreement dated September 14, 2016, we have performed an audit of the consolidated financial statements of Halton District School Board as at and for the year ended August 31, 2017, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our independent auditor's report thereon dated December 6, 2017 once the consolidated financial statements are approved by the Board of Trustees.

Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee at the meeting on April 13, 2017.

This report is intended solely for the information and use of the Audit Committee, management and others within the School Board and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to express our appreciation for the cooperation we received from the employees of the School Board with whom we worked during the execution of our engagement.

We look forward to discussing this report summarizing the outcome of our audit with you, and to answering any questions you may have.

Yours very truly,



Chartered Professional Accountants
Licensed Public Accountants

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Other reportable matters	6

Appendices

- Appendix 1 – Communication requirements
- Appendix 2 – Draft management representation letter
- Appendix 3 – Summary of uncorrected financial statement misstatements and summary of disclosure items passed
- Appendix 4 – Deloitte resources a click away

Our audit explained

This report summarizes the main findings arising from our audit.

Audit scope and terms of engagement

We were engaged to perform an audit which includes the School Board's consolidated financial statements (the "financial statements") 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. ("Financial Reporting Framework") as at and for the year ended August 31, 2017. Our audit was conducted in accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the master services agreement dated September 14, 2016, which was signed on behalf of the board and management.

Audit risks

Through our risk assessment process, we have identified audit risks. Certain of these risks of material misstatement and related audit responses are described in the Audit Risks section of this report.



Materiality

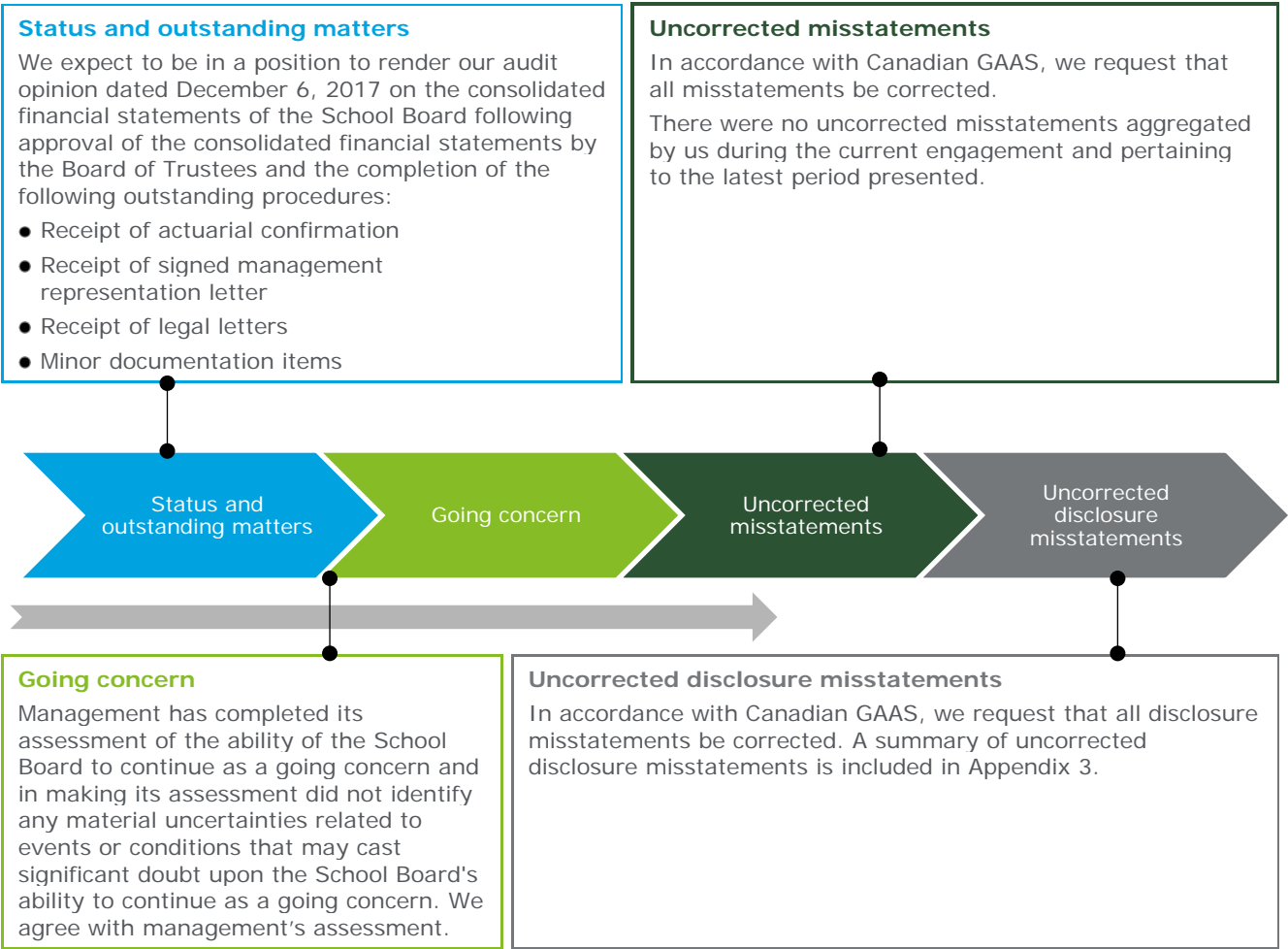
We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Our materiality level was based on professional judgment, using 2% of total expenses as a reference point. Our materiality for the year ended August 31, 2017 was \$13,700,000 (2016 - \$9,900,000).

We have informed the Audit Committee of all uncorrected misstatements greater than a threshold amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected.

Audit fees

We communicated our proposed audit fees in our audit plan. There have been no changes to our proposed fee.



Fraud risk

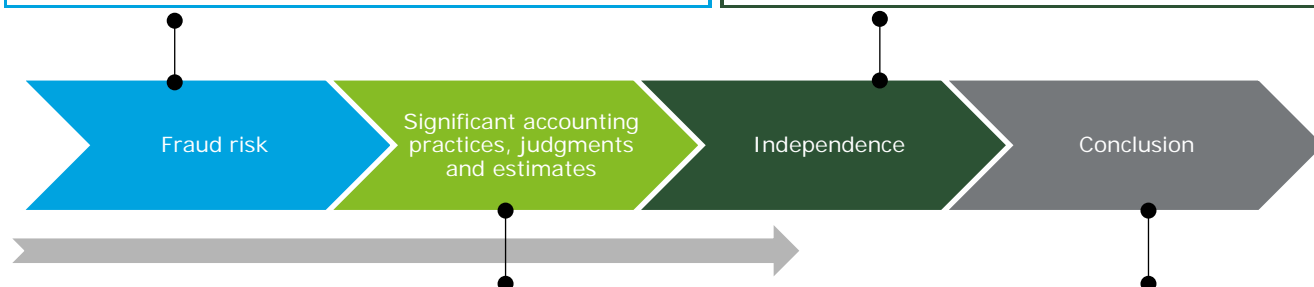
A summary of the results of our audit procedures designed to address the risk of material misstatement in the financial statements relating to fraud is provided in the Audit risks section of this report.

