



RAINY RIVER DISTRICT SCHOOL BOARD 2016-2017 Financial Statements Executive Summary

Finance: 2017-70
File Code: F06

Date: November 21, 2017
To: Audit Committee
From: Wendy Tilbury
Acting Manager, Financial Services

Recommendation: **That the Audit Committee recommend the approval of the draft 2016-2017 Financial Statements as presented to the Rainy River District School Board.**

That the Audit Committee recommend the approval of the details of the Unappropriated, Internally Appropriated and Unavailable for Compliance components of Accumulated Surplus in the draft 2016-2017 Financial Statements as presented, to the Rainy River District School Board.

STRATEGIC DIRECTION

Through responsible and transparent allocation of resources, the Rainy River District School Board will continue to enhance opportunities for student achievement and well-being.

RATIONALE

Under Ontario Regulation 361/10, Section 9 (3), the Audit Committee will review the Board's annual financial statements and consider whether they are complete, are consistent with any information known to the Audit Committee members and reflect accounting principles applicable to the Board. And, under Section 9 (4), to recommend, if the Audit Committee considers it appropriate to do so, that the Board approve the annual audited financial statements.

BACKGROUND

The Rainy River District School Board ended the August 31, 2017 year in a positive position overall.

Below please find a description of some of the major areas of the financial statements and explanations of variances from budget to actual amounts.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position is a snapshot of the Board's financial assets and liabilities at August 31, 2017. Please find a description of significant variances, balances, and changes below.

Financial Assets

Cash

The cash balance has decreased over the prior year. This decrease is mainly due to draw on cash flow for major capital projects and an increase in the Accounts Receivable – Government of Ontario – Approved Capital.



Investments

- The temporary investment amount is made up of School Generated Funds temporary investments in the amount of \$111,817.
- The decrease is due to the release of the remainder of the Town of Fort Frances security.

Accounts Receivable

- The Accounts Receivable balance has increased by \$165,755.
- First Nations receivables have also increased over the prior year with an overall increase of \$389,246.
- The remaining changes in the receivable line can be attributed to normal timing fluctuations in invoicing our partners (Northwest Catholic DSB, Confederation College, Unions, etc.).

Accounts Receivable – Government of Ontario – Approved Capital

- This is a receivable amount that the Province of Ontario instituted in 2009-10. It recognizes all capital funding that has been approved for long-term financing by the Ministry of Education in one revenue amount. The overall increase in the receivable over the 2016-17 year end is due to major capital projects. The receivable for existing capital projects funded by the Ministry in prior years continues to decrease due to the regular principal payments.
- This receivable amount includes:
 - Good Places to Learn Phases 1 to 4
 - Primary Class Size buildings at J.W. Walker School
 - New Pupil Places J.W. Walker School major renovation
 - Prohibitive to Repair build of the new Robert Moore School
 - Capital Priorities build of the new Mine Centre School
 - Full Day Kindergarten capital expenditures at J.W. Walker School (related to the major renovation)
 - Minor Full Day Kindergarten capital expenditures related to furniture and equipment purchases at other Full Day Kindergarten sites
 - Greenhouse Gas Reduction capital expenditures for the Fort Frances High School renovation
 - New School Condition Improvement for capital expenditures for the Donald Young School and Fort Frances High School renovations
- The Board will continue to receive annual principal and interest funding to cover our debt repayments going forward. This receivable amount will be increased by expenditures related to newly approved long-term capital projects and reduced by the amount of principal repaid on long-term financed projects on an annual basis.

Financial Liabilities

Accounts Payable and Accrued Liabilities

- This amount has increased over prior year by \$626,894 due to the timing of billings for major capital projects.

Other Liabilities

- This amount has remained consistent over the prior year and includes the teacher deferred leave plans and non-grant deferred revenues.

Net Debenture Debt, Capital Loans and Leases

- This amount includes the outstanding principal on our long term financed capital projects (Good Places to Learn Phase 1-4, Primary Class Size, J.W. Walker New Pupil Places renovation, Robert Moore School Prohibitive to Repair build and Mine Centre School Capital Priorities build).
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- A detailed breakdown of the principal long-term debt balances can be found in Note #7 of the Financial Statements.

Deferred Revenue

- This amount is made up of revenues received that have been set aside for specific purposes (by legislation, regulation or agreement).
- This amount has increased by approximately \$132,705. The details of the transactions throughout the year can be found in Note 4 to the financial statements. There was significant spending related to externally restricted capital projects in 2016-17 (i.e. School Renewal, School Condition Improvement funding) however, this 2016-17 spending of prior year deferred funds was offset by the current year funding received.

Employee Benefits Payable

- Employee benefits payable have been reduced by approximately \$128,203 due to the 2016-17 retirement gratuity and sick leave expense as determined through our annual actuarial report performed by the School Board's Cooperative Inc. (SBCI).

Sick Leave Benefits

- The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2017. The Board's sick leave carryover benefit liability in the amount of \$16,121 as at August 31, 2017, has been recognized in the Board's employee benefits plan liability in the Consolidated Statement of Financial Position.

