



Halton District School Board

AUDIT COMMITTEE

Virtual Meeting meet.google.com/oim-jtmc-etb (use calendar invite link or type into browser)

Tuesday, November 10, 2020

Public Session: 3 p.m.

PUBLIC SESSION AGENDA

1.0 – Opening

- 1.1 Welcome and Call to Order
- 1.2 Acknowledgement of Traditional Lands
- 1.3 Declarations of Possible Conflict of Interest
- 1.4 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 29, 2020 *pages 2-6*
- 2.2 Approval of Business Transacted in Private Session (Chair)
- 2.3 Action Items
 - 2.3.1 Procurement Audit Terms of Reference (J. Baker) *pages 7-9*
 - 2.3.2 2019/2020 Financial Statements and Accumulated Surplus Balances (R. Negoj) *pages 10-38*
 - 2.3.3 Report to the Audit Committee on the 2019/2020 audit (Deloitte) *pages 39-59*
 - 2.3.4 Audit Committee Approval of the 2019/2020 Financial Statements *page 60*

3.0 – Communication to the Audit Committee

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- 3.1 For Information
 - 3.1.1 Supplemental Reporting
 - Annual Statement of Education Development Charges (EDC) Report (R. Negoj) *pages 61-64*
 - Summary of Trustee Expenses Report as of 2019/2020 (R. Negoj) *pages 65-68*
 - 3.1.2 Timelines for Financial Reporting Presentation to Board (R. Negoj) *pages 69-70*
 - 3.1.3 Interim Financial Report to Board October 21, 2020 (R. Negoj) *pages 71-78*
 - 3.1.4 Halton Student Transportation Services 2019/2020 Financial Statements *pages 79-92*

4.0 – Other Business

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5.0 – Adjournment

- 5.1 Motion to Adjourn

Date of Next Meeting – *suggested Tuesday, February 9, 2021*

This publication is available in accessible formats upon request

**Halton District School Board
Audit Committee Public Session Meeting Minutes
Tuesday, September 29, 2020**

Attendance:

Trustee Members: J. Gray, A. Collard, L. Reynolds

Trustee Guests: T. El Harrison

Public Representative: D. McKerrall, S. Malik

Staff: S. Miller, R. Negoj, J. Sweetman, H. Camastro, C. Salemi, K. Samarin

Regional Internal Audit Team: J. Baker

External Auditor: D. Tonin, L. Cheung

Regrets:

Agenda Item 1.0

1.1 Call to Order

- The Chair called the meeting to order at 3:45 p.m.

1.2 Acknowledgement of Traditional Lands

- On behalf the Board, acknowledgement and thanks was given to the Mississaugas of the Credit First Nation for sharing their traditional territory.

1.3 Declarations of Possible Conflict of Interest/Annual Conflict of Interest Declaration Form

- No conflicts of interest were declared.
- All forms received

1.4 Approval of the Agenda

Motion: A. Collard / L. Reynolds

Be it resolved that the Agenda for the Public session of the Audit Committee Meeting for September 29, 2020 be approved as distributed.

Carried Unanimously.

Agenda Item 2.0

2.1 Minutes of the Audit Committee Meetings

2.1.1 Audit Committee Meeting, April 28, 2020

Motion: L. Reynolds / A. Collard

Be it resolved that the minutes from the Public Session Audit Committee Meeting held on April 28, 2020 be approved as distributed. **Carried**

Unanimously.

2.2 Audit Committee Elections

2.2.1 Election of Audit Committee Chair for 2020/2021 Per Regulation 361/10, Section 6(1)

- Elections to be done electronically via Google Form
- Results are anonymous and link sent to each member for voting
- Two nominations for Chair received: Trustee Amy Collard and Trustee Leah Reynolds

Motion: D. McKerrall / S. Malik

Be it resolved that Trustee Leah Reynolds be appointed as Chair of the Audit Committee for the 2020/2021 fiscal year. **Carried Unanimously.**

2.2.2 Election of Audit Committee Vice-Chair for 2020/2021

Motion: D. McKerrall / L. Reynolds

Be it resolved that Trustee Amy Collard be appointed as Vice-Chair of the Audit Committee for the 2020/2021 fiscal year. **Carried Unanimously.**

Motion: D. McKerrall / S. Malik

Be it resolved that the online ballots from the election of Chair for the Audit Committee for the 2020/2021 fiscal year be destroyed. **Carried Unanimously.**

- Confirmation received that electronic ballots have been destroyed

2.3 Approval of Business Transacted in Private Session

Motion: D. McKerrall / S. Malik

Be it resolved that the business ratified in the Private Session of the Audit Committee Meeting held on September 29, 2020, in respect of the Indirect Tax Audit Report, the Regional Internal Audit Status Report, the Privacy and Information Management Audit Report, the Board Partnerships and Sponsorships Follow-up Report and the Audit Committee Annual Report 201-2020, be approved and the reports to be included in the summary to the Board of Trustees. **Carried Unanimously.**

2.4 Action Items:

2.4.1 Regional Internal Audit Team Mandate

- The Regional Internal Auditor presented the Regional Internal Audit Team mandate
- Nothing has changed from previous years but there is a requirement to review when there is a change in the Chair of the Audit Committee.

Motion: D. McKerrall / S. Malik

Be it resolved that the Audit Committee approve the Regional Internal Audit Mandate. **Carried Unanimously.**

2.4.2 Regional Internal Audit Status Report

- The Regional Internal Auditor presented the report

Motion: S. Malik / J. Gray

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

2.4.3 Audit Committee Annual Report to the Board and Ministry

- Trustee J. Gray presented the report

Motion: J. Gray / A. Collard

Be it resolved that the Audit Committee approve the 2019-2020 Annual Report to the Board of Trustees and the 2019-2020 Annual Report to the Ministry and forward the reports to the Board of Trustees for acceptance. **Carried Unanimously.**

2.4.4 Specified Procedures Report – 7 Month Report

- The Superintendent of Business Services presented the report.

Motion: S. Malik / D. McKerrall

Be it resolved that the Audit Committee receive for information, the Specified Procedures Report – 7 Month Report. **Carried Unanimously.**

Agenda Item 3.0

3.1 Information Items

3.1.1 Timelines for Financial Reporting Presentation to Board

- The Superintendent of Business Services presented the timelines for financial reporting to Board for information.
- Normally Revised Estimates reported to the Ministry at the beginning of December but there is talk of possible extension Due to the significant increase of costs due to the pandemic, projection of costs being done for every month except for December. Links for these reports will be added as each report is prepared for the Board
- Request for summary of key issues identified in the monthly projection of costs to be provided to the Audit Committee

3.1.2 Reopening Schools – Funding Updates

- The Superintendent of Business Services provided funding updates in regards to reopening of schools.

- Does not have any impact on 2019-2020 financials.
- Savings from schools being shut down in March were used to purchase PPE for schools' reopening.
- There is a \$5m Covid contingency that has been established.
- School Boards were allowed to submit a deficit budget of up to 1% (\$7.2 Million for HDSB).
- With uncertainty, HDSB still submitted a compliant budget
- Possible additional \$6.5 million funding to come in December but currently this is tied up at the Federal table.
- There is concern about the long-term impact of depleting reserves and difficult to determine how long the Board will have before reserves run out.
- Will be using 2% of reserves but possible we will go over that 2% but difficult to predict with all the uncertainties.
- The long-term solution to HDSB's financial situation will not be an increase use of reserves.
- Need to see October 31st enrolment numbers to see if we have lost students in order to assess impact on revenue.
- Always a risk to the Board regarding Covid should it occur in one of our buildings. Following guidance of Public Health in terms of how we run our classes and the cleaning protocols.

Agenda Item 4.0

4.1.1 Impact of COVID-19 on Board Operations

- Covid Committee meeting daily to address issues and operational challenges
- Need to follow Public Health recommendations and guidelines but these change frequently. Need to ensure up to date information communicated to families and staff.
- Significant challenges being realized in ordering and receiving PPE. Delays on orders, receiving of partial orders as well as placing emergency orders outside of what Ministry is providing in order to meet shortfalls.
- Working with Ministry to have a better process to ensure all Boards receive the equipment they need to stay open.
- Continue to make vendor payments electronically with compensating controls in place. This has been working well and allows us to quickly pivot if we need to move back to work from home model.
- Learning model also developed with the preparedness to pivot back to a distance learning model.
- Concerns raised that Covid may result in careers in Education being viewed differently and impact on attracting candidates.
- The efforts of all teachers and staff were acknowledged by Committee Members.

4.1.2 Update on Strategic Enterprise Risk Management Initiative (SERM)

- Hired a consultant to help us engage in this process.
- Completed the interviews and a couple of workshops but process has been influenced by current environment
- Presenting draft risk appetite and draft Risk Management Policy to Board of Trustees Committee of the Whole on November 11.
- An invite to the External Members on the Audit Committee will be sent to the Committee of the Whole meeting so they can be part of the presentation
- Focus will be to work on confirmed top threats throughout the year. List to be reviewed each year and will change as we navigate within this current environment

4.1.3 Audit Committee Governance Policy and Governance Procedure (formerly Terms of Reference)

- Policy recently adopted after being vetted through Legal and approved by the Board of Trustees.
- 4-year review cycle
- Included as reference in first Audit Committee meeting of new year

Agenda Item 5.0

5.1 Adjournment

Date of Next Meeting – Tuesday November 10th



**INTERNAL
AUDIT TEAM**
West of Central Region

MEMO

TO: David Bennett, Manager of Purchasing
Heather Camastro, Manager of Accounting
Roxana Negoj, Superintendent of Business Services and Treasurer

C.C.: Stuart Miller, Director of Education
Audit Committee

FROM: Jenny Baker, Regional Internal Audit Manager

DATE: 30 October 2020

SUBJECT: Halton District School Board (HDSB) Procurement Audit Terms of Reference

Please find below the Terms of Reference for the Procurement audit, scheduled to begin in December, 2020. The internal audit plan approved on April 28, 2020 for the 2020-21 year included this audit.

BACKGROUND

The Purchasing Department is responsible for the procurement of all goods and services on behalf of the Halton District School Board (HDSB) and ensuring adherence to the Board's purchasing policy. The department believes in acquiring goods and services through an open, fair and transparent process with consideration for quality, cost effectiveness, and timeliness of delivery. The Accounts Payable Department is responsible for processing all invoices, ensuring they are properly approved, and paid in a timely manner.

HDSB converted from the Budgetary Administrative Suite (BAS2000) Financial system to the Sparkrock Financial system in February 2019. Sparkrock uses Microsoft's Dynamic Platform and customizes it according to school board requirements.

KEY CONTACTS

Name	Title	Phone	E-mail
Dave Bennett	Manager of Purchasing	(905) 335-3665 ext. 3226	bennettdav@hdsb.ca
Heather Camastro	Manager of Accounting	(905)335-3655 ext.3237	camastroh@hdsb.ca
Roxana Negoj	Superintendent of Business Services and Treasurer	(905) 335-3665, ext. 2217	negoir@hdsb.ca
Jenny Baker	Regional Internal Audit Manager	(519)570-0003 ext. 4683	jenny_baker@wrdsb.ca

AUDIT OBJECTIVE

The primary objective of the audit will be to assess whether HDSB has developed procurement policies and administrative procedures which determine how the requirements of the Broader Public Sector Procurement Directive (effective April 2011), and the Broader Public Sector Interim Measures (effective March 18, 2019) have been put into operation. This includes assessing whether the Board acquires goods and services through an open, fair and transparent process with consideration for quality, cost effectiveness, and timeliness of delivery. The Interim Measures are a set of rules designed to support consistency in procurement-related decisions and collection of data during the transition to a centralized procurement system that addresses Ontario Public Sector (OPS) and BPS procurement needs.

A second objective will be to assess the business process flow and data integrity of the data stored in the vendor master file and the purchase order and payment information in Sparkrock to assess the strength of internal control and ensure the risk of fraud associated with procurement and accounts payable, facility procurement and data management is minimized.

AUDIT APPROACH AND SCOPE

The stated objective will be accomplished by using a series of analytic routines defined to assess the data in the vendor master file and the purchase order and payments files in Sparkrock for the period February 1, 2019 to October 30, 2020. We will use an audit analytic tool to generate both random and focussed testing samples. Using such a tool offers the opportunity to compare every transaction processed against a defined set of parameters and identify items that exhibit anomalies for subsequent investigation.

From an internal audit perspective, this approach allows a risk based and comprehensive assessment of data integrity on a system wide basis. From a management perspective assurance can be gained that controls are operating as designed and transactions are processed as expected.