Based on the audit evidence obtained, our assessment of the risks of material misstatement due to fraud remain appropriate.

Independence

We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.

We confirm that we have complied with the relevant ethical requirements regarding independence.

**Significant accounting practices, judgments and estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards and regulation.

During the year ended August 31, 2017, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies.

Conclusion

In accordance with Canadian GAAS, our audit is designed to enable us to express an opinion on whether the consolidated financial statements are prepared, in all material respects, in accordance with the applicable Financial Reporting Framework.

No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.

We expect to issue an unmodified audit report on the consolidated financial statements of the School Board for the year ended August 31, 2017 once the outstanding items referred to above are completed satisfactorily and the consolidated financial statements are approved by the Board of Trustees.

Audit risks

Certain of the audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

Revenue recognition*

Audit risk	Our audit response	Audit results
<p>Under Canadian GAAS, we are required to evaluate the risk of fraud in revenue recognition. We have evaluated the revenue transactions, and we have concluded that the significant risk is that revenue may have been recorded in the incorrect period. This represents a fraud risk for the 2017 audit.</p>	<ul style="list-style-type: none"> ● We reviewed agreements with third parties. ● We reviewed grant stipulations. ● We reviewed related disclosures. ● We tested the cut-off, completeness and accuracy by obtaining confirmation of the 2017 revenues from the Ontario Ministry of Education. 	<p>Our audit procedures did not indicate any evidence of material misstatement.</p>

Management override of controls*

Audit risk	Our audit response	Audit results
<p>Management is in a unique position to override internal controls, which could allow manipulation of the accounting records that could result in financial statements that are materially misstated. This represents a fraud risk for the 2017 audit.</p>	<ul style="list-style-type: none"> ● We discussed fraud with management. ● We asked the Audit Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the School Board and their role in the oversight of management's antifraud programs. ● We tested a sample of journal entries made throughout the period, and adjustments made at the end of the reporting period. ● We evaluated the business rationale for any significant unusual transactions. ● We determined whether the judgments and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates. 	<p>Our audit procedures did not indicate any evidence of material misstatement.</p>

School Generated Funds and School Council Funds*

Risk identified	Our audit response	Audit results
<p>There is an increased risk of misstatement of School Generated Funds and School Council Funds due to the large volume of cash collected.</p> <p>This represents a fraud risk for the 2017 audit.</p>	<ul style="list-style-type: none"> ● We selected a sample of schools to test and performed substantive tests of details to obtain assurance over assets, liabilities, revenues and expenses. 	<p>Our audit procedures did not indicate any evidence of material misstatement.</p>

Accounts payable and accrued liabilities

Audit risk	Our audit response	Audit results
<p>Accounts payable and accrued liabilities may be misstated due to improper cut-off. Estimates may not be supported.</p>	<ul style="list-style-type: none"> ● We tested disbursements subsequent to year-end to determine the reasonableness of accounts payable and accrued liabilities. ● We tested the supporting assumptions and underlying data for accruals. ● We reviewed the outcome of prior year estimates and accruals. 	<p>Our audit procedures did not indicate any evidence of material misstatement.</p>

Employee future benefits

Audit risk	Our audit response	Audit results
<p>Employee future benefits liabilities and expenses may be misstated.</p>	<ul style="list-style-type: none"> ● We reviewed the actuarial report including assumptions and data upon which estimates were based. ● We ensured proper disclosure in the financial statements. 	<p>Our audit procedures did not indicate any evidence of material misstatement.</p>

Payroll

Audit risk	Our audit response	Audit results
<p>Payroll expense is not accurately recorded.</p>	<ul style="list-style-type: none"> ● We reviewed and tested the design and implementation of internal controls related to the payroll cycle. ● We detail tested payroll transactions for appropriate pay in accordance with employment agreements and other relevant documentation. ● We performed an overall analytical review of payroll amounts. 	<p>Our audit procedures did not indicate any evidence of material misstatement.</p>

*Areas of significant audit risk

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Audit Committee as part of the audit plan.

	Comment
Changes to the audit plan	The audit was conducted in accordance with our audit plan, which was communicated to the Audit Committee. We confirm that there have been no significant amendments to the audit scope and approach communicated in the audit plan.
Significant difficulties encountered in performing the audit	We did not encounter any significant difficulties while performing the audit. There were no significant delays in receiving information from management required for the audit nor was there an unnecessarily brief timetable in which to complete the audit.
Related party transactions	We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments by management concerning measurement or disclosure.
Disagreements with management	In the course of our audit, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.
Consultation with other accountants	Management has informed us that the School Board has not consulted with other accountants about auditing or accounting matters.
Legal and regulatory compliance	Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the School Board.
Post-balance sheet events	At the date of finalizing this report, we are not aware of any significant post balance sheet events that impact the 2017 consolidated financial statements that are not already disclosed.

Appendix 1 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS.

Required communication	Reference	Refer to this report or document described below
Audit Service Plan		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements.	CAS ¹ 260.14	Engagement letter dated September 14, 2016.
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit. b. Significant risks, including fraud risks Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit. 	CAS 260.15	Audit plan communicated on April 13, 2017.
3. Significant transactions outside of the normal course of business, including related party transactions.	CAS 260 App. 2, CAS 550.27	Nothing to report
Enquiries of those charged with governance		
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks.	CAS 240.20	Discussed during the Audit plan presentation on April 13, 2017.
5. Any known suspected or alleged fraud affecting the School Board.	CAS 240.21	Nothing to report
6. Whether the School Board is in compliance with laws and regulations.	CAS 250.14	No non-compliance noted
Year End Communication		
7. Fraud or possible fraud identified through the audit process.	CAS 240.40-.42	We are not aware of any fraudulent events.
8. Significant accounting policies, practices, unusual transactions, and our related conclusions.	CAS 260.16 a.	See note 1 to the financial statements for significant accounting policies. No unusual transactions noted.

