



AUDIT COMMITTEE
Report No. 24-126

25 November 2024

Draft 2023-2024 Consolidated Financial Statements

**Key Contact: Randall Gerrior, Associate Director of Education,
Business**

PURPOSE:

1. To seek approval of the draft 2023-2024 Consolidated Financial Statements.

STRATEGIC LINKS:

2. Aligned with the 2023-2027 Strategic Plan's pillar of learning, well-being and social responsibility, an effectively functioning Audit Committee and approach to risk management is a key component of the focus on sustainably allocating resources, by enhancing operational practices to effectively and responsibly manage human and financial resources in support of students. The external audit contributes to ensuring effective financial management practices which have been established by the Ottawa-Carleton District School Board (OCDSB) and supports the information presented in the draft consolidated financial statements.

CONTEXT:

3. The *Education Act* requires that school boards prepare audited financial statements annually and to make the statements available to the public. Pursuant to Ontario Regulation 361/10, *Audit Committees*, it is the duty of the Audit Committee:
 - a) to review the board's annual financial statements and consider whether they are complete, are consistent with any information known to the audit committee members and reflect accounting principles applicable to the board;
 - b) to recommend, if the audit committee considers it appropriate to do so, that the board approve the annual audited financial statements;
 - c) to review with the director of education, a senior business official and the external auditor all matters that the external auditor is required to communicate to the audit committee under generally accepted auditing standards;
 - d) to review with the external auditor material written communications between the external auditor and the director of education or a senior business official;

- e) to ask the external auditor about whether the financial statements of the board’s reporting entities, if any, have been consolidated with the board’s financial statements; and
- f) to ask the external auditor about any other relevant issues.

As a result of the above, annually, the audited financial statements are presented to the Audit Committee to review and make a recommendation to the Board of