The audit will include reviewing roles and responsibilities of staff involved in the procurement and accounts payable processes to ensure adequate segregation of duties is in place to mitigate the risk of erroneous and/or unauthorized purchases. Testing will include but may not be limited to;

- Ensuring policies and procedures to support the procurement and accounts payable processes are developed, are complete, and communicated to all relevant employees;
- Reviewing a sample of procurement contracts to:
 - Ensuring compliance with the requirements of the Broader Public Sector Procurement Directives and the Board's 'Procurement Administrative Procedure';
 - Evaluating the process for tendering, executing and managing vendor contracts;
 - Ensuring appropriate approval processes are in place;
 - Assessing the accuracy and timeliness of payments to vendors; and

- Determining whether all procurement documentation is maintained in accordance with BPS Procurement requirements.

A planning meeting was held on October 29, 2020 with representatives from the Finance and Purchasing departments to discuss scope and timelines for the audit.

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: December 1, 2020

Estimated completion date: April 1, 2021

If you have any questions about this audit, please do not hesitate to contact me at 519.570.0003 ext 4683 .

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

Halton District School Board

Report Number: **TBD**

Date: November 10, 2020

FOR INFORMATION

TO: The Chair and Members of the Halton District School Board
FROM: Roxana Negoï, Superintendent of Business Services and Treasurer
Stuart Miller, Director of Education
RE: **2019/2020 Financial Statements and Accumulated Surplus Balances**

Recommendation:

Be it resolved that the Halton District School Board authorize the 2019/2020 Year-end Surplus of \$13,623,543 to be transferred to the Accumulated Surplus category for Non Designated Surplus.

Be it resolved that Halton District School Board authorize reallocation of Accumulated Surplus of \$15,310,217 to be transferred to the Accumulated Surplus category for Non Designated Surplus, from the various Accumulated Surplus categories as outlined in Appendix A.

Be it resolved that the Halton District School Board approve the audited financial statements for the fiscal year ended August 31, 2020.

Rationale:

Each year, the treasurer of the board is required (under 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 outlined under the Financial Administration Act, and in accordance with public sector accounting standards 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, 2020 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

Halton District School Board

annual audited financial statements”. The Board’s Audit Committee met on November 10, 2020 and recommended that the audited financial statements of the Halton District School Board for the fiscal year ended August 31, 2020 be approved by the Board of Trustees.

2019/2020 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 2019/2020 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 \$13.6 million representing 1.8% of the approved budget. This is mainly as a result of enrolment increases and the shut down resulting from the COVID-19 pandemic. The Financial Statements are provided in Appendix B.

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 2018/2019 to 2019/2020. The recommended transfers to the Non Designated Surplus of \$28.9 million (or 4% of the provincial allocation) is to set aside funding to address ongoing COVID-19 pressures for 2020/2021 and beyond. After considering this transfer, there will be \$4.9 million in the Student Achievement surplus category, \$4.0 million in the Close the Gap category and \$25.4 million in the Administrative Facility.

Respectfully submitted,

Roxana Negoï

Superintendent of Business Services and Treasurer

Stuart Miller

Director of Education

Halton District School Board
Summary of Accumulated Surplus
(Per Note 12 to the Consolidated Financial Statements)
Year Ended August 31, 2020

	2019/2020	Increase	Decrease	Transfers	2018/2019
Non-designated Surplus	28,933,760	13,623,543	-	15,310,217	-
Amounts Internally Restricted For Future Use By The Board					
Retirement Gratuities	1,133,000	-	(1,133,000)	(83,211)	2,349,211
Fast Track Centre for Skills Development & Training	-	-	(1,473,573)	-	1,473,573
Operating:					
Decentralized School Budgets	4,464,018	4,464,018	(766,768)	-	766,768
Year end roll forward-other	-	-	-	(204,178)	204,178
Student Achievement	4,911,302	-	(1,928,176)	(1,964,289)	8,803,767
CPP Outdoor Learning Spaces	-	-	(110,026)	(131,822)	241,848
Technology	823,246	-	(774,994)	(1,030,736)	2,628,976
Other	-	-	-	(105,589)	105,589
	<u>10,198,566</u>	<u>4,464,018</u>	<u>(3,579,964)</u>	<u>(3,436,614)</u>	<u>12,751,126</u>
Accommodation:					
Closing the Gap	4,000,000	-	(1,890)	(2,876,075)	6,877,965
Facility Weather Conditions	-	-	-	(3,046,418)	3,046,418
Vandalism	-	-	-	(500,000)	500,000
Temporary Accommodation (Portables)	-	-	-	(4,115,668)	4,115,668
Capital Projects - Non-Ministry Funded	-	-	-	(1,125,002)	1,125,002
Administrative Facility	25,384,263	-	-	-	25,384,263
Other	-	-	-	(127,229)	127,229
	<u>29,384,263</u>	<u>-</u>	<u>(1,890)</u>	<u>(11,790,392)</u>	<u>41,176,545</u>
Committed Capital Projects and Sinking Fund Interest	7,304,993	331,429	(557,715)	-	7,531,279
Total Internally Restricted For Future Use By The Board	48,020,822	4,795,447	(6,746,142)	(15,310,217)	65,281,734
Amounts To Be Recovered					
Employee Future Benefits	(545,356)	4,387,614	-	-	(4,932,970)
Interest to be Accrued	(3,090,210)	182,507	-	-	(3,272,717)
	<u>(3,635,566)</u>	<u>4,570,121</u>	<u>-</u>	<u>-</u>	<u>(8,205,687)</u>
Revenues Recognized for Land					
Land & Pre-Acquisition Land Costs	228,873,727	7,390,673	-	-	221,483,054
Educational Development Charges Outstanding	(25,372,589)	13,549,824	(7,353,307)	-	(31,569,106)
	<u>203,501,138</u>	<u>20,940,497</u>	<u>(7,353,307)</u>	<u>-</u>	<u>189,913,948</u>
School Generated Funds	5,301,650	-	(535,972)	-	5,837,622
Total Accumulated Surplus Balance, end of year	282,121,804	43,929,608	(14,635,421)	-	252,827,617

Consolidated financial statements of Halton District School Board

August 31, 2020

DRAFT

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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

[DATE]

Independent Auditor's Report

To the Trustees of the
Halton District School Board

Opinion

We have audited the consolidated financial statements of Halton District School Board (the "Board"), which comprise the consolidated statement of financial position as at August 31, 2020, and the consolidated statements of operations, cash flows and change in net debt for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements of the Board for the year ended August 31, 2020 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 of 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 the Canadian public sector accounting standards. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the 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.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Board to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants
Licensed Public Accountants
DATE

Halton District School Board
Consolidated statement of financial position
As at August 31, 2020

	Notes	2020 \$	2019 \$
Financial assets			
Cash and cash equivalents		70,238,482	63,380,525
Accounts receivable	2	111,228,349	37,933,846
Accounts receivable – Government of Ontario	3	307,484,518	299,574,872
		488,951,349	400,889,243
Liabilities			
Accounts payable and accrued liabilities	5	162,381,734	79,055,128
Net long-term liabilities	6	238,438,931	251,171,607
Deferred revenue	8	19,446,866	25,206,491
Employee future benefits payable	10	26,371,163	25,480,652
Deferred capital contributions	9	616,255,260	585,920,862
		1,062,893,954	966,834,740
Net debt		(573,942,605)	(565,945,497)
Non-financial assets			
Prepaid expenses		3,630,825	3,838,316
Tangible capital assets	11	852,433,584	814,934,798
		856,064,409	818,773,114
Contractual obligations and contingent liabilities	15		
Accumulated surplus	12	282,121,804	252,827,617

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

Approved by the Board

_____, Director of Education

_____, Chair of the Board

Halton District School Board
Consolidated statement of operations
Year ended August 31, 2020

	Notes	Budget \$	2020 Actual \$	2019 Actual \$
Revenue				
Provincial grants –				
Grants for Student Needs		696,211,092	693,121,596	698,882,905
Provincial grants – other		766,583	3,673,459	9,372,806
Investment income		1,700,000	1,776,391	2,298,299
Federal grants		420,000	512,536	4,061,176
School fundraising and other revenues		19,000,000	11,082,036	20,187,393
Deferred capital contributions – grants recognized	9	28,645,245	31,135,549	29,807,211
Other fees and revenues		21,750,697	25,753,037	30,671,960
		768,493,617	767,054,604	795,281,750
Expenses				
Instruction		593,696,399	580,103,077	608,003,421
Administration		17,044,774	16,468,447	17,855,416
Transportation		18,135,469	17,314,707	17,344,168
Pupil accommodation		105,444,168	104,369,645	106,751,948
Other		1,635,835	6,412,960	6,616,836
School funded activities		19,000,000	11,618,008	20,098,426
Loss on disposition of Fast Track Centre for Skills, Development & Training	1 13	–	1,473,573	–
		754,956,645	737,760,417	776,670,215
Annual surplus		13,536,972	29,294,187	18,611,535
Accumulated surplus, beginning of year		247,656,111	252,827,617	234,216,082
Accumulated surplus, end of year	12	261,193,083	282,121,804	252,827,617

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

Halton District School Board
Consolidated statement of cash flows
Year ended August 31, 2020

	Notes	2020 \$	2019 \$
Operating transactions			
Annual surplus		29,294,187	18,611,535
Non-cash items			
Amortization and write downs	11	31,693,263	30,364,961
Deferred capital contributions – grants recognized	9	(31,135,549)	(29,807,211)
Gain on sale of tangible capital assets			(1,879,644)
Loss on disposition of Fast Track Centre for Skills, Development & Training	1	1,473,573	—
Cash balance from disposition of Fast Track Centre for Skills, Development and Training	1	(3,125,663)	—
Net change in non-cash working capital balances			
Accounts receivable		(73,493,168)	688,864
Accounts receivable – Government of Ontario		(17,053,826)	(28,775,227)
Accounts payable and accrued liabilities		83,898,472	3,309,884
Deferred revenue – operating		303,565	(214,294)
Employee future benefits payable		890,511	(318,589)
Prepaid expenses		75,435	(3,053,019)
		22,820,800	(11,072,740)
Capital transactions			
Proceeds on sale of tangible capital assets		—	2,005,376
Acquisition of tangible capital assets	11	(69,551,101)	(59,413,371)
		(69,551,101)	(57,407,995)
Financing transactions			
Principal repayments on long-term liabilities	7	(12,732,676)	(12,156,749)
Additions to deferred capital contributions	9	61,828,999	45,319,815
Decrease in deferred revenues – capital		(4,652,245)	(2,870,461)
Decrease in accounts receivable – Government of Ontario		9,144,180	13,374,467
		53,588,258	43,667,072
Increase (decrease) in cash and cash equivalents		6,857,957	(24,813,663)
Cash and cash equivalents, beginning of year		63,380,525	88,194,188
Cash and cash equivalents, end of year		70,238,482	63,380,525

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

Halton District School Board
Consolidated statement of change in net debt
Year ended August 31, 2020

	Notes	2020 \$	2019 \$
Annual surplus		29,294,187	18,611,535
Tangible capital asset activities			
Acquisition of tangible capital assets	11	(69,551,101)	(59,413,371)
Net book value of tangible capital asset disposals		—	125,732
Amortization of tangible capital assets	11	31,693,263	30,136,085
Write-downs of tangible capital assets		—	228,876
Write-off of tangible capital assets on disposition of Fast Track Centre for Skills, Development and Training	1	359,052	—
		(37,498,786)	(28,922,678)
Other non-financial asset activities			
Acquisition of prepaid expenses		(3,737,273)	(4,411,830)
Use of prepaids		3,812,708	1,358,811
Write-off of prepaid expenses on disposition of Fast Track Centre for Skills, Development and Training	1	132,056	—
		207,491	(3,053,019)
Increase in net debt		(7,997,108)	(13,364,162)
Net debt, beginning of year		(565,945,497)	(552,581,335)
Net debt, end of year		(573,942,605)	(565,945,497)

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

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:

- Halton Student Transportation Services ("HSTS"); and
- 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.

1. Significant accounting policies (continued)

Reporting Entity (continued)

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

In previous years, the consolidated financial statements of the Board included the accounts and balances of Fast Track Centre for Skills, Development and Training (the "Centre"). Effective September 1, 2019, The Centre is no longer part of the Board's reporting entity. Prior to this date the Board and The Centre were considered to be related parties by virtue of common control, as the Board had the ability to unilaterally appoint or remove a majority of the members of The Centre's Board of Directors. Subsequent to September 1, 2019, the Board and The Centre have effectively severed their related party relationship, through the resignation of Board personnel from The Centre's Board of Directors, and the transfer, modification, or termination of other financial and employment arrangements between the two parties. As such, the consolidated financial statements no longer reflect the activities or balances of The Centre.