¹ CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference	Refer to this report or document described below
Year End Communication (continued)		
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period.	CAS 260.16 a.	Significant accounting practices and policies selected and applied by management are, in all material respects, acceptable under the Financial Reporting Framework and are appropriate to the particular circumstances of the School Board.
10. Matters related to going concern.	CAS 570.23	We concluded that there was no substantial doubt about the School Board's ability to continue as a going concern.
11. Management judgments and accounting estimates.	CAS 260.16 a.	See significant accounting practices, judgements and estimates on page 3 of this report.
12. Significant difficulties, if any, encountered during the audit.	CAS 260.16 b.	No significant difficulties to report.
13. Material written communications between management and us, including management representation letters.	CAS 260.16 c.	Management representation letter
14. Other matters that are significant to the oversight of the financial reporting process.	CAS 260.16d.	No other matters to report.
15. Modifications to our opinion(s).	CAS 260.A18	We will issue an unmodified opinion.
16. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns.	CAS 260.A19	No consultation with other accountants were noted.
17. Significant matters discussed with management.	CAS 260.A.19	Nothing to report.
18. Illegal or possible illegal acts that come to our attention.	CAS 250.23	We are not aware of any illegal acts.
19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements.	CAS 265	No significant deficiencies in internal control identified. Some business insights will be discussed in closed session.
20. Uncorrected misstatements and disclosure items.	CAS 450.12-13	In accordance with Canadian GAAS, we request that all misstatements be corrected. There were no uncorrected misstatements. See Appendix 3 for uncorrected disclosure misstatements.

Appendix 2 – Draft management representation letter

December 6, 2017

Deloitte LLP
1005 Skyview Dr, Suite 200
Burlington ON L7P 5B1

Dear Sirs,

Subject: Consolidated financial statements of Halton District School Board for the year ended August 31, 2017

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the consolidated financial statements of Halton District School Board (the "School Board" or "we" or "us"), for the year ended August 31, 2017, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements ("the special purpose framework").

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between the School Board and Deloitte dated September 14, 2016 for the preparation of the Financial Statements in accordance with the special purpose framework.

In particular, the Financial Statements were prepared, in all material respects, in accordance with the special purpose framework.

2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with the special purpose framework, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with the special purpose framework. The School Board has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

Financial statements

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with the special purpose framework and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to August 31, 2017 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. All related party relationships and transactions, including associated amounts receivable and payable, have been appropriately accounted for and disclosed in the Financial Statements in accordance with the requirements of the special purpose framework.
4. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected; all final adjusting journal entries have been reflected in the Financial Statements and the Financial Statements have been approved in accordance with our process to finalize financial statements.

We have completed our review of events after August 31, 2017 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which the special purpose framework requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.

5. As a result of our evaluation process, we identified certain disclosures that, although required by PSAS, have been omitted from our Financial Statements. Those omitted disclosures that are more than inconsequential are attached as Appendix A. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the Financial Statements as a whole.
6. The School Board has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

Information provided

7. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters. All financial statements and other financial information provided to you accurately reflect the activities and expenses of the School Board and do not reflect any activities or expenses of any other person or entity
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit, and,
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
8. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
9. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.

Information provided

10. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. Management
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the Financial Statements.
11. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's Financial Statements and all knowledge of concerns or allegations of potential errors in the selection of accounting policies or the recording of transactions affecting the School Board that have been communicated by employees, former employees, analysts, regulators, or others, whether written or oral.
12. We have disclosed to you all communications from regulatory agencies and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
13. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.
14. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
15. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with the special purpose framework.
16. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
17. We have disclosed to you, and the School Board has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Independence matters

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

18. Prior to the School Board having any substantive employment conversations with a former or current Deloitte engagement team member the School Board has held discussions with Deloitte and obtained approval from management.
19. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee in accordance with its established approval policies and procedures.

Work of management's experts

20. We agree with the work of management's experts in evaluating the Retirement Benefits, Post Retirement Benefits, Workers' Safety Insurance Board and Non-Vesting Sick Leave Accumulation Benefits and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Consolidated Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to management's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

Loans and receivables

21. The School Board is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowance is adequate to absorb currently estimated bad debts in the account balance.

Environmental liabilities/contingencies

22. We have considered the effect of environmental matters on the School Board and have disclosed to you all liabilities, provisions or contingencies arising from environmental matters. All liabilities, provisions, contingencies and commitments arising from environmental matters, and the effect of environmental matters on the carrying values of the relevant assets are recognized, measured and disclosed, as appropriate, in the Financial Statements.

Employee future benefits

23. Employee future benefit costs, assets, and obligations have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Various matters

24. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
- a. Economic dependence on another party
 - b. Losses arising from sale and purchase commitments
 - c. Losses arising from onerous contracts
 - d. Agreements to buy back assets previously sold
 - e. Provisions for future removal and site restoration costs
 - f. Financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure
 - g. Sales with recourse provisions
 - h. Sales incentives, including cash consideration provided to customers and vendor rebates
 - i. Arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements
 - j. All impaired loans receivable and investments
 - k. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Title to assets

25. The School Board has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

Plans or intentions affecting carrying value/classification of assets and liabilities

26. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

Liabilities and contingencies

27. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.

Compliance with contractual agreements

28. We have disclosed to you, and the School Board has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Yours very truly,

Halton District School Board

Stuart Miller
Director of Education

Lucy Veerman
Superintendent of Business Services

Carrie Salemi
Manager of Financial Services

Appendix A

Halton District School Board

Summary of disclosure items passed Year ended August 31, 2017

Footnote number	Footnote title	Description of omitted or unclear disclosure	Authoritative literature reference	Dollar amount of omitted or unclear disclosure (if applicable)
1	Non-cash transactions	<p>The School Board presents its Statement of Cash Flows similar to the Statement of Cash Flows included in the Education Finance Information System (EFIS), which does not identify all non-cash items.</p> <p>Examples of such non-cash items are tangible capital asset acquisitions acquired through accounts payable and recognition of previously deferred revenue.</p>	PS 1201.104 to .126	Amount has not been determined.
2	Budget figures	The statement of changes in net debt should include budget figures.	PS 1201.131	Amount has not been determined.

Appendix 3 – Summary of uncorrected financial statement misstatements and summary of disclosure items passed

Footnote number	Footnote title	Description of omitted or unclear disclosure	Authoritative literature reference	Dollar amount of omitted or unclear disclosure (if applicable)
1	Non-cash transactions	<p>The School Board presents its Statement of Cash Flows similar to the Statement of Cash Flows included in the Education Finance Information System (EFIS), which does not identify all non-cash items.</p> <p>Examples of such non-cash items are tangible capital asset acquisitions acquired through accounts payable and recognition of previously deferred revenue.</p>	PS 1201.104 to .126	Amount has not been determined.
2	Budget figures	The statement of changes in net debt should include budget figures.	PS 1201.131	Amount has not been determined.