Non-Financial Assets

Prepaid Expenses

- A third of this prepaid amount represents secondary teacher pay that was paid out on August 28, 2017. The first teacher pay for the 2017-18 school year is paid on the first day of school (August 28, 2017) and represents 8% of annual salary. This percentage relates to the equivalent of 15.52 instructional days. The expenditure recognized in the 2016-17 school year is 4 days (August 28-31), therefore, the value of 11.52 days is set up as a prepaid in the financial statements.
- Also included in the prepaid expenses are amounts paid related to Education Logistics pupil transportation system, West Unified Communications Services website hosting, and Honeywell maintenance.
- A large portion of prepaid expenses is an overpayment made to CRA for statutory deductions. This overpayment was intended to be used to offset payments in 2016-17, however a CRA audit delayed this to the 2017-18 year. The audit was completed in October 2017 with a satisfactory result.

Tangible Capital Assets

- The Board has implemented Public Sector Accounting Board (PSAB) section 3150 Tangible Capital Assets which requires governments to record and amortize their tangible capital assets in their financial statements.
- Further details as to what makes up the balance on tangible capital assets can be found in Note #8 of the Financial Statements.

STATEMENT OF OPERATIONS

The Consolidated Statement of Operations shows the Board's revenues and expenditures for the entire year (September 1, 2016 – August 31, 2017). A description of significant variances, balances, and changes can be found below.



Revenues

Provincial Grants – Other

- These amounts are Education Program Other (EPO) grants or Ministry grants for specific initiatives outside the Grants for Student Needs. Boards commonly refer to EPO grants as “money bombs”.
- These amounts are distributed periodically throughout the year and all grant amounts are largely unknown at budget time, which is why there is a significant increase in revenue from budget.

Local Taxation

- There is an increase in local taxation revenue from budget due to change in supplemental taxes, write offs and rebates that are largely unknown at budget time.
- The amount of taxation revenues received does not have an impact on the total grant amount the Board receives. Any revenue that is not received from municipalities is matched by the Ministry of Education (the Ministry calculates the Grants for Student Needs that the Board is due and then subtracts the actual taxation revenues from that total).

Other Revenues – School Boards

- The budgeted amount was related to the recovery of administrative costs related to the Rainy River Transportation Consortium. However, due to the new structure of the Consortium, these recoveries are now netted against the associated expenditures on the transportation expense line (can see the corresponding reduction in expenses as compared to budget).

Other Fees & Revenues

- These are items such as Ministry reimbursements for meetings/conferences attended, benefit and insurance refunds/surpluses, and other items for which a budget cannot be estimated.

Expenses

Variance from Estimates

Instruction

- Overall instruction costs to budget had a variance of \$509,107. This is largely due to a combination in a decrease in costs for sick leave and supplies and services.

Administration

- An increase in audit fees, staff development and supplies and services contributed to the overall increase in administrative expenses. The current year audit fees contain both the 2015-16 and 2016-17 audit fees, the conversion audit and additional support for the 2015-16 year end.
- The Administration envelope is targeted by the Ministry for compliance (i.e. our total net expenses in this area cannot exceed the Administration and Governance grant amount). The Board is in compliance with this requirement.

Transportation

- The Transportation Consortium expenses were budgeted at their gross amount, but recorded for financial statement purposes net of the recoveries from the Northwest Catholic District School Board.

Pupil Accommodation and Other

- The difference between budget and costs for these two categories is due to the allocation of amortization expenses to Pupil Accommodation. However, the amortization expenses were budgeted for in the Other expense category.
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Surplus (deficit)

There is an overall accumulated deficit in the current year of \$22,982. Please see below for a discussion of the various components of the surplus.

Available for Compliance Component

- The available for compliance component of the accumulated surplus includes current and prior year surpluses experienced by the Board. These amounts can be used for the Board to achieve budget compliance and can be internally appropriated for specific Board-supported initiatives.
- As per Note #9 of the Consolidated Financial Statements, there is a decrease in the Available for Budget Compliance portion of the accumulated surplus of \$449,897 due to draw from Retirement Gratuities and Board supported capital

Unavailable for Compliance Component

- The unavailable for compliance accumulated surplus components cannot be used by the Board to fund any Board initiatives (i.e. reinvestment projects) or to offset any operating deficits. As per Note #9 of the Financial Statements, in 2016-17, the change in this area amounted to \$426,915 as a result of employee future benefits (retirement gratuity).

Employee Future Benefits

- Beginning in the 2012-13 fiscal year, the Ministry of Education required Board's to begin to recognize the amortization of the retirement gratuity plan liability. As such, this liability is reduced annually generating a surplus of approximately \$486,174 in 2016-17.

Interest to be Accrued

- As a PSAB requirement, Board's must accrue interest on their long-term debt until the end of the year. As the increase/reduction of this liability is fully funded by the Ministry, the Ministry tracks these amounts in the Unavailable for Compliance area of the accumulated. In 2016-17, the overall reduction in our Board's long-term debt, interest accrual was reduced by approximately \$9,142 contributing to the unavailable for compliance surplus.

Revenues Recognized for Land

- This is the area where the Ministry captures funding that has been provided to the Board to acquire land. Normally, when the Ministry provides the Board with capital funding it is allocated to Deferred Capital Contributions and recognized over the useful life of the asset. In the case of land, there is no amortization therefore the revenue would be perpetually deferred. As such, the Ministry segregated any supported land additions to the Unavailable for Compliance area of the accumulated surplus.

School Generated Funds

- The accumulated surplus includes a deficit related entirely to School Generated Funds in the amount of approximately \$50,117. This amount varies from year to year based on the funded activities at the school level.

ROUTING

Board

December 5, 2017

APPENDICES

Appendix A: Draft Audited 2016-2017 Financial Statements