In accordance with Canadian public sector accounting standard PS3430 - Restructuring Transactions, a one time loss on the disposition of The Centre has been recorded in the statement of operations in the amount of \$1,473,573, to reflect the removal of the balances previously recorded in the consolidated statement of financial position relating to The Centre, as follows:

	As at August 31, 2019 \$
The Centre	
Financial assets	
Cash and cash equivalents	3,125,663
Accounts receivable	<u>198,665</u>
	<u>3,324,328</u>
Liabilities	
Accounts payable and accrued liabilities	571,866
Deferred revenue	1,410,945
Deferred capital contributions	<u>359,052</u>
	<u>2,341,863</u>
Net debt	<u>982,465</u>
Non financial assets	
Prepaid expenses	132,056
Tangible capital assets	<u>359,052</u>
	<u>491,108</u>
Accumulated surplus	<u>1,473,573</u>

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.

1. Significant accounting policies (continued)

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
Other buildings	20
Portable structures	20
Equipment	5-15
First-time equipping of schools	10
Furniture	10
Computer hardware	5
Computer software	5
Leasehold improvements – buildings	5

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.

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.

1. Significant accounting policies (continued)

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, a number of Employee Life and Health Trusts (ELHTs) were established. 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.

The Board's employees belong to the following ELHTs: 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 (EWAO), Canadian Union of Public Employees (CUPE), Education Council of Associations for Benefits (ECAB), and ONE-T for non-unionized employees including Principals and Vice-Principals.

The Board is no longer responsible to provide these benefits to ETFO, OSSTF, OCTU (under OSSTF-EW), PSSP (under OSSTF-EW), DECE (under ETFO-EW), CUPE, HDEAA (under EWAO), Principals and Vice-Principals and non-unionized employees.

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. School boards are required to remit the negotiated amount per full-time equivalency (FTE) on a monthly basis.

The Board continues to provide health and dental benefits for retired individuals in certain employee groups and continues to have a liability for payment of benefits for individuals who are retired under these plans.

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

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.

1. Significant accounting policies (continued)

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.

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. 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 on the consolidated statement of operations.

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 – Municipalities

Due to the response to COVID-19, the Province of Ontario extended the deadlines for municipalities to pay Education Property Tax (EPT) amounts to the Board. This amount for the Board was \$68,143,243 and has been included in accounts receivable on the consolidated statement of financial position. This amount will be recovered fully by the Board in the following school year.

3. Accounts receivable – Government of Ontario

Capital grants

The Government of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. The Board was granted 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. As at August 31, 2020, the Board has a receivable balance of \$261,655,465 (\$270,799,645 in 2019) with respect to this capital grant, which has been included on the consolidated statement of financial position as part of Accounts receivable – Government of Ontario.

3. Accounts receivable – Government of Ontario (continued)

Operating grants

Effective September 1, 2018, the Ministry of Education (the “Ministry”) introduced a new cash management strategy. As part of the strategy, the Ministry delays the flow of part of the annual operating grant payment to school boards if the school board’s adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments receivable by the Board from the Ministry as at August 31, 2020 is \$45,829,053 (\$28,775,227 in 2019) and has been included on the consolidated statement of financial position as part of Accounts receivable – Government of Ontario.

4. Temporary borrowing

The Board’s banking resolutions allow aggregate borrowings to the maximum of \$115 million. The Board has credit facilities available to the maximum of \$100 million with a Canadian chartered bank to address operating requirements, bridge capital expenditures and education development charges outstanding. As at August 31, 2020, the amount drawn was nil (nil in 2019).

5. Accounts payable – Government of Ontario

Due to the response to COVID-19, the Province of Ontario extended the deadlines for municipalities to pay Education Property Tax (EPT) amounts to the Board. To mitigate the financial impact of this deferral, the Province adjusted its cash flow through the School Board Operating Grant in July 2020 to pay an additional amount equal to about 25% of the annual education property tax amount as forecasted by the Board in the 2019-20 Revised Estimates. This amount for the Board was \$68,143,243 and has been included in accounts payable and accrued liabilities on the consolidated statement of financial position. This amount will be recovered by the Province of Ontario in 2021.

6. 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:

	2020 \$	2019 \$
Debentures		
OSBFC, Series 2003-A2, 5.800%, maturing November 2028	14,256,984	15,523,050
OSBFC, Series 2004-A1, 5.483%, maturing November 2029	21,951,623	23,672,287
OSBFC, Series 2005-A1, 4.789%, maturing August 2030	6,549,382	7,049,592
OFA, Bylaw 06090, 4.560%, maturing November 2031	12,114,926	12,900,924
OFA, Bylaw 08012, 4.900%, maturing March 2033	25,457,954	26,860,290
OFA, Bylaw 09037, 5.062%, maturing March 2034	853,878	895,691
OFA, Bylaw 09036, 5.062%, maturing March 2034	4,618,634	4,844,802
OFA, Bylaw 09125, 5.384%, maturing May 2034	7,145,683	7,480,612
OFA, Bylaw 10052, 5.232%, maturing May 2035	9,776,543	10,200,889
OFA, Bylaw 10107, 4.947%, maturing May 2035	15,438,738	16,119,662
OFA, Bylaw 11034, 4.833%, maturing March 2035	15,185,727	15,813,131
OFA, Bylaw 11155, 3.970%, maturing November 2036	12,312,055	12,831,935
OFA, Bylaw 12024, 3.564%, maturing March 2037	15,231,740	15,883,582
OFA, Bylaw 13030, 3.799%, maturing March 2038	40,030,122	41,575,159
OFA, Bylaw 13120, 4.037%, maturing October 2028	11,158,645	12,245,281
OFA, Bylaw 14025, 4.003%, maturing March 2039	23,832,433	24,668,122
OFA, Bylaw 15010, 2.993%, maturing March 9, 2040	1,053,044	1,091,497
OFA, Bylaw 16024, 3.242%, maturing March 15, 2041	150,199	155,181
OFA, Bylaw 17020, 3.594%, maturing March 14, 2042	1,320,621	1,359,920
Net long-term liabilities	238,438,931	251,171,607

Of the net long-term liabilities outstanding of \$238,438,931, principal plus interest payable over the next five years and subsequent payments to maturity are as follows:

	Principal \$	Interest \$	Total \$
2020/21	13,336,535	10,701,141	24,037,676
2021/22	13,969,707	10,067,969	24,037,676
2022/23	14,633,648	9,404,028	24,037,676
2023/24	15,329,885	8,707,791	24,037,676
2024/25	16,060,023	7,977,653	24,037,676
Total	73,329,798	46,858,582	120,188,380
Thereafter	165,109,133	39,807,395	204,916,528
Net long-term liabilities	238,438,931	86,665,977	325,104,908

Interest payments on long-term liabilities amounted to \$11,304,999 (\$11,880,927 in 2019) (Note 7).

7. Debt charges and capital loan interest

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

	2020	2019
	\$	\$
Principal payments on long-term liabilities	12,732,676	12,156,749
Interest payments on long term liabilities	11,304,999	11,880,927
Interest payments on temporary financing of capital projects	367,888	361,365
	24,405,563	24,399,041

8. Deferred revenue

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

Deferred revenue set-aside for specific purposes by legislation, regulation or agreement as at August 31, 2020 is comprised of:

	Balance as at August 31, 2019	Disposition of The Centre (Note 1)	Contributions received	Revenue recognized in the period	Transfers to deferred capital contributions	Balance as at August 31, 2020
	\$	\$	\$	\$	\$	\$
Renewable energy-capital	93,245	—	—	—	44,491	48,754
School renewal	8,875,508	—	10,105,764	2,558,642	7,239,261	9,183,369
Special education	1,154,449	—	95,579,822	95,028,984	—	1,705,287
Legislative grants	827,370	—	30,859,680	28,415,980	3,271,070	—
Other provincial grants	451,695	(451,695)	202,446	202,446	—	—
Other Ministry of Education grants	605,476	—	3,419,015	3,630,221	—	394,270
Education development charges	—	—	13,803,278	13,803,278	—	—
Other third party	1,002,410	(959,250)	2,039,232	2,075,299	—	7,093
Proceeds (costs) of disposition	12,196,338	—	(26,183)	—	4,062,062	8,108,093
Total deferred revenue	25,206,491	(1,410,945)	155,983,054	145,714,850	14,616,884	19,446,866

9. 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.

	2020	2019
	\$	\$
Balance, beginning of year	585,920,862	570,408,258
Disposition of The Centre (Note 1)	(359,052)	—
Net additions to deferred capital contributions	61,828,999	45,319,815
Deferred capital contributions – grants recognized	(31,135,549)	(29,807,211)
Balance, end of year	616,255,260	585,920,862

10. Retirement and other employee future benefits

	Retirement gratuities	Post retirement benefits	Workplace safety insurance board	Sick leave top-up benefits	2020 Total employee future benefits	2019 Total employee future benefits
	\$	\$	\$	\$	\$	\$
Accrued employee future benefit obligation	15,082,566	665,157	11,880,043	442,495	28,070,261	27,104,959
Unamortized actuarial (losses)	(1,674,212)	(24,886)	—	—	(1,699,098)	(1,624,307)
Employee future benefits liability	13,408,354	640,271	11,880,043	442,495	26,371,163	25,480,652

The Board has designated reserves for certain of these employee future benefit obligations. The balance of these reserves totaled \$1,216,211 at August 31, 2020 (\$2,349,211 in 2019).

	Retirement gratuities	Post retirement benefits	Workplace safety insurance board	Sick leave top-up benefits	2020 Total employee future benefits	2019 Total employee future benefits
	\$	\$	\$	\$	\$	\$
Recognition of unamortized actuarial losses (gains)	346,685	—	—	(49,752)	296,933	212,157
Current year benefit cost	—	112,314	5,142,413	442,495	5,697,222	4,257,142
Plan amendment	—	—	—	—	—	538,522
Interest on accrued benefit obligation	314,250	11,940	207,416	—	533,606	740,446
Employee future benefits expense	660,935	124,254	5,349,829	392,743	6,527,761	5,748,267

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

10. Retirement and other employee future benefits (continued)

Actuarial assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2020 are based on actuarial valuations completed for accounting purposes as at August 31, 2020. 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:

	2020	2019
	%	%
Inflation		
Retirement gratuities	1.50	1.50
Healthcare cost escalation		
Dental	4.50	3.50
Health	7.25	7.50
Discount on accrued benefit obligation		
Retirement gratuities	1.40	2.00
Post-retirement benefits	1.40	2.00

Ontario Teachers' Pension Plan

Teachers and related employee groups are eligible to be members of Ontario Teachers' 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, 2020, the employee contributions to this plan were \$43,377,059 (\$45,112,404 in 2019).

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, 2020, the Board contributed \$8,868,304 (\$8,655,144 in 2019) 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 of gratuities expensed amounted to \$660,935 (\$730,859 in 2019).

10. 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. Employees retiring on or after December 15, 2020, no longer qualify for board subsidized premiums or contributions.

Other employee future benefits

Workplace 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 4½ 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, 2020, these obligations, as actuarially determined, amounted to \$11,880,043 (\$9,068,949 in 2019) and are included in Employee future benefits payable.

The change in this amount from the previous year has been reflected in the consolidated statement of operations.

Long-term disability salary compensation

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

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, 2020. This actuarial valuation is based on assumptions about future events.