Appendix 4 – Deloitte resources a click away

At Deloitte, we are devoted to excellence in the provision of professional services and advice, always focused on client service. We have developed a series of resources, which contain relevant and timely information.

<input type="checkbox"/> Canada's Best Managed Companies (www.bestmanagedcompanies.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO 	The Canada's Best Managed Companies designation symbolizes Canadian corporate success: companies focused on their core vision, creating stakeholder value and excelling in the global economy.
<input type="checkbox"/> Centre for financial reporting (www.cfr.deloitte.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO • Controller • Financial reporting team 	Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.
<input type="checkbox"/> Financial Reporting Insights (www.iasplus.com/fri)	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team 	Monthly electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.
<input type="checkbox"/> On the board's agenda	<ul style="list-style-type: none"> • Directors • CEO/CFO 	Bi-monthly publication examining a key topic in detail, including the perspectives of a Deloitte professional with deep expertise in the subject matter as well as the views of an experienced external director.
<input type="checkbox"/> State of change (www.iasplus.com/StateOfChange)	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	Bi-monthly newsletter providing insights into key trends, developments, issues and challenges facing the not-for-profit sector in Canada, with a Deloitte point of view.
<input type="checkbox"/> Deloitte Financial Reporting Update (www.deloitte.com/ca/update)	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.

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Halton District School Board

2050 Guelph Line, Burlington, ON L7R 3Z2 (905) 335-3663 Fax: (905) 335-9802 www.hdsb.ca

Date: November 7, 2017

TO: The Chair and Members of the Audit Committee
Halton District School Board

FROM: Lucy Veerman, Superintendent of Business Services & Treasurer

RE: 2016/2017 Financial Statements

Warrant

This report recommends approval of the 2016/2017 Financial Statements.

RECOMMENDATION:

Be it resolved that the Audit Committee recommends the audited financial statements of the Halton District School Board for the fiscal year ended August 31, 2017 be approved by the Board of Trustees.

Rationale

Each year, the treasurer of every board is required (subsection 252(1) of the Education Act) to prepare the financial statements for the school board and, on receiving the auditor's report on the financial statements, promptly submit them to the Ministry of Education.

Financial statements must be prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of The Chartered Professional Accountants, Canada. A summary of the significant accounting policies that form the basis of accounting in financial statements is provided in Note 1 to the financial statements.

Audit

The financial statements have been audited by Deloitte LLP, Chartered Accountants; independent external auditors appointed by the Board. In accordance with subsection 253(5) of the Education Act, the auditors have received full access to all books, records, documents of the Board, as well as any other information that in the auditor's opinion was necessary to enable them to carry out their duties. The audit was conducted in accordance with Canadian generally accepted auditing standards as outlined in the Auditors' Report. Based on their audit opinion, the auditors agree that the consolidated financial statements of Halton District School Board as at and for the year ended August 31, 2017 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements. In addition, the Halton District School Board was in compliance with all Ministry funding regulations.

Respectfully Submitted,

*Lucy Veerman,
Superintendent of Business Services
and Treasurer*



MEMO

To: Halton District School Board Audit Committee
From: Jenny Baker, Regional Internal Audit Manager
Date: 7 November 2017
Subject: Regional Internal Audit Status Report – Public Session

This memorandum will serve to update the Audit Committee of the Regional Internal Audit Team's work since September 19, 2017.

A. Planned Audit

For your information, please find attached the terms of reference for the Insurance Program Administration audit.

B. Other

On October 27th, an SBO-Regional Internal Audit Steering Committee meeting was held. Your Superintendent of Business Services represented HDSB on this committee which consists of the ten senior business officials (SBOs) of the West of Central region. The mandate of this committee is to assist in the coordination/implementation of the RIA initiative of the West of Central School Boards and to facilitate discussions and action where required.

Motion:

Be it resolved that the Audit Committee receive the Insurance Program Administration terms of reference and the regional internal audit status update and that this report be included in the Audit Committee Summary to the Board of Trustees.



MEMO

TO: Lucy Veerman, Superintendent of Business Services
Dave Bennett, Manager of Purchasing
C.C.: Stuart Miller, Director of Education
Audit Committee
FROM: Jenny Baker, Regional Internal Audit Manager
DATE: 30 October 2017
SUBJECT: Halton District School Board (HDSB) Insurance Program Administration Terms of Reference

Please find below the terms of reference for the Insurance Program Administration audit which will begin in November. The internal audit plan was approved on April 13, 2017 for the 2017-18 year included this audit.

BACKGROUND

The Board participates in a number of initiatives that contribute to the prevention, reduction and mitigation of risks to students and school board staff, property and reputation. As a member of the Ontario School Boards' Insurance Exchange (OSBIE) cooperative, the board aims to use a systematic approach to preventing or reducing exposure to any type of loss. With the recent change in leadership for the risk management portfolio at the Board, this is an appropriate time to identify current processes and potential improvement opportunities.

AUDIT OBJECTIVES

The objective of the audit will be to determine whether the Boards programs and insurance coverages adequately mitigate risks that confront school boards and their staff.

AUDIT SCOPE AND APPROACH

Using a risk-based approach we will document the process to identify insurable risks and assess the process to determine adequate coverage. Primary risks to be addressed include:

- The school board does not identify, assess or manage pertinent risks, which could lead to significant financial and reputational losses for the school board;
- The school board does not maintain sufficient and adequate insurance coverage;

- The school board fails to monitor the effectiveness of risk management activities throughout the year;
- The school board fails to review insurance policies, at least annually, to ensure adequacy of coverage;
- The school board fails to reassess insurance coverages to ensure new and emerging risks are considered;
- Insurance needs are not considered for school activities outside the classroom or beyond regular operating hours;
- School boards that lease board owned property or space to third-parties, or allow community groups to use school space fail to consider insurance needs.

KEY CONTACTS

Name	Title	Phone	E-mail
Lucy Veerman	Superintendent of Business Services	905-335-3665 EXT. 3261	veermanl@hdsb.ca
Dave Bennett	Manager of Purchasing	905-335-3665 EXT. xxx	bennettdav@hdsb.ca
Jenny Baker	Regional Internal Audit Manager	519-570-0003 EXT. 4683	jenny_baker@wrdsb.ca
Robert Jelacic	Senior Regional Internal Auditor	519-570-0003 EXT. 4630	robert_jelacic@wrdsb.ca

As part of the professional practice standards, certain evidence must be obtained to support the results of audit tests on which the final audit opinion is based. This information will be securely stored on the private RIAT shared directory with logical access limited to only the RIAT auditors and manager.