11. Tangible capital assets

	Cost August 31, 2019 \$	Additions and betterments \$	Disposals, including disposition of The Centre \$	To/from construction in progress \$	Cost August 31, 2020 \$	
HDSB						
Land	221,172,453	7,234,847	—	—	228,407,300	
Land improvements	43,549,476	3,579,515	—	—	47,128,991	
Buildings (40 yrs)	805,702,916	40,045,605	—	25,463,197	871,211,718	
Other buildings	112,268	—	—	—	112,268	
Portable structures	7,219,093	—	—	—	7,219,093	
Construction in progress	25,463,197	14,701,875	—	(22,941,023)	17,224,049	
Pre-acquisition costs - land	310,601	155,826	—	—	466,427	
Pre-acquisitions costs - buildings	3,118,025	139,730	—	(2,522,174)	735,581	
Equipment (5 years)	449,262	77,410	(121,131)	—	405,541	
Equipment (10 years)	4,394,365	146,315	(716,755)	—	3,823,925	
Equipment (15 years)	1,897,221	131,869	—	—	2,029,090	
First time equipping	15,769,181	918,574	(3,972,164)	—	12,715,591	
Furniture	901,962	26,511	(168,290)	—	760,183	
Computer hardware	10,072,769	2,061,595	(4,975,518)	—	7,158,846	
Computer software	1,531,935	—	(820,174)	—	711,761	
Leasehold improvements - buildings	—	331,429	—	—	331,429	
	1,141,664,724	69,551,101	(10,774,032)	—	1,200,441,793	
The Centre						
Computers	19,597	—	(19,597)	—	—	
Leasehold improvements	394,912	—	(394,912)	—	—	
	414,509	—	(414,509)	—	—	
	Accumulated amortization Balance at August 31, 2019 \$	Amortization \$	Disposals, including disposition of The Centre \$	Accumulated amortization Balance at August 31, 2020 \$	Net book value 2020 \$	Net book value 2019 \$
HDSB						
Land	—	—	—	—	228,407,300	221,172,453
Land improvements	17,965,260	3,060,662	—	21,025,922	26,103,069	25,584,216
Buildings (40 yrs)	281,216,911	24,747,314	—	305,964,225	565,247,493	524,486,005
Other buildings	30,872	5,614	—	36,486	75,782	81,396
Portable structures	5,349,497	369,408	—	5,718,905	1,500,188	1,869,596
Construction in progress	—	—	—	—	17,224,049	25,463,197
Pre-acquisition costs - land	—	—	—	—	466,427	310,601
Pre-acquisitions costs - buildings	—	—	—	—	735,581	3,118,025
Equipment (5 years)	216,456	78,820	(121,131)	174,145	231,396	232,806
Equipment (10 years)	2,495,504	392,287	(716,755)	2,171,036	1,652,889	1,898,861
Equipment (15 years)	469,945	122,154	—	592,099	1,436,991	1,427,276
First time equipping	10,734,635	1,310,310	(3,972,164)	8,072,781	4,642,810	5,034,546
Furniture	401,652	79,910	(168,290)	313,272	446,911	500,310
Computer hardware	6,911,845	1,353,749	(4,975,518)	3,290,076	3,868,770	3,160,924
Computer software	1,296,401	173,035	(820,174)	649,262	62,499	235,534
Leasehold improvements - buildings	—	—	—	—	331,429	—
	327,088,978	31,693,263	(10,774,032)	348,008,209	852,433,584	814,575,746
The Centre						
Computers	7,028	—	(7,028)	—	—	12,569
Leasehold improvements	48,429	—	(48,429)	—	—	346,483
	55,457	—	(55,457)	—	—	359,052

11. Tangible capital assets (continued)

(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 \$18,426,057 (\$28,891,823 in 2019) and leasehold improvements – building for a total value of \$331,429 (\$nil in 2019) have not been amortized. Amortization of these assets will commence when the asset is put into service.

12. Accumulated surplus

Accumulated surplus consists of the following

	2020 \$	2019 \$
Non-designated surplus	28,933,760	—
Amounts internally restricted for future use of the Board		
Retirement gratuities	1,133,000	2,349,211
Fast Track Centre for skills, development and training	—	1,473,573
Other operating	10,198,566	12,751,126
Accommodation	29,384,263	41,176,545
Committed capital projects and sinking fund interest	7,304,993	7,531,279
	48,020,822	65,281,734
Unavailable for compliance		
Employee future benefits	(545,356)	(4,932,970)
Interest accrual	(3,090,210)	(3,272,717)
	(3,635,566)	(8,205,687)
Revenue recognized for land		
Land (Note 11)	228,407,300	221,172,453
Pre-acquisition costs land (Note 11)	466,427	310,601
Education development charges outstanding (i)	(25,372,589)	(31,569,106)
	203,501,138	189,913,948
School generated funds	5,301,650	5,837,622
Total accumulated surplus	282,121,804	252,827,617

- (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 \$230,007 (\$496,882 in 2019).

13. Expenses by object

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

	Budget	2020	2019
	\$	Actual	Actual
	\$	\$	\$
Salary and wages	514,550,523	507,158,886	515,781,190
Employee benefits	87,486,461	87,460,107	89,126,700
Staff development	3,607,568	4,145,171	7,084,903
Supplies and services	66,808,336	48,580,451	64,681,376
Interest charges on capital	12,151,513	11,720,387	12,586,514
Rental expenses	124,300	116,642	169,113
Fees and contract services	38,946,625	38,592,895	38,800,271
Other	2,077,541	6,819,042	18,075,187
Amortization and write-downs of tangible capital assets	29,203,778	31,693,263	30,364,961
Loss on disposition of The Centre	—	1,473,573	—
	<u>754,956,645</u>	<u>737,760,417</u>	<u>776,670,215</u>

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

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

15. 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 \$54,559,597.

	\$
2021	47,199,757
2022	1,815,556
2023	1,744,231
2024	1,617,737
2025	1,393,220
Thereafter	789,096
	<u>54,559,597</u>

- (b) As of August 31, 2020 the Board had guarantees outstanding of \$1,501,311 (\$960,740 in 2019) relating to construction projects in progress.

15. 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, 2020 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.

16. 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:

	Total	2020 Board portion	Total	2019 Board portion
	\$	\$	\$	\$
Financial position				
Financial assets	236,365	144,064	110,642	68,377
Liabilities	259,244	158,009	139,424	86,164
Non-financial assets	23,639	14,408	29,542	18,257
Accumulated surplus	760	463	760	470
Operations				
Revenue	25,765,149	16,873,601	25,825,561	16,823,079
Expenses	25,765,149	16,873,601	25,825,561	16,823,079
Annual surplus	—	—	—	—

17. 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.

18. Funds administered by the Board

Trust funds administered by the Board amounting to \$2,442,570 (\$2,438,826 in 2019) have not been included in the consolidated financial statements, as they are not controlled by the Board

	Trust funds	Deferred leave plan	2020 Total	2019 Total
	\$	\$	\$	\$
Opening balance at August 31, 2019	718,159	1,720,667	2,438,826	1,776,599
Contributions received in 2020	1,000	776,786	777,786	977,002
Earnings on investments in 2020	11,347	12,301	23,648	33,028
	730,506	2,509,754	3,240,260	2,786,629
Disbursements in 2020	30,255	767,435	797,690	347,803
Closing balance at August 31, 2020	700,251	1,742,319	2,442,570	2,438,826

19. Subsequent event

The Board of Trustees approved a budget of \$22,374,945 for the construction of an elementary school in Milton, ON. In October 2020, the Board engaged a contractor for the construction of the school. As of August 31, 2020, total capital expenditures of \$773,215 have been incurred in respect of this project.

20. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Board in future periods.

21. Comparative figures

Certain of the comparative figures have been reclassified to conform with current year presentation.



Halton District School Board Report to the Audit Committee on the 2020 audit

November 10, 2020

November 10, 2020

Private and confidential

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

Report on audited annual financial statements

Dear Audit Committee Members:

We are pleased to submit this report on the status of our audit of Halton District School Board ("the School Board") for the 2020 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 April 1, 2018, we have performed an audit of the consolidated financial statements of Halton District School Board as at and for the year ended August 31, 2020, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our independent auditor's report thereon dated November 18, 2020 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 28, 2020.

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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Our audit explained

This report summarizes the main findings arising from our audit.

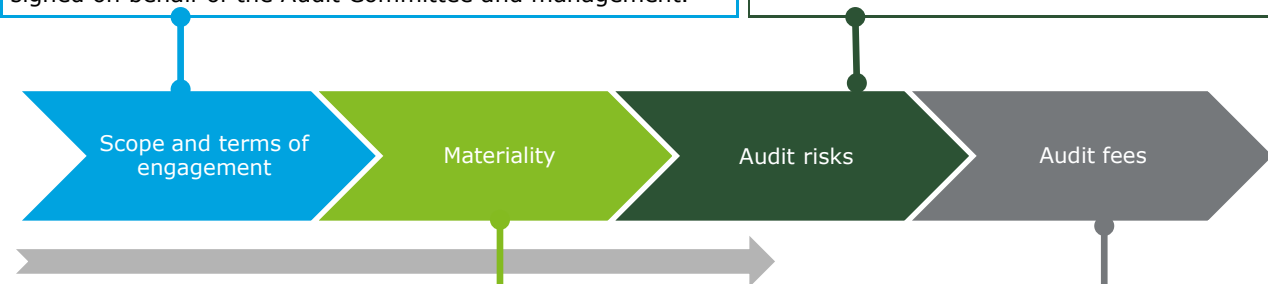
Audit scope and terms of engagement

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, 2020. 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 April 1, 2018, which was signed on behalf of the Audit Committee 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 2.5% of total expenses as a reference point. Our materiality for the year ended August 31, 2020 was \$18,100,000 (2019 - \$18,600,000).

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.

Status and outstanding matters

We expect to be in a position to render our audit opinion dated November 18, 2020 on the consolidated financial statements of the School Board following approval of the consolidated financial statements by the Board of Trustees and the completion of the following outstanding procedures:

- Receipt of legal letters;
- Receipt of signed management representation letter; and
- Minor documentation items.

Uncorrected misstatements

In accordance with Canadian GAAS, we request that all misstatements be corrected.

There were no uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented.



Going concern

Management has completed its assessment of the ability of the School Board to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the School Board's ability to continue as a going concern. We agree with management's assessment.

Uncorrected disclosure misstatements

In accordance with Canadian GAAS, we request that all disclosure misstatements be corrected. A summary of uncorrected disclosure misstatements is included in Appendix 3.

Fraud risk

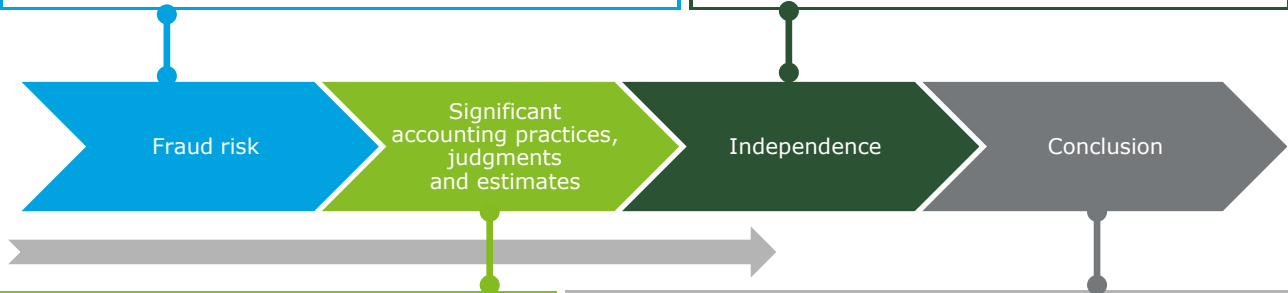
A summary of the results of our audit procedures designed to address the risk of material misstatement in the financial statements relating to fraud is provided in the Audit risks section of this report.

Based on the audit evidence obtained, our assessment of the risks of material misstatement due to fraud remains 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, 2020, 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, 2020 once the outstanding items referred to above are completed satisfactorily and the consolidated financial statements are approved by the Board of Trustees.

Significant event

The design of our audit plan began with a reassessment of risk areas from last year's audit. We have identified an additional significant development since our prior year risk assessment. This is an overview of how this additional development impacted our audit plan.

Developments in your business/industry/economy in which you operate

Impact on our 2020 audit

COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the School Board in future periods.

Impact on our risk assessment

To assess the impact these economic events may have on our audit, we:

- Asked management about the impact of recent economic conditions on their financial results or future financial results, such as:
 - Changes in Ministry funding allocated towards COVID-19
 - Changes in expenditures associated with COVID-19 response and preparation for school recommencement, and also decreases in supplies and services obtained as a result of school closures commencing in March 2020
 - Changes in school instruction and staffing levels as a result of school closures commencing in March 2020
 - Impact on school generated funds revenue and expenses
 - Given physical distancing and remote working, assess whether there have been any changes to internal controls and processes, and whether sufficient segregation of duties and other measures continue to be in place.
- Considered the effect of recent events on our risk assessment and planned audit procedures
 - Our audit procedures will be adjusted to reflect any changes in revenues and expenses as noted above
 - For any changes in internal controls and processes as a result of pandemic physical distancing measures, perform testing to ensure that the changes in internal controls are properly designed and implemented, and have not resulted in any control deficiencies.

Impact on our audit logistics

Our audit typically occurs over three on-site visits in May (for interim procedures), September (for school visits), and October (for year end procedures). Given the current pandemic and social distancing measures, all procedures were conducted remotely through the use of online communication tools and secure file sharing portals. In particular, school visits were conducted virtually with the assistance of school financial services staff, including the observation of any physical access internal controls.

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

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 inaccurately recognized or that revenue recognized may be incomplete.

We understand that as a result of the COVID-19 pandemic, that there will be changes to certain revenue streams (for example, lease rentals and permit revenues) that will be affected. Our audit response will be tailored accordingly to address these changes in circumstances.

This represents a fraud risk for the FY20 audit.

Our audit response

- 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 FY20 revenues from the Ontario Ministry of Education.
 - We will review any modifications in previous agreements as a result of COVID-19 (such as permit and rental cancellations) and ensure they have been properly reflected in the financial statements.
-

Audit results

Our audit procedures did not indicate any evidence of material misstatement.

Management override of controls*

Audit risk

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 FY20 audit.

Our audit response

- 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.

Audit results

Our audit procedures did not indicate any evidence of material misstatement.

School Generated Funds and School Council Funds*

Risk identified

There is an increased risk of misstatement of School Generated Funds and School Council Funds due to the large volume of cash collected.

This represents a fraud risk for the FY20 audit.

Our audit response

- We selected a sample of 5 schools to test the internal controls and performed substantive tests of details to obtain assurance over assets, liabilities, revenues and expenses.
- We tested procedures with respect to enrolment reporting.

Audit results

Our audit procedures did not indicate any evidence of material misstatement.

Accounting for and disclosure of relationship between the School Board and Fast Track

Risk identified

In the prior year, it was determined that Fast Track – The Centre for Skills Development and Training (the “Centre”) met the definition of a private career college as defined by the Ministry of Training, Colleges and Universities (“MTCU”). Previously, the Centre was treated as part of the School Board reporting entity as it had previously obtained exception from the MTCU from registration as a private career college. This exemption was based on the understanding that the programs run by the Centre are part of the School Board’s continuing education program, and that the students who attended the Centre are registered students of the School Board.

The Centre learned that it should have been registered as a private career college and governed by the MTCU, the School Board undertook steps to sever its control relationship over the Centre. Commencing September 1, 2019, the Centre should no longer be consolidated within the operations of the School Board.

Our audit response

- We reviewed the accounting for the discontinuation of the control relationship over the Centre as of September 1, 2019, including the removal of account balances relating to the Centre from the consolidated financial statements.
- We worked with management to review the disclosures in the School Board financial statements to ensure they appropriately reflect the relationship between the School Board and the Centre going forward.

Audit results

Please refer to Note 1 to the consolidated financial statements, under the section “Reporting entity” where the change in control over the Centre has been described. A loss on disposition of the Centre’s balances from the consolidated accounts of the School Board has been recorded through the consolidated statement of operations.

Accounting for government transfers in accordance with Ministry directives and Ontario government regulations as it relates to capital contributions

Risk identified

Requires certain accounting which has been prescribed by the Ministry and can be complex given the significance of capital transactions and balances at the School Board.

Our audit response

- We tested transactions and balances impacted, including tangible capital assets and capital contributions received and recognized, and determine whether the School Board has accounted for these transactions in accordance with regulations and relevant policies.
- We reviewed disclosure of the basis of accounting in the notes to the financial statements.

Audit results

Our audit procedures did not indicate any evidence of material misstatement.

Accounts payable and accrued liabilities

Audit risk

Accounts payable and accrued liabilities may be misstated due to improper cut-off. Estimates may not be supported.

Our audit response

- 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.

Audit results

Our audit procedures did not indicate any evidence of material misstatement.

Employee future benefits

Audit risk

Employee future benefits liabilities and expenses may be misstated.

Our audit response

- We reviewed the actuarial report including assumptions and data upon which estimates were based.
- We evaluated the reliability and qualifications of the School Board's actuary.
- We ensured proper disclosure in the financial statements.

Audit results

Our audit procedures did not indicate any evidence of material misstatement.

Payroll

Audit risk

Payroll expense is not accurately recorded.

Our audit response

- 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.

Audit results

Our audit procedures did not indicate any evidence of material misstatement.

*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, the only post-balance sheet event that we are aware of is as follows: <ul style="list-style-type: none">• Construction matters relating to an elementary school in Milton, which has been properly disclosed in Note 19 to the financial statements

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	Master services agreement dated April 1, 2018.
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 28, 2020.
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 28, 2020.
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. Effective September 1, 2019, The Centre is no longer part of the Board's reporting

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
		entity. Note 1 discloses the removal of balances previously recorded in the consolidated statement of financial position relating to The Centre. No other unusual transactions noted.
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.
21. Any significant matters arising during the audit in connection with the School Board's related parties.	CAS 550.27	See Note 1 to the financial statements relating to the change in control relationship between the School Board and the Centre. The impact on the financial statements as a result of the removal of balances related to the Centre have been reflected in the consolidated statement of operations.

Appendix 2 – Draft management representation letter

School Board Letterhead

November 18, 2020

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

Subject: Consolidated financial statements of Halton District School Board for the year ended August 31, 2020

Dear Sirs:

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 “Company” or “we” or “us”), for the years ended August 31, 2020, and a summary of significant accounting policies

(the “Financial Statements”) for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Organization 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 special purpose framework”).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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 Organization and Deloitte dated April 1, 2018 for the preparation of the Financial Statements in accordance with the special purpose framework. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Organization as at August 31, 2020 and the results of its operations and cash flows for the year then ended in accordance with the special purpose framework.

2. The Financial Statements have been prepared for the Ministry of Education, and Board of Trustees of HDSB using the basis of accounting described in Note 1 to the Financial Statements for the purpose of assessing the financial position of HDSB and the results of its operations.
3. 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 Organization 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.

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, 2020 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.

4. 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.
5. 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. The Financial Statements have been approved in accordance with our process to finalize financial statements.
6. We have completed our review of events after August 31, 2020 and up to the date of this letter.
7. The Financial Statements are free of material errors and omissions.

As a result of our evaluation process, we identified certain disclosures that, although required by the special purpose framework, 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.

Internal controls

8. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
9. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

10. 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.
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and,

- d. All minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.
- 11. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
- 12. 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.
- 13. 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.
- 14. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Organization.
- 15. There have been no communications with regulatory agencies concerning actual or potential noncompliance with or deficiencies in financial reporting practices. There are also no known or possible instances of non-compliance with the requirements of regulatory or governmental authorities.
- 16. We have disclosed to you the identities 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.

Independence matters

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

- 17. The School Board has not caused Deloitte's independence to be impaired by hiring or promoting a former or current Deloitte partner or professional employee in an accounting role or financial reporting oversight role that would cause a violation of the Canadian independence rules or other applicable independence rules. Prior to the School Board having any substantive employment conversations with a former or current Deloitte engagement team member, the Organization has held discussions with Deloitte and obtained approval from the Audit Committee.
- 18. We have ensured that all non-audit services provided to the School Board have been pre-approved by the Audit Committee. Further, we have adhered to all regulatory requirements regarding the provision of non-audit services by Deloitte to the Organization in accordance with applicable laws, regulations and rules that apply to the School Board, including the Audit Committee approval requirements.
- 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.

Other matters

Except where otherwise stated below, immaterial matters less than \$3,620,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the Financial Statements.

- 20. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
- 21. The School Board has identified all related parties in accordance with the special purpose framework. Management has determined that such disclosure is not necessary because the transactions have not occurred at a value different from that which would have been arrived at if the parties were unrelated and do not or could not have a material effect on the financial statements.
- 22. There are no instances of identified or suspected noncompliance with laws and regulations.

23. 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.
24. 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.
25. 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.
26. 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.

Title to assets

27. 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.

Work of management's experts

28. 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

29. 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

30. 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

31. 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.

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

32. 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.

Various matters

33. 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.

Yours truly,

Halton District School Board

Stuart Miller
Director of Education

Roxana Negoii
Superintendent of Business Services

Heather Camastro
Manager of Accounting

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

Halton District School Board
Year ended August 31, 2020

<i>Footnote number</i>	<i>Footnote title</i>	<i>Description of omitted or unclear disclosure</i>	<i>Authoritative literature reference</i>	<i>Dollar amount of omitted or unclear disclosure (if applicable)</i>
1	Non-cash transactions	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. Examples of such non-cash items are tangible capital asset acquisitions acquired through accounts payable, employee future benefit expenses relating to actuarial valuation adjustments, and recognition of previously deferred revenue.	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 	<p>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.</p>
<input type="checkbox"/> Centre for financial reporting www.cfr.deloitte.ca	<ul style="list-style-type: none"> ● Directors ● CEO/CFO ● Controller ● Financial reporting team 	<p>Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.</p>
<input type="checkbox"/> Financial Reporting Insights www.iasplus.com/fri	<ul style="list-style-type: none"> ● CFO ● Controller ● Financial reporting team 	<p>Monthly electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.</p>
<input type="checkbox"/> On the board's agenda	<ul style="list-style-type: none"> ● Directors ● CEO/CFO 	<p>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.</p>
<input type="checkbox"/> State of change www.iasplus.com/StateOfChange	<ul style="list-style-type: none"> ● CFO ● VP Finance ● Controller ● Financial reporting team 	<p>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.</p>
<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 	<p>Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.</p>



Halton District School Board

Date: November 10, 2020
FOR ACTION

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

FROM: Roxana Negoj, Superintendent of Business Services & Treasurer

RE: **2019/2020 Financial Statements**

Warrant

This report recommends approval of the 2019/2020 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, 2020 be approved by the Board of Trustees.

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, 2020 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,

Roxana Negoj
Superintendent of Business Services and Treasurer

Halton District School Board

Report Number: **TBD**

Date: November 10, 2020

FOR INFORMATION

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

FROM: Roxana Negoi, Superintendent of Business Services and Treasurer
Stuart Miller, Director of Education

RE: **2019/2020 Annual Statement of Education Development Charges (EDC)**

Background:

Each year, the treasurer of the board is required (under 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 (in effect as of November 8, 2019) provides requirements for determining a board's eligibility to impose EDCs on new development, and calculation of the charges. Ontario Regulation 20/98 outlines the triggers (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.

The Board has approved six by-laws since it met the eligibility requirements in 1996. The Education Act requires by-laws to be updated every five years (in addition to the ability to amend the by-law once per year). The last by-law was approved by the Board in 2018 and amended in 2019. 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 2018 Education Development Charge Background Study was provided to the Ministry of Education on March 15, 2018 to review and provide approval prior to by-law passage. Due to the June 2018 Provincial election, the Ministry did not approve the Board's background study prior to the 2013 EDC by-law lapsing on June 24, 2018.

Halton District School Board

The 2018 EDC Background Study was later approved on June 28, 2018 for a term of up to one year, using the same charges as per the most recent rates, which for HDSB was the 2013 EDC By-law as amended in June, 2017. A new 2018 EDC by-law was later approved by the board on June 29, 2018 and came into effect on July 4, 2018.

On March 29, 2019 and November 8, 2019, the Ministry of Education issued Ontario Regulation (O. Reg) 55/19 and 371/19 respectively which amended the caps imposed on O. Reg. 20/98 to reflect the new restrictions to rate increases:

1. In year 1, the existing EDC rate can be increased by the greater of 5% or \$300.00 per residential dwelling unit;
2. In year 1, the existing non-residential rate can be increased by the greater of 5% or \$0.10 per square foot;
3. In year 2 of the by-law and in each subsequent year, the residential rate can be increased by a further \$300.00 or 5% of the previous year's EDC rate, whichever is greater. The non-residential rate can be increased by \$0.10 or 5% of the previous year's rate.

As part of the November 8, 2019, O. Reg. 371/19, the Ministry of Education released memorandum 2019: B20 Education Development Charge Policy Framework Update which included, in addition to the non-residential rate cap update, the following updates:

1. Allows school boards to use EDC revenue to support low-cost alternatives to site acquisition or to enter into Localized Education Development Agreements (LEDAs). These are to be considered during the background study of the next By-Law review.
2. Sale, lease or acquisition of sites now require 60 days notification to the Minister of Education.
3. A number of changes were made to the calculation methodology of EDCs
4. The following institutions are exempt from paying EDCs, which in turn affect the rate calculation:
 - a. Long-term care homes;
 - b. Retirement homes;
 - c. Private schools;
 - d. Publicly-assisted universities and colleges;
 - e. Indigenous Institutes;
 - f. Memorial homes, clubhouses and athletic grounds of the Royal Canadian Legion;
 - g. Hospices; and
 - h. Child care centres.

As a result, on May 15, 2019, the board approved an amendment to the 2018 EDC by-law, to increase the rates to the maximum allowed amounts and extend the term of the by-law to July 3, 2023, as well as phase in the maximum annual increases to the residential and non-residential rates.