As the audit progresses, we will endeavor to keep you informed as to the progress made and share with you any preliminary findings. As field work nears completion, a meeting will be scheduled to discuss all preliminary findings in advance of preparing a draft report.

A draft report will be compiled summarizing the results of the audit and will be distributed for discussion purposes to those staff who will be asked to respond to the final draft report. The purpose is to ensure our interpretation of the facts is correct; to seek clarification where we may have misinterpreted test evidence or to obtain additional information we may not have been aware of. Once the draft has been revised, the report will be formally issued for you to provide your management action plan in response. We would ask that your response be provided back to us within two to four weeks after the draft has been issued. It is a requirement of the International Standards for the Professional Practise of Internal Auditors (IPPF) that the final report contain the conclusion and opinion with respect to the

assessment of the process, under review. The final audit report will be presented immediately thereafter and to the Audit Committee at the next scheduled meeting.

SCHEDULING

The proposed timetable for this audit is as follows:

Start date in the field: November 13, 2017

Estimated completion date: January 12, 2017

Jenny Baker, CPA, CA, CISA, CFE
Regional Internal Audit Manager



Halton District School Board

Report Number: 17127

Date: November 1, 2017

FOR INFORMATION

TO: The Chair and Members of the
Halton District School Board

FROM: Lucy Veerman,
Superintendent of Business Services and Treasurer

RE: **Annual Statement of Education Development Charges (EDC)**

Warrant

This report provides a summary of education development charge by-laws and education development charge accounts for the year ended August 31, 2017.

Background

Each year, the treasurer of every board is required (subsection 257.98 (1) of the Education Act) to give the board a financial statement relating to education development charge by-laws and education development charge accounts.

Rationale

The Education Act, Part IX, Division E and Ontario Regulation 20/98 (amended by Ontario Regulation 95/02 and 193/10) provide requirements for determining a board's eligibility to impose EDCs on new development, and calculation of the charges. Ontario Regulation 20/98 outlines the three ways (only one of which must be met) for a board to qualify for an EDC by-law:

- i. The estimated average number of elementary school pupils of the board over the five years immediately following the day the board intends to have the by-law come into force exceeds the total capacity of the board to accommodate elementary school pupils throughout its jurisdiction on the day the by-law is passed.
- ii. The estimated average number of secondary school pupils of the board over the five years immediately following the day the board intends to have the by-law come into force exceeds the total capacity of the board to accommodate secondary school pupils throughout its jurisdiction on the day the by-law is passed.
- iii. At the time of expiry of the board's last education development charge by-law that applies to all or part of the area in which the charges would be imposed, the balance in the education development charge reserve fund is less than the amount required to pay outstanding commitments to meet growth-related net education land costs, as calculated for the purposes of determining the education development charges imposed under that by-law." (O. Reg. 95/02 Section 10).

In June 2013, the Board approved the 2013/2018 EDC By-law which represented the fifth EDC By-law adopted by the Board since 1996. Prior to a by-law being adopted, the Education Act requires a background study to be conducted to determine the EDC by-law amount. The background study was conducted by Watson & Associates Economists Ltd. ("Watson") due to their development charge expertise. The Board provided Watson with information such as land purchase price, site preparation costs and actual EDC revenue. For potential school sites identified but not yet purchased, site valuation information was provided by Cushman & Wakefield Ltd. The background study considered the region's growth projection, enrolment forecasts, new building requirements, the board's capital plans and the cost of land. The Minister approves the enrolment projections and the number of sites identified in the background study as a condition of by-law passage.

The by-law allows for both residential and non-residential charges. Residential charges are a set amount per dwelling and non-residential charges are per square foot of gross floor area. The non-residential rate can be set up to a maximum of 40% of the anticipated collections. The EDC By-law approved in June 2013 provided for a residential charge of \$2,691 (previously \$2,506) per dwelling and the non-residential charge of \$0.69 (previously \$0.69) per square foot of gross floor area.

If the Board experiences land or site preparation costs in excess of the expected values used to calculate the EDC, a by-law amendment can be proposed. Section 257.70 identifies the limitation on the timing of amendments. A board may not amend a by-law more than once within the one-year period of a by-law coming into force. The amendment process is similar to the by-law process with actuals being updated in the background study where appropriate. In June 2014, an amendment to the by-law was approved by the Board. The amendment was as a result of the board experiencing higher site acquisition costs than were initially identified in the 2013 EDC by-law Background study. The revised levies were \$3,380 per residential unit and \$0.87 per square foot of gross floor area for non-residential development.

A subsequent amendment, also as a result of increasing site acquisition costs, was approved in June 2015 resulting in a revised levy of \$3,969 per residential unit and \$1.02 per square foot of gross floor area for non-residential development. As a result of the outcome of an Ontario Municipal Board mediation regarding an appeal by BILD (Building Industry and Land Development Association) with respect to the methodology used in the calculation of the amendment, the residential per unit rate was reduced to \$3,714 (from \$3,969) effective March 1, 2016 and the non-residential rate was reduced to \$0.93 per square foot of gross floor area from \$1.02 effective March 1, 2016.

The Board approved a subsequent amendment on June 21, 2017. As a result, the residential per unit rate was increased to \$4,364 (from \$3,714) and the non-residential rate was increased to \$1.11 per square foot of gross floor area (from \$1.02). Both of these new amended charges can into effect on June 26, 2017.

A summary of EDC revenues, expenditures and closing balance as at August 31, 2017 is included in Appendix A.

Respectfully submitted,

*Lucy Veerman
Superintendent of Business Services
and Treasurer*

*Stuart Miller
Director of Education*

Closing EDC Balance/ (Deficit)	\$ (28,608,998)
---------------------------------------	------------------------



Halton District School Board

Report Number: 17126
Date: November 1, 2017

FOR INFORMATION

TO: The Chair and Members of the
Halton District School Board

FROM: Lucy Veerman,
Superintendent of Business Services and Treasurer

RE: **Summary of Trustee Expenses**

Warrant

This report provides a summary of Trustee expenses for the year ended August 31, 2017.

Background

"Trustee Expenses" Policy Gov 03-H states:

The Board recognizes the need to reimburse trustees for expenses reasonably incurred in carrying out their role as trustee. In addition, the Board recognizes that trustees must be equipped properly so they may consult with and contact their constituents.

Section 4.16 states that:

An annual summary of trustee expenses will be reported as an information item by the Superintendent of Business.

A trustee expense report will be posted to the board's website annually by December 31 following the end of the fiscal year. The report will include expense totals by trustee of the following categories:

- *Travel (e.g. Mileage, parking, tolls)*
- *OPSBA Conferences*
- *Other Professional Development*
- *Meeting Expenses (e.g. Hospitality)*
- *Supplies*
- *Other Expenses (e.g. child minding)*

Board paid:

- *Telecommunications (e.g. monthly service fees)*
 - *Technology (e.g. hardware)*
 - *Board Leadership & Mandatory Training*
 - *Prior Term Reserve for Professional Development*
 - *Travel over \$1,000*
-

Rationale

It is the policy of the Halton District School Board that trustees, upon their election shall be equipped with a personal computer including peripherals; software in accordance with the Board standard for administrators; high speed home internet access; a home phone; and a mobile communication device. There are currently eleven elected Trustees and two student Trustees.

In addition, each trustee, on an annual basis, will have access to a \$5,000 travel, personal professional development and office supplies account. This account may be used to reimburse the trustee for expenses reasonably incurred in carrying out their role as trustee. The policy identifies the expenses that are recognized by the Board as appropriate trustee expenses. It also allows any approved travel expenditure above the \$1,000 threshold not to be charged against the trustee account, but rather the Board's account. In addition, where a trustee incurs approved expenditures as a representative of the Board (e.g. Ontario Public School Board Association meeting, Student Trustee mentoring, Audit Committee training) these costs will not be charged against the trustee account, but rather the Board's Leadership budget.

Summary of Board Paid/ (Reimbursed on a cash basis*) Expenses:

• Telecommunications (internet, cell, phone/landline)	\$ 13,724
• Travel (mileage > \$1,000)	5,981
• Technology	2,653
• Conferences – Board Leadership Mandatory Training	4,972
	<u>\$ 27,330</u>

Summary of Expenses Reimbursed as of August 31, 2017 (cash basis*):

• OPSBA Conferences	\$ 6,116
• Other Professional Development:	
➤ registration, accommodation, meals, travel	16,076
• Meeting expenses (refreshments, meals)	1,456
• Office Supplies	2,000
• Travel (mileage up to \$1,000)	9,324
• Other	3,011
	<u>\$ 37,983</u>

*Cash basis refers to actual reimbursement received from September 1, 2016 to August 31, 2017.

Details of expenditures by individual Trustee will be posted on the board website prior to December 31, 2017.

As at August 31, 2017, \$66,255 representing the unused portion of the expense budget will rollover to 2017/2018.

Unused portions of an individual trustee's expense budget, on an annual basis, shall rollover to the next year. At the end of the term of the Board, unused portions of the trustee expense budget shall be allocated to a Reserve Account for the purpose of future trustee professional development. The use of these Reserve Account funds will be decided by the incoming Board of Trustees by Board motion.

Reserve Balance, December 1, 2010									\$	28,435
Board Motions:										
M12-0179 & M12-0231 (Ontario Public School Board Association Symposium)								(4,938)		
M13-0105 (Communications & Public Relations Training)								(7,290)		
M13-0027 (Ontario Student Trustee Association Membership Fees/Meeting)								(1,167)	(13,395)	
Budget Balance - Resignation of Trustee for Milton Wards 1, 6, 7, 8 (June 2014)										10,314
Reserve Balance, August 31, 2014									\$	25,354
Board Motions:										
M14-0288 (Report 14192) - Registration (& Accommodation for Student Trustees) to attend OPSBA Public Education Symposium Jan 29-31, 2015 to a maximum of of \$9,500								(6,809)		
M14-0289 (Report 14193) - Governance one day session to a maximum of \$3,500 (plus mileage) Parliamentary Procedure Training to a maximum of \$1,900 (trav								(5,610)		
M15-0025 (Report 15009) - Registration for OPSBA Labour Relations Symposium March 26-28, 2015								(4,482)	(16,901)	
Transfer of End of Term Balance (November 30, 2014)										44,403
Reserve Balance, August 31, 2015									\$	52,856
Board Motions:										
M15-0219 (Report 15158) - Registration costs to attend the Ontario Public School Board Association Public Education Symposium (including pre-symposium) Jan 28-30, 2016 to a maximum of \$7,700								(6,762)		
M16-0045 (Report 16041) - Registration costs to attend the Ontario Public School Board Association Labour Relations Symposium (including pre-symposium) Mar 31-April 1, 2016 to a maximum of \$5,500								(1,944)	(8,706)	
Reserve Balance, August 31, 2016									\$	44,150
Board Motions:										
M16-0184 (Report 16172) - Registration costs to attend the Ontario Public School Board Association Public Education Symposium (including pre-symposium) Jan 19-21, 2017 to a maximum of \$7,700								(6,904)		
M16-0184 (Report 16172) - Registration costs to attend the Ontario Public School Board Association Labour Relations Symposium (including pre-symposium) April 6-7, 2017 to a maximum of \$5,500								(974)	(7,878)	
Reserve Balance, August 31, 2017									\$	36,272

Respectfully Submitted
Lucy Veerman
Superintendent of Business and Treasurer

Stuart Miller
Director of Education



Halton District School Board

Public Session

Report Number:

Date: November 1, 2017

FOR DECISION

TO: The Chair and Members of the Halton District School Board

FROM: Audit Committee

RE: Audit Committee Annual Report to the Board of Trustees and Annual Report to the Ministry

Warrant

This report is a summary of the recommendation arising from the Audit Committee meeting held on November 7, 2017 regarding the Audit Committee annual report to the Board of Trustees as required by Ontario Regulation 361/10.

RECOMMENDATION:

Be it resolved that the Board of Trustees accept the 2016/2017 Audit Committee Annual Report to the Board of Trustees and the 2016/2017 Annual Report to the Ministry.

Background

The Halton District School Board (HDSB) Audit Committee met on November 7, 2017. The purpose of the meeting included;

- Review of the 2016/2017 Annual Reports to the Board of Trustees and to the Ministry

Review of 2016/2017 Audit Committee Annual Report to the Board of Trustees

Under Ontario Regulation 361/10, S. 15 (1), the Audit Committee shall submit to the board an annual report. The annual report contains the information prescribed under the regulation.

Review of the 2016/2017 Audit Committee Annual Report to the Ministry

Under Ontario Regulation 361/10, S. 15 (2), the board shall submit information to the Minister on audit work performed since the last report and work planned for the upcoming period. The annual report contains the information prescribed under the regulation.