The chart identifies the phase-in of the new EDC rates in accordance with amendments to O. Reg 20/98:

	July 4, 2018: EDC By-law	May 20, 2019-July 3, 2019 Proposed New Charge	July 4, 2019-July 3, 2023 Proposed new Charge
Residential development	\$4,364.00 per residential unit	\$4,664.00per residential unit	\$4,892.00 per residential unit
Non-residential development	\$1.11per square foot; or (\$11.95 per square metre) of gross floor area	\$1.11per square foot; or (\$11.95 per square metre) of gross floor area	\$1.11per square foot; or (\$11.95 per square metre) of gross floor area

Halton District School Board

As of July 4, 2019, the Board has reached the calculated residential and non-residential charges that were determined as part of the 2018 EDC Background Study. The charge is reflective of the 2018 appraised values of future school site acquisitions and deficit. As land values may have increased beyond the projected 4% escalation values prescribed in the Background Study, an updated appraisal may be beneficial to trigger an amendment to further increase the charge beyond the 2018 maximum rates. Increasing the overall charge for both residential and non-residential development through an amendment ensures the Board is continuing to collect sufficient charges to fund future sites and reduce the deficit year over year.

Moreover, the amendment would also allow to implement the new changes incorporated as part of the latest changes to O. Reg. 20/98, such as the exempted institutions.

Staff will assess the above and report back to Board if land values have increased and there is an opportunity to increase the charge in the new year. If an amendment is pursued, it will be done in collaboration with the Halton Catholic District School Board as in previous years. The approval of the amendment by-law could be brought forward to the Board in May of 2021.

A summary of EDC revenues, expenditures and closing balance as at August 31, 2020 are included in Appendix A.

Respectfully submitted,

Roxana Negoii
Superintendent of Business Services and Treasurer

Stuart Miller
Director of Education

**Halton District School Board
Report on Education Development Charges**

Opening EDC Balance/ (Deficit) as at September 1, 2019	\$	(31,569,106)
EDC Revenues received in 2019/2020:		
Residential		
City of Burlington	1,255,950	
Town of Oakville	5,718,747	
Town of Milton	3,869,572	
Town of Halton Hills	763,152	
	<u>11,607,421</u>	
Non-Residential		
City of Burlington	355,776	
Town of Oakville	306,426	
Town of Milton	1,527,625	
Town of Halton Hills	6,029	
	<u>2,195,856</u>	13,803,277
EDC Expenditures in 2019/2020:		
Site acquisition expenditure (multiple sites)	(5,741,621)	
Site preparation expenditure (multiple sites)	(1,611,686)	
Interest on debt service costs	(230,007)	
Refunds paid	(9,302)	
Study Costs/ legal fees	(14,144)	
	<u>(7,606,760)</u>	<u>(7,606,760)</u>
Closing EDC Balance/ (Deficit)	\$	<u>(25,372,589)</u>

Halton District School Board

Report Number: **TBD**

Date: November 10, 2020

FOR INFORMATION

TO: The Chair and Members of the Halton District School Board
FROM: Roxana Negoi, Superintendent of Business Services
Stuart Miller, Director of Education
RE: **2019/2020 Summary of Trustee Expenses**

Background:

“Trustee Expenses” Policy:

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 4.19 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

Halton District School Board

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)	\$	12,399
• Travel (mileage > \$1,000)		3,514
• Technology		3,078
• Conferences – Board Leadership Mandatory Training		403
		<u>\$ 19,394</u>

Summary of Expenses Reimbursed as of August 31, 2018 (cash basis*):

• OPSBA Conferences	\$	3,264
• Other Professional Development:		
➤ registration, accommodation, meals, travel		9,498
• Meeting expenses (refreshments, meals)		162
• Office Supplies		673
• Travel (mileage up to \$1,000)		9,362
• Other		859
		<u>\$ 23,818</u>

*Cash basis refers to actual reimbursement received from September 1, 2019 to August 31, 2020.

Trustee expenses are lower compared to prior year, as a result of the Covid shut down and restrictions. Details of expenditures by individual Trustee will be posted on the board website prior to December 31, 2020.

As at the end of the term (November 30th, 2018), \$66,000 representing the unused portion of the expense budget will rollover to 2019/2020. As of August 31, 2020, the reserve balance is up to \$81,167.

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. A summary of the Reserve Account is attached as Appendix A.

Respectfully submitted,

Roxana Negoii
Superintendent of Business Services

Stuart Miller
Director of Education

Appendix A

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)
Budget Balance - Resignation of Trustee for Milton Wards 1, 6, 7, 8 (June 2014)	<u>10,314</u>
Reserve Balance, August 31, 2014	\$ <u>25,354</u>
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 (travel)	(5,610)
M15-0025 (Report 15009) - Registration for OPSBA Labour Relations Symposium March 26-28, 2015	<u>(4,482)</u>
Transfer of End of Term Balance (November 30, 2014)	<u>44,403</u>
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	<u>(1,944)</u>
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	<u>(974)</u>
Reserve Balance, August 31, 2017	\$ 36,272
Board Motions:	
M17-0169 (Report 17124) - Registration costs to attend the Ontario Public School Board Association Public Education Symposium (including pre-symposium) January 25-27, 2018 to a maximum of \$7,700	(6,492)
M17-0169 (Report 17124) - Registration costs to attend the Ontario Public School Board Association Labour Relations Symposium (including pre-symposium) April 26-27, 2018 to a maximum of \$5,500	<u>(1,006)</u>
Budget Balance - Resignation of Trustee for Milton Wards 1, 6, 7, 8 (July 2018)	<u>12,273</u>
Reserve Balance, August 31, 2018	\$ <u>41,047</u>

Transfer of End of Term Balance (November 30, 2018) 66,000

Board Motions:

M18-0233 (Report 118163) - Registration costs to attend the Ontario Public School Board Association Public Education Symposium (including pre-symposium) January 24-26, 2019 to a maximum of \$7,975 (5,875)

M18-0233 (Report 118163) - Registration costs to attend the Ontario Public School Board Association Labour Relations Symposium (including pre-symposium) April 4-5, 2019 to a maximum of \$5,225 (2,915) (8,790)

Outgoing Trustees-no budget: Interim Trustee - R.A. Chaudhry and Trustee A. Harvey-Hope (946)

Reserve Balance, August 31, 2019 **\$ 97,311**

Trustee Policy Revision:

M19-0182

4.10 Registration fees for the OPSBA Public Education Symposium and the OPSBA Labour Relations Symposium for any HDSB Trustee will not be charged against the Trustee's account, but rather the Trustees' Prior Term Reserve Account. These expenses do not require approval by the Board.

Registration costs to attend the Ontario Public School Board Association Public Education Symposium (including pre-symposium) January 23-25, 2020 (5,006)

Registration costs to attend the Ontario Public School Board Association Labour Relations Symposium (including pre-symposium) April 30-May 1, 2020 [cancelled] 0 (5,006)

Board Motions:

M18-0087 Comparable Alternative Training DiSC training (Part I), to a maximum of \$5,000 (including hst) September 30th, 2019 (3,580)

M20-001 Comparable Alternative Training DiSC training (Part II), to a maximum of \$3,000 (including hst) May 2020 [cancelled] 0 (3,580)

Reserve Balance, August 31, 2020 **\$ 88,725**



Halton District School Board

INFORMATION FOR AUDIT COMMITTEE

2019/2020 FISCAL YEAR

Budget Presentation	June 5, 2019	Budget-2019-2020 Link
Budget Approval	June 20, 2019	Approved Budget 2019-20 Link Report 19092, Page 38
Revised Estimates	December 2019	Revised Estimates 2019-20 Link Report 19147, Page 17
Financial Statements – Audit Committee	November 10, 2020	Included in Meeting Package
Financial Statements – Board Presentation and Board Approval	November 2020	

2020/2021 FISCAL YEAR

Budget Development	April 22, 2020 Committee of the Whole	Budget Development Link
Budget Presentation	July 15, 2020	Budget 2020-2021 Link Report 20071, Page 11
Budget Approval	July 22, 2020	Approved Budget 2020-21 Link
September Month End Financial Report	October 21, 2020	Interim Financial Update Report 20112
October Month End Financial Report	November 18, 2020	
Revised Estimates	December 2, 2020	
January Month End Financial Report	February 17, 2020	

February Month End Financial Report	March 17, 2020	
March Month End Financial Report	April 21, 2020	
April Month End Financial Report	May 19, 2020	
May Month End Financial Report	June 16, 2020	
Financial Statements - Audit Committee	TBD - November 2021	
Financial Statements - Board Presentation and Board Approval	November 17, 2021	

Report Number: 20112
Date: October 16, 2020

FOR DECISION

TO: The Chair and Members of the Halton District School Board
FROM: R. Negoj, Superintendent of Business Services and Treasurer
S. Miller, Director of Education
RE: Interim Financial Report – September 1, 2020 to September 30, 2020

RECOMMENDATION:

Be it resolved that the Board of Trustees approve additional use of Board surplus of up to \$8,276,000, bringing the total drawdown on surplus to \$14,380,000, to address emerging pressures related to COVID-19 and 2019/2020 budget roll overs and that this does not to exceed 2% of the provincial allocation.

Background:

This report is intended to present an update of the Board's financial results for the period of September 1, 2020 to September 30, 2020. It compares the revenues and expenses with the 2020/2021 Estimates Budget and Updated Budget to show percentages received and spent to date. The report also provides the same information for the previous fiscal year for comparative purposes.

At September 30, 2020, the percentages received or spent are expected to be approximately 8%. Explanations for significant variances outside of this expected range are provided in the highlights below.

This report further addresses motion #M20-0063, outlining additional incurred and predicted expenses and savings tied to the Halton District School Board's response to the COVID-19 for 2019/2020 and 2020/2021 to date.

Revenue Highlights (Appendices A & B)

Total revenues received as of September 30, 2020 are \$96.4 million, and include Provincial grants of \$96.2 million and \$0.2 million in rental and other revenues. The overall percentage received of 11.8% differs from the previous year's percentage of 12.3%, mainly due to new Provincial grants confirmed since August for which transfer payments have not yet been received.

Overall revenues fall outside of the 8% range due to the Provincial Grants for Student Needs (GSN) being transferred at 13% of the budgeted amount for September and the timing of receipt of Municipal revenues on a quarterly calendar basis. It should be noted that tuition fees revenues are in the process of being reconciled against enrolment and will be recorded in October.

The "Proposed Budget" column for revenues includes \$12.4 million in Provincial grants related to the COVID-19 pandemic and an estimated \$2.0 million reduction in rental revenue and Tuition Fees since the Estimates budget was approved. Any and all revenue updates will be reflected in the Revised Estimates budget.

Expense Highlights (Appendices A, C & E)

Total expenditures as of September 30, 2020 are \$30.1 million, which represents 3.7% of the 2020/2021 Updated Budget. This falls short of the previous year's percentage of 4.6%.

The main reasons why overall expenditures fall outside of the 8% range is that there are various expenses that occur and are recorded at different points in the fiscal year. For example, interest payments on capital debt occur twice a year and amortization expenses are recorded at the end of the year after capital activity is finalized. In addition the school year start was staggered and delayed,

fill rates for supply staff are lower than the prior year and timesheets and invoices for costs incurred during September will not be processed until October.

The Proposed Budget for expenses has increased by \$19.3 million including \$16.0 million additional COVID-19 pandemic costs, the estimated \$2.7 million budget rollovers and \$.6 million of capital rollforward. Any and all expense updates will be reflected in the Revised Estimates budget.

The additional costs and revenue impact since the approval of Budget Estimates are outlined in Appendix E and addressed further in the "COVID-19 Financial Update" section below.

Enrolment (Appendix A)

The primary funding driver for the Grants for Student Needs is enrolment. Elementary and Secondary enrolment is based on Full-Time Equivalent (FTE) enrolment for October 31 and March 31. These two enrolment count dates are averaged to produce the annualized Average Daily Enrolment (ADE).

The 2020/2021 Estimates enrolment reflect estimated enrolment on October 31, 2020 and estimated enrolment for March 31, 2021. The projected ADE of Elementary students is 46,714 and of Secondary students is 20,014, for a total projected enrolment of 66,728. This represents an increase from 2019/2020 of 1,091 ADE or 1.7%. Enrolment will be updated in the Revised Estimates budget with the actual October 31, 2020 numbers.

Staffing (Appendix A and E)

The Board currently employs 6,693 Full-Time Equivalent (FTE) staff, of which 6,185 FTE are related to instruction. This is an increase of 208 FTE or 3.2% from the prior year, as a result of enrolment increases and emerging needs. It should be noted that these staffing FTEs represent permanent staffing complement and are not reflective of school reorganizations due to COVID-19. FTEs will be updated based on the October 31 enrolment count date and reflected in the Revised Estimates budget. Additional staffing added to date as a result of COVID-19, since the Budget Estimates approval, are listed in Appendix E.