Conclusions

The Audit Committee has received the Audit Committee Annual Report to the Board of Trustees and the 2016/2017 Annual Report to the Ministry.

On behalf of the Audit Committee,

Jeanne Gray, Chair, Audit Committee 2017/2018

Annual Report to the Board of Trustees For the year ended August 31, 2017

This report summarizes the audit committee's actions for the year ending August 31, 2017.

Audit Committee Members

The Audit Committee consisted of the following members:

- Jeanne Gray – Chair, Trustee Representative
- Kim Graves, Trustee Representative
- Ann Harvey Hope, Trustee Representative
- Bob Bosshard, Public Representative (to December 2016)
- Mary Caputi, Public Representative
- Dan McKerrall, Public Representative (effective February 2017)

In addition, staff attendees at the Committee meetings included:

- Stuart Miller – Director of Education
- Lucy Veerman – Superintendent of Business Services and Treasurer
- Jackie Sweetman – Controller of Financial Services
- Carrie Salemi – Manager of Financial Services
- Kathryn Samarin – Supervisor of Accounting
- Jenny Baker – Regional Internal Audit Manager
- Cheryl Dalrymple – HDSB Internal Auditor
- David Tonin – Partner, Audit & Assurance, Deloitte LLP

Additional trustee guests attending Audit Committee meetings are noted in the minutes.

Administrative Tasks

At the beginning of the year and in accordance with recommended good practice various administrative tasks were completed. These included:

- requesting declaration of any conflicts of interest
- appointing an Audit Committee Chair
- developing a work plan;
- developing a meeting schedule and agenda for the year; and
- updating the Audit Committee Terms of Reference

Meetings

The previous annual report (approved November 2016) summarized the meetings up to November 8, 2016 and dealt with matters related to the 2015/2016 fiscal year. For matters dealing with 2016/2017, there were four meetings throughout the year. All meetings were held as planned. The regulation requires that the attendance record of the members of the committee be included in the report.

The members in attendance at each meeting were as follows:

Member's Name	November 8, 2016	February 28, 2017	April 13, 2017	September 19, 2017
Jeanne Gray	X	X	X	X
Kim Graves	X	X	X	X
Ann Harvey Hope	X	X	X	X
Bob Bosshard	X	NA	NA	NA
Mary Caputi	X	X	X	X
Dan McKerrall	NA	X	X	X

A meeting will be held in November 2017 for the presentation of the draft 2016/2017 audited financial statements.

The Regulation also requires the Audit Committee Chair provide an oral or written report to the Board of Trustees summarizing the matters discussed at each meeting and a written report of any recommendations for the Board to approve. Information was provided to the Board of Trustees after each of the meetings.

Governance

The Audit Committee operated throughout the fiscal year ending August 31, 2017. All of the members satisfied the eligibility requirements in accordance with Ontario Regulation 361/10.

Halton District School Board Internal Auditor

The Audit Committee reviewed and approved internal audit plans for the school board, reviewed and discussed interim and year end reports summarizing the results of audit work and recommendations made by the Board's Internal Auditor.

External Auditors

The external auditors, Deloitte LLP, presented the scope and extent of their work for the 2016/2017 audited financial statements to the committee, which the committee reviewed and recommended for approval at the April 13, 2017 meeting. The external auditors confirm their independence in conjunction with the presentation of the draft financial statements. The Audit Committee reviewed and recommended the approval of the annual audited financial statements for the 2015/2016 year on November 8, 2016.

The Audit Committee recommended the reappointment of the external auditors for the next fiscal year during the meeting held February 28, 2017. As per the Board Executive Limitations Policy, external audit services will be going to tender for the 2018/2019 fiscal year.

Regional Internal Audit Team

The Audit Committee reviewed and approved the internal audit plans for the school board, reviewed, and discussed interim and year end reports summarizing the results of the audit work and recommendations made by the Regional Internal Audit Team.

Summary of the work performed

In addition to the items noted above, the following outlines further work performed by the Audit Committee in the last 12 months:

- Welcomed new Audit Committee public representative at February 2017 meeting
- Reviewed the fees charged by the external auditors in respect of the 2016/2017 financial statement audit;
- Followed up on any issues discussed at previous meetings;
- Discussed External, Internal and Regional Internal Audit Assessments;
- Held private meetings (i.e. exclusive of Management) with External Auditor and Regional Internal Auditors.
- Worked on development of a Policy – Audit and Non-Audit Services as per Regulation 361/10, Section 9(4)

The Audit Committee is grateful to all of the participants for the interchange of ideas and expertise from the attendees. It is the interaction of all involved that allows us to be successful and to satisfy our duties and responsibilities under Ontario Regulation 361/10.

On behalf of the Audit Committee

Jeanne Gray
Audit Committee Chair 2016/2017

**Annual Report to the Board of Trustees and Forwarded
To the Ministry of Education
for the year ended August 31, 2017**

(Draft – Pending Approval at September 19, 2017 Meeting)

District School Board Name: Halton District School Board

Fiscal Year: 2016/2017

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

During the 2016/17 fiscal year, the following internal audits or other engagements were started by the regional internal audit team but not completed by August 31st:

- IT Security and Vulnerability Assessment (field work completed in 2016/17 and report drafted, final audit report will be presented to Audit Committee in 2017/18)

In addition to those listed above, the following audits were completed in the 2016/17 fiscal year:

- Follow-up Audit:
 - Health and Safety
- IT Backup, Disaster and Recovery Audit

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

Date

Signature

Jeanne Gray
Audit Committee Chair 2016/2017

Financial statements of

**Fast Track - Community Centre for
Skills, Development and Training**

August 31, 2017

DRAFT

Fast Track - Community Centre for Skills, Development and Training

August 31, 2017

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DRAFT

Independent Auditor's Report

To the Members of
Fast Track - Community Centre for Skills, Development and Training

We have audited the accompanying financial statements of Fast Track – Community Centre for Skills, Development and Training, which comprise balance sheet as at August 31, 2017, and the statements of revenue and expenses and net assets, and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Fast Track – Community Centre for Skills, Development and Training as at August 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
Licensed Public Accountants
November 14, 2017

DRAFT

Fast Track - Community Centre for Skills, Development and Training

Statement of revenue and expenses and net assets
year ended August 31, 2017

	2017	2016
	\$	\$
Revenue		
Government of Canada (Note 6)	2,976,495	2,822,725
Province of Ontario (Note 6)	6,747,127	6,247,381
Fees	838,227	660,039
General	156,414	104,066
Adult high school credits	255,496	233,872
Rent (Note 7)	315,500	209,931
	11,289,259	10,278,014
Expenses		
Wages and benefits - programs	5,038,948	4,936,891
Materials, services and supplies - programs	3,389,131	2,954,739
Rent	1,311,589	1,267,512
Administrative salaries	823,424	975,287
Other administrative	292,135	310,326
Advertising and promotion	99,144	123,454
General supplies and purchased services	134,998	191,075
Amortization	67,841	37,897
Bad debts	5,176	4,925
	11,162,386	10,802,106
Excess of revenue over expenses (expenses over revenue)	126,873	(524,092)
Net assets, beginning of year	1,915,378	2,439,470
Net assets, end of year	2,042,251	1,915,378

The accompanying notes to the financial statements are an integral part of this financial statement.