COVID-19 Financial Update (Appendices D and E)

On March 13, 2020, schools were shut down as a result of the emerging COVID-19 pandemic, and remained shut for the remainder of the school year, with learning delivered online. The most notable savings as a result of the shift to virtual learning during 2019/2020 were reduced supply costs, professional development costs, utilities, maintenance and reduced travel. These savings amounted to \$8.9 million and are detailed in Appendix D. The shut down and provincial restrictions resulting from the response to COVID-19 resulted in loss of revenues of \$780,000, mainly due to lost rental fees for school facilities. There were also additional costs incurred directly in response to COVID-19, as a result of increased need for more devices, licenses and internet access, purchase of personal protective equipment (PPE) and additional cleaning to prepare for school reopening. These incremental costs amounted to \$3.5 million and are further detailed in Appendix D.

It should be noted that Appendix D does not reflect the 2019/2020 financial position nor the complete list of savings and changes in costs for the year. The audit of financial statements is currently being finalized, and will be presented to the Audit Committee on November 10, 2020 and to the Board of Trustees on November 18, 2020.

There are significant proposed additions to the approved Budget Estimates, as outlined in Appendix E. Most notably, the COVID-19 costs additions to date amount to \$21.6 million and the negative impact on revenues is \$2 million, due to lost rental revenue and international students fees. Appendix E also outlines the additional staff added to address local needs, manage two school systems (virtual and in class), provide additional cleaning and support to both schools and virtual learning. As a result, the current COVID-19 impact to HDSB is \$23.6 million, which is partly offset by \$6 million in additional provincial funding and \$6.4 million in additional federal funding. Further, the

Board approved a \$4.8 million COVID-19 contingency and a \$1.0 million operating contingency in the Budget Estimates. After these are taken into account, the impact to surplus is \$5.58 million.

An unintended consequence of the 2019/2020 savings related to COVID-19 is that certain unspent budgets, mainly for school decentralized budget and implementation of projects or programs that were delayed, will impact the surplus into the 2020/2021 year. The roll overs into 2020/2021 amount to \$2.7 million, significantly higher than in prior years. This amount too, will increase the use of reserves for the year.

In summary, staff request Board approval for use of additional surplus to cover the \$2.7 million budget roll overs and \$5.58 million incremental COVID-19 expenses which exceed all available contingencies and additional provincial and federal funding. The Board already approved a Budget Estimates deficit of \$6.1 million. This report identifies \$8.3 million in additional use of surplus, for a total deficit position of the Board of \$14.4 million, or 2% of the provincial allocation.

Assumptions to note:

- The proposed budget assumes the majority of PPE will continue to be supplied by the Ministry of Government and Consumer Services with direct billing to the Ministry of Education.
- The proposed budget also assumes that there will be additional provincial and federal funding to address pressures emerging during the year, which have not yet been identified.
- Enrolment impact on revenues and staffing as a result of actual October 31, 2020 count date has not been finalized. It is expected that enrolments will be lower than projected due to lower kindergarten registrations, lower immigration and migration rates, increased homeschooling and potential loss of students to private or coterminous schools.
- The review of the first quadmester and completion of November reorganizations across elementary and secondary schools will provide much needed information of staffing costs, which will be reflected in the Revised Estimates budget.
- Revised Estimates budget will provide an updated financial position based on new information available at that time, and it is possible the deficit position of the board may exceed 2% of the provincial allocation. Ministry approval will be required if the 2% threshold is exceeded.

Conclusion

The percentages received/spent for the period from September 1, 2020 to September 30, 2020 are fairly consistent with the prior year. The variances outlined are within an acceptable range given the challenges currently realized in the year.

Staff will monitor revenue and expense levels on a regular basis for reasonability and to ensure a compliant position for the 2020/2021 Financial Statements.

Respectfully submitted,

*R. Negoï,
Superintendent of Business Services and Treasurer*

*S. Miller,
Director of Education*

SUMMARY DASHBOARD

Halton District School Board
2020/2021 Interim Financial Report
As at September 30, 2020

Summary of Financial Results

(\$Thousands)	Estimates	Proposed Budget	Year to Date		Prior Year % Received / Spent
			Received / Spent	% Received / Spent	
Revenues					
Provincial Grants	737,339	748,990	96,218	12.8%	12.4%
Other	69,277	68,620	220	0.3%	11.4%
Total Revenue	806,616	817,610	96,438	11.8%	12.3%
Expenses					
Instruction	631,472	634,176	29,856	4.7%	6.0%
Administration	17,494	17,494	827	4.7%	3.9%
Transportation	19,050	19,046	(3)	0.0%	0.2%
Pupil Accommodation	112,123	111,593	(800)	-0.7%	-2.0%
School Generated Funds	12,000	12,000	-	0.0%	0.0%
Other	10,628	27,728	212	0.8%	1.1%
Total Expenses	802,767	822,037	30,092	3.7%	4.6%
Annual (Surplus)/Deficit					
Operating Accumulated Surplus - Unappropriated	3,762	9,338	-	0.0%	0.0%
Available for Compliance - Internally Appropriated	2,342	5,042	-	0.0%	0.0%
Unavailable for Compliance - Externally Appropriated	(9,953)	(9,953)	-	0.0%	0.0%
Total Annual (Surplus)/Deficit	(3,849)	4,427	-	0.0%	0.0%

Summary of Enrolment

ADE	Estimates	Prior Year Actuals	Change	
			#	%
Elementary				
Burlington	12,672	12,731	(59)	-0.5%
Oakville	16,188	16,074	114	0.7%
Milton	13,607	13,243	365	2.8%
Halton Hills	4,247	4,278	(31)	-0.7%
Elementary ADE	46,714	46,325	389	0.8%
Secondary under 21 yrs				
Burlington	5,728	5,624	104	1.9%
Oakville	9,230	8,875	355	4.0%
Milton	3,121	2,913	208	7.2%
Halton Hills	1,934	1,900	34	1.8%
Secondary ADE	20,014	19,312	702	3.6%
Total Day School ADE	66,728	65,637	1,091	1.7%
Students 21 yrs and over - ADE	-	173	(173)	-100.0%

Note: Enrolment estimates will be updated after the October 31 count date.

Summary of Staffing by Ministry Category

FTE	Estimates	Prior Year	Change	
			#	%
Instruction				
Teachers	4,063	3,922	142	3.6%
Administrators & Support Staff	2,122	2,078	44	2.1%
Total Instruction	6,185	5,999	186	3.1%
Non-Instruction	508	486	22	4.5%
Total	6,693	6,485	208	3.2%

Note: Staffing FTEs are not reflective of school staff reorganizations due to Covid.
FTEs will be updated after the October 31 enrolment count date and as part of the Revised Estimates process.

**Halton District School Board
2020/2021 Interim Financial Report - Revenues
For the Period Ending September 30, 2020**

Revenue	2020/2021 Estimates Budget	2020/2021 Proposed Budget	2020/2021 Revenues at Sept 30, 2020	% Received	2019/2020 Revised Estimates	2019/2020 Revenues at Sept 30, 2019	% Received
Provincial Grants - GSN	735,440,302	736,362,758	95,991,307	13.0%	703,859,177	86,393,108	12.3%
Provincial Grants - Other	1,898,400	12,627,358	226,699	1.8%	2,375,557	869,770	36.6%
Federal Grants & Fees	1,801,595	1,801,595	(237,920)	-13.2%	420,000	(131,167)	-31.2%
School Generated Funds	12,000,000	12,000,000	-	0.0%	19,000,000	-	0.0%
Investment Income	1,000,000	1,000,000	(1,078)	-0.1%	1,700,000	(752)	0.0%
Other Fees & Revenues							
Tuition Fees	8,596,855	7,596,855	(93)	0.0%	7,926,700	7,862,865	99.2%
Rental Income	2,252,018	1,252,018	550,996	44.0%	2,138,778	488,329	22.8%
Cafeteria Income	53,000	53,000	-	0.0%	53,000	-	0.0%
Miscellaneous Revenue	511,947	511,947	12,602	2.5%	21,896	3,274	15.0%
Amounts from Deferred Revenue - Other Third Party	1,245,613	1,349,266	(27,836)	-2.1%	287,485	2,970	1.0%
Secondments	679,256	679,256	(75,679)	-11.1%	-	31,757	0.0%
Education Development Charge (EDC)	10,000,000	10,000,000	-	0.0%	12,000,000	-	0.0%
Other	-	-	(576)	0.0%	-	(90)	0.0%
Other Fees & Revenues Total	23,338,689	22,681,842	459,414	2.0%	22,427,859	8,389,104	37.4%
Amortization of DCC	31,136,978	31,136,978	-	0.0%	28,645,245	-	0.0%
Grand Total	806,615,964	817,610,531	96,438,421	11.8%	778,427,838	95,520,063	12.3%

Note: Amortization of DCC is recorded at the end of the fiscal year when all capital activities are finalized and recorded.

Halton District School Board
2020/2021 Interim Financial Report - Expenses
For the Period Ending September 30, 2020

EXPENSE	2020/2021 Estimates Budget	2020/2021 Proposed Budget	2020/2021 Expenses at Sept 30, 2020	% Spent	2019/2020 Revised Estimates	2019/2020 Expenses at Sept 30, 2019	% Spent
INSTRUCTION							
Classroom Teachers	419,585,460	419,585,460	22,210,238	5.3%	395,212,968	25,920,211	6.6%
Supply Staff	21,963,851	21,963,851	389,188	1.8%	20,863,690	418,626	2.0%
Educational Assistants	50,071,254	50,071,254	2,682,302	5.4%	46,907,255	2,790,124	5.9%
Early Childhood Educators	15,375,579	15,375,579	640,255	4.2%	14,703,191	862,672	5.9%
Textbooks and Supplies	21,888,777	24,405,233	(424,412)	-1.7%	23,644,188	1,592,728	6.7%
Computers	3,533,027	3,600,878	49,536	1.4%	3,798,324	89,900	2.4%
Professionals, Paraprofessionals & Technical	23,960,976	23,960,976	1,375,303	5.7%	22,003,606	1,427,185	6.5%
Library and Guidance	12,817,647	12,817,647	57,875	0.5%	12,640,162	94,339	0.7%
Staff Development	3,317,206	3,428,386	(40,653)	-1.2%	4,633,357	21,503	0.5%
Department Heads	831,590	831,590	-	0.0%	838,185	-	0.0%
Principals and Vice-Principals	29,836,742	29,836,742	1,386,476	4.6%	29,378,831	1,592,678	5.4%
School Office	18,441,244	18,449,757	1,096,611	5.9%	18,066,382	916,750	5.1%
Coordinators and Consultants	7,116,243	7,116,243	398,498	5.6%	6,381,646	425,287	6.7%
Continuing Education	2,731,988	2,731,988	34,643	1.3%	2,545,256	16,943	0.7%
INSTRUCTION Total	631,471,584	634,175,584	29,855,860	4.7%	601,617,041	36,168,947	6.0%
ADMINISTRATION							
Trustees	335,754	335,754	(121,316)	-36.1%	334,342	(100,497)	-30.1%
Director and Supervisory Officers	3,095,450	3,095,450	85,141	2.8%	3,088,674	123,708	4.0%
Board Administration	13,933,491	13,933,491	863,534	6.2%	13,673,101	649,118	4.7%
Amortization - Administration	129,672	129,672	-	0.0%	127,688	-	0.0%
ADMINISTRATION Total	17,494,367	17,494,367	827,358	4.7%	17,223,805	672,329	3.9%
TRANSPORTATION							
Pupil Transportation	18,748,867	18,744,867	(2,616)	0.0%	17,763,909	40,804	0.2%
Transportation - Provincial Schools	301,000	301,000	-	0.0%	279,146	-	0.0%
TRANSPORTATION Total	19,049,867	19,045,867	(2,616)	0.0%	18,043,055	40,804	0.2%
PUPIL ACCOMMODATION							
School Operations and Maintenance	65,923,716	65,123,716	(637,683)	-1.0%	62,382,601	(1,597,021)	-2.6%
School Renewal	3,116,454	3,386,765	(161,863)	-4.8%	3,116,429	(511,680)	-16.4%
Other Pupil Accommodation	11,517,131	11,517,131	-	0.0%	11,922,493	-	0.0%
Amortization - Pupil Accommodation	31,565,839	31,565,839	-	0.0%	29,076,090	-	0.0%
PUPIL ACCOMMODATION Total	112,123,140	111,593,451	(799,545)	-0.7%	106,497,613	(2,108,701)	-2.0%
OTHER EXPENSE							
Covid Expenses	4,000,000	21,632,279	-	0.0%	-	-	0.0%
Recoverable Projects and PPF's	5,084,376	5,355,208	211,572	4.0%	2,542,554	240,740	9.5%
Provision for Contingencies	1,000,000	197,000	-	0.0%	750,000	-	0.0%
Permanent Financing of NPF	543,389	543,389	-	0.0%	543,389	-	0.0%
School Generated Funds	12,000,000	12,000,000	-	0.0%	19,000,000	-	0.0%
OTHER EXPENSE Total	22,627,765	39,727,876	211,572	0.5%	22,835,943	240,740	1.1%
Grand Total	802,766,723	822,037,145	30,092,629	3.7%	766,217,457	35,014,119	4.6%

Note: Amortization expense is recorded at the end of the fiscal year when all capital activities are finalized and recorded.