Fast Track - Community Centre for Skills, Development and Training

Balance sheet
as at August 31, 2017

	2017	2016
	\$	\$
Assets		
Current assets		
Cash	851,675	1,444,245
Accounts receivable	1,976,445	1,553,876
Prepaid expenses	151,881	259,615
	2,980,001	3,257,736
Capital assets (Note 3)	443,337	139,297
	3,423,338	3,397,033
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	230,452	341,773
Due to Halton District School Board (Note 5)	24,893	79,562
Deferred revenue	625,742	510,320
	881,087	931,655
Due to Halton District School Board (Note 5)	500,000	550,000
	1,381,087	1,481,655
Commitments (Note 7)		
Net assets	2,042,251	1,915,378
	3,423,338	3,397,033

Approved by the Board

Director

Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Fast Track - Community Centre for Skills, Development and Training

Statement of cash flows
year ended August 31, 2017

	2017	2016
	\$	\$
Operating activities		
Excess of revenue over expenses (expenses over revenue)	126,873	(524,092)
Item not affecting cash		
Amortization	67,841	37,897
Changes in non-cash operating working capital items (Note 4)	(365,403)	(517,474)
	(170,689)	(1,003,669)
Investing activity		
Purchase of capital assets	(371,881)	(112,383)
Financing activity		
Decrease in due to Halton District School Board	(50,000)	(50,000)
Net cash outflow	(592,570)	(1,166,052)
Cash, beginning of year	1,444,245	2,610,297
Cash, end of year	851,675	1,444,245

The accompanying notes to the financial statements are an integral part of this financial statement.

Fast Track - Community Centre for Skills, Development and Training

Notes to the financial statements

August 31, 2017

1. Description of business

Fast Track - Community Centre for Skills, Development and Training's (the "Organization") principal function is to provide education and training programs for adults in the Halton community. The Organization was incorporated under the Corporations Act of Ontario as a non-profit corporation without share capital and is exempt from income taxes.

2. Accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations. The significant accounting policies of the Organization are as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates.

Cash

Cash consists of cash on deposit with the Organization's bankers.

Capital assets

Purchased capital assets are recorded at cost. Amortization is recorded at the following annual rates over the estimated useful lives of the related assets:

Leasehold improvements	10 years straight line
Equipment and furniture	5 years straight line
Computer hardware	3 years straight line

Contributed capital assets and matching deferred contributions are recorded at fair market values at the date of the donation. Amortization on donated equipment and the related deferred contribution is recorded using the straight-line method over 5 years, the estimated useful life of the equipment.

Revenue recognition

Proceeds from project grants specifically intended for future periods are initially deferred and taken into revenue as expenses are incurred.

Fees are recognized as revenue in the period to which they relate.

Rent revenue is recognized when the services are provided to tenants, and collection is reasonably assured. When rental payments are received in advance of contracted services, the Organization records this as deferred revenue.

Fast Track - Community Centre for Skills, Development and Training

Notes to the financial statements

August 31, 2017

2. Accounting policies (continued)

Financial instruments

Under PS 3450, all financial instruments, including derivatives, are included on the balance sheet and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Organization's accounting policy choices. All financial instruments reported on the balance sheet of the Organization are classified as follows:

Financial instrument	Classification
Cash	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to Halton District School Board	Amortized cost

Financial instruments measured at fair value are initially recognized at cost and subsequently carried at fair value. Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Financial instruments measured at amortized cost are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect for recovery. Financial assets are then written down to net recoverable value with the write down being recognized in the Statement of revenue and expenses and net assets.

3. Capital assets

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Leasehold improvements	1,305,423	862,086	443,337
Equipment and furniture	907,668	907,668	-
Computer hardware	543,571	543,571	-
	2,756,662	2,313,325	443,337

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Leasehold improvements	933,542	803,447	130,095
Equipment and furniture	907,668	907,668	-
Computer hardware	543,571	534,369	9,202
	2,384,781	2,245,484	139,297

Fast Track - Community Centre for Skills, Development and Training

Notes to the financial statements

August 31, 2017

4. Changes in non-cash operating working capital items

	2017	2016
	\$	\$
Accounts receivable	(422,569)	(566,586)
Prepaid expenses	107,734	(163,939)
Accounts payable and accrued liabilities	(111,321)	89,601
Due to Halton District School Board	(54,669)	42,332
Deferred revenue	115,422	81,118
	(365,403)	(517,474)

5. Related party transactions

Amounts due to Halton District School Board ("HDSB") of \$24,893 (2016 - \$79,562) are for operating purposes. Also owing is \$500,000 (2016 - \$550,000) for capital purposes.

In addition, the following transactions occurred during the year between the Organization and Halton District School Board:

	2017	2016
	\$	\$
Rent revenue	23,792	19,200
General revenue	11,678	11,988

Anticipated annual principal repayments over the next five years for the loan from HDSB are as follows:

	\$
2018	50,000
2019	50,000
2020	50,000
2021	50,000
2022	50,000

6. Government grants

The Organization participated in several educational programs funded by the federal government through Citizenship and Immigration Canada and the Ontario government during the year. Approximately 86% (2016 - 88%) of its revenues were from these grants.

Fast Track - Community Centre for Skills, Development and Training

Notes to the financial statements

August 31, 2017

7. Commitments

The Organization has the following annual operating lease commitments with respect to premises and telephones:

	\$
2018	1,170,604
2019	1,124,832
2020	932,703
2021	887,792
2022	705,799
	<hr/> 4,821,730 <hr/>

Minimum rental revenue commitments on operating leases with respect to premises:

	\$
2018	128,020
2019	130,147
2020	132,275
2021	134,403
2022	113,480
	<hr/> 638,325 <hr/>

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