Halton District School Board 2019/2020 COVID-19 Costs and Savings

Savings due to COVID-19:

Supply Staff	2,800,000
Other Education Workers	516,000
Transportation	571,450
Cleaning	266,000
Maintenance	494,000
Other:	
Staff Development	1,224,000
Mileage	372,000
Utilities	2,675,000
Total	8,918,450

Decrease in Revenues due to COVID-19:

Day Care Revenue	(165,480)
Cafeteria Income	(19,754)
School Rental Fees	(496,818)
Other:	
Early ON Centres	(30,167)
Community Hubs	(67,921)
Total	(780,140)

Increase in Expenses due to COVID-19:

Technology for Distant Learning	(1,821,141)
Deep Cleaning of Schools	(162,468)
Personal Protective Equipment (PPE)	(1,411,679)
Other:	
Supply Staff	(20,445)
Contractual Services	(36,175)
Total	(3,451,908)

Impact Due to COVID-19	4,686,402
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Halton District School Board
2020/2021 Financial Update as at Sept 30, 2020
Incremental COVID-19 Impact - since Budget Estimates

	Temporary FTE	Additional costs
Casual Caretakers and cleaning supplies	32.0	\$ 1,723,000
Secondary Teachers	20.0	2,000,000
Elementary Teachers	44.0	3,958,000
Self-Contained Elementary Teachers	2.0	200,000
Early Childhood Educators	14.0	770,000
Mental Health Supports	5.0	682,000
Teacher Supply costs		3,200,000
Virtual school administrators and support staff		685,000
Virtual school resources		759,000
Technology		465,000
Training for new staff		400,000
Human Resources staff support		64,000
Other school supports and resources		486,000
Outdoor Education		500,000
Transportation routes and additional cleaning		2,441,000
School facility HVAC-filter replacement		1,239,000
PPE supplies and support (outside of MGCS)		2,060,000
Estimated loss on rental revenues		1,000,000
Estimated loss on International student fees		1,000,000
Total estimated costs to date		\$ 23,632,000
Additional Provincial funding announced		6,025,000
Additional Federal funding announced		6,428,000
COVID Contingency approved in Budget		4,800,000
Board Operating Contingency drawdown		803,000
Total funding available		\$ 18,056,000
Funding shortfall required from Accumulated Surplus		\$ 5,576,000
2% of Operating allocation		\$ 14,380,000
Approved Budget Deficit July 2020		\$ 6,104,000
Estimated 19/20 carryforward required in 20/21		2,700,000
Proposed funding from Accumulated Surplus		5,576,000
Compliant Deficit Budget		\$ 14,380,000



Halton District School Board

Date: November 10, 2020
FOR INFORMATION

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

FROM: Roxana Negoj, Superintendent of Business Services & Treasurer

RE: **2019/2020 Halton Student Transportation Services (HSTS)
Financial Statements**

Background

The proportion of revenue and costs for Halton Student Transportation Services (HSTS) are consolidated into the financial statements of the Halton District School Board. Additional information on this consolidation can be found in Note 16 in the Notes to the Consolidated Financial Statements.

The financial statements for HSTS are being shared with the Audit Committee and Board of Trustees for information.

Rationale

The financial statements for HSTS have been audited by KPMG LLP, Chartered Accountants. 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 Student Transportation Services as at and for the year ended August 31, 2020 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Respectfully Submitted,

*Roxana Negoj
Superintendent of Business Services and Treasurer*

Financial Statements of

**HALTON STUDENT
TRANSPORTATION SERVICES**

And Independent Auditors' Report thereon

Year ended August 31, 2020



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Halton Student Transportation Services

Opinion

We have audited the accompanying financial statements of Halton Student Transportation Services (the "Entity"), which comprise:

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

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2020, and its results of changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 misstatement, whether due to fraud or error.



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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

October 21, 2020

HALTON STUDENT TRANSPORTATION SERVICES

Financial Statements

Year ended August 31, 2020

Financial Statements

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HALTON STUDENT TRANSPORTATION SERVICES

Statement of Financial Position

August 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Due from related parties (note 4)	\$ 236,365	\$ 110,642
Financial liabilities		
Accounts payable and accrued liabilities	67,148	31,670
Due to related parties (note 4)	180,557	90,303
Deferred capital contributions (note 5)	11,539	17,451
	259,244	139,424
Net debt	(22,879)	(28,782)
Non-financial assets		
Tangible capital assets (note 2)	11,539	17,451
Prepaid expenses	12,100	12,091
	23,639	29,542
Subsequent event (note 7)		
Accumulated surplus	\$ 760	\$ 760

See accompanying notes to financial statements.

On behalf of the Board of Directors:

_____ Director

_____ Director

HALTON STUDENT TRANSPORTATION SERVICES

Statement of Operations

Year ended August 31, 2020, with comparative information for 2019

	2020 Budget	2020 Actual	2019 Actual
Revenues	\$ 27,428,780	\$ 25,765,149	\$ 25,825,561
Expenses:			
Transportation services	25,627,525	24,027,244	24,282,296
Administrative expenses:			
Salaries and benefits	1,455,550	1,465,536	1,251,229
Professional fees	63,700	73,052	63,049
Rent	68,000	67,836	67,836
Software fees and licenses	70,000	49,438	49,456
Communication	50,000	26,066	25,129
Office supplies	28,500	16,280	22,816
Contractual services	28,000	14,889	26,473
Professional development	16,605	6,378	12,442
Amortization of tangible capital assets	–	5,912	6,501
Advertising	9,000	5,729	8,892
Insurance	5,000	4,779	4,785
Travel and meetings	4,000	1,546	2,619
Day to day maintenance	900	464	756
Equipment	2,000	–	1,282
Total expenses	27,428,780	25,765,149	25,825,561
Annual surplus	–	–	–
Accumulated surplus, beginning of year	760	760	760
Accumulated surplus, end of year	\$ 760	\$ 760	\$ 760

See accompanying notes to financial statements.

HALTON STUDENT TRANSPORTATION SERVICES

Statement of Changes in Net Debt

Year ended August 31, 2020, with comparative information for 2019

	2020	2019
Annual surplus	\$ –	\$ –
Acquisition of tangible capital assets	–	(10,179)
Amortization of tangible capital assets	5,912	6,501
	5,912	(3,678)
Other non-financial asset activity:		
Acquisition of prepaid expenses	(7,249)	(7,240)
Use of prepaid expenses	7,240	7,263
Total other non-financial asset activity	(9)	23
Change in net debt	5,903	(3,655)
Net debt, beginning of year	(28,782)	(25,127)
Net debt, end of year	\$ (22,879)	\$ (28,782)

See accompanying notes to financial statements.

HALTON STUDENT TRANSPORTATION SERVICES

Statement of Cash Flows

Year ended August 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ —	\$ —
Item not involving cash:		
Amortization of tangible capital assets	5,912	6,501
Revenue recognized from deferred capital contributions	(5,912)	(6,501)
Changes in non-cash working capital:		
(Increase) decrease in accounts payable and accrued liabilities	35,478	(3,323)
Increase in prepaid expenses	(9)	(23)
	<u>35,469</u>	<u>(3,346)</u>
Capital activities:		
Cash used to acquire tangible capital assets	—	(10,179)
Deferred capital contributions received	—	10,179
	<u>—</u>	<u>—</u>
Investing activities:		
Decrease in due from related parties (note 4)	(125,723)	(88,230)
Increase in due to related parties (note 4)	90,254	84,884
	<u>(35,469)</u>	<u>3,346</u>
Net change in cash	—	—
Cash, beginning of year	—	—
Cash, end of year	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to financial statements.

HALTON STUDENT TRANSPORTATION SERVICES

Notes to Financial Statements (continued)

Year ended August 31, 2020

Halton Student Transportation Services ("HSTS") on behalf of Halton District School Board and the Halton Catholic District School Board (the "School Boards") was set up to provide transportation services.

HSTS was incorporated on February 10, 2009 under the Corporations Act of Ontario as a non-profit corporation without share capital and is exempt from income taxes.

1. Significant accounting policies:

The financial statements are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis of accounting:

Revenues and expenditures are reported on an accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

(b) 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.

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
Computer software	5
Computer hardware	5
Leasehold improvements	5
Furniture and equipment	10

(c) Government transfers:

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

Government transfers for capital that meet the definition of liability are referred to as deferred capital contributions ("DCC"). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

(d) Budget figures:

Budget figures have been provided for comparison purposes and have been approved by the Board of Directors of the Halton Student Transportation Services. Budget figures, which are reported in the statement of operations, were originally approved on November 22, 2019. The figures have been reported for the purposes of these statements to comply with Public Sector Accounting Board ("PSAB") reporting requirements. Budget figures were excluded from the Statement of Change in Net Debt as these amounts were not included in management's revised budgeted figures.

HALTON STUDENT TRANSPORTATION SERVICES

Notes to Financial Statements (continued)

Year ended August 31, 2020

1. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of financial statements 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 revenues and expenses during the period. Significant estimates include assumptions used in estimating accrued liabilities. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life. Actual results could differ from these estimates.

2. Tangible capital assets:

Cost	Balance at August 31, 2019	Additions	Disposals	Balance at August 31, 2020
Computer software	\$ 24,910	\$ –	\$ –	\$ 24,910
Computer hardware	18,172	–	–	18,172
Leasehold improvements	14,088	–	–	14,088
Furniture and equipment	5,016	–	–	5,016
Total	\$ 62,186	\$ –	\$ –	\$ 62,186

Accumulated amortization	Balance at August 31, 2019	Disposals	Amortization Expense	Balance at August 31, 2020
Computer software	\$ 18,876	\$ –	\$ 3,375	\$ 22,251
Computer hardware	9,011	–	2,036	11,047
Leasehold improvements	14,088	–	–	14,088
Furniture and equipment	2,760	–	501	3,261
Total	\$ 44,735	\$ –	\$ 5,912	\$ 50,647

Net book value	August 31, 2019	August 31, 2020
Computer software	\$ 6,034	\$ 2,659
Computer hardware	9,161	7,125
Leasehold improvements	–	–
Furniture and equipment	2,256	1,755
Total	\$ 17,451	\$ 11,539

HALTON STUDENT TRANSPORTATION SERVICES

Notes to Financial Statements (continued)

Year ended August 31, 2020

3. Economic dependence:

HSTS's operations consist exclusively of supplying services to Halton District School Board and Halton Catholic District School Board. HSTS is economically dependent on these boards for its busing revenues.

4. Due from/to related party:

Amounts included in due from related parties are due from the following partners of HSTS:

	2020	2019
Halton District School Board	\$ 236,365	\$ 110,642

Amounts included in due to related parties are due to the following partners of HSTS:

	2020	2019
Halton Catholic District School Board	\$ 180,557	\$ 90,303

Amounts due from/to related parties are non-interest bearing with no fixed repayment terms.

5. Deferred capital contributions:

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

	2020	2019
Balance, beginning of year	\$ 17,451	\$ 13,773
Additions to deferred capital contributions	–	10,179
Revenue recognized in the period	(5,912)	(6,501)
Balance, end of year	\$ 11,539	\$ 17,451

HALTON STUDENT TRANSPORTATION SERVICES

Notes to Financial Statements (continued)

Year ended August 31, 2020

6. Lease commitment:

The HSTS leases office premises with terms to October 31, 2022. The minimum annual rental under this agreement is as follows:

Fiscal year ending August 31:

2021	\$ 67,837
2022	67,837
2023	11,306
	<hr/>
	\$ 146,980

7. Subsequent event:

On March 11, 2020 the World Health Organization declared the COVID-19 outbreak a pandemic which has had a significant financial, market and social dislocating impact across the country. At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations including the ability to generate revenues. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our operations are not known at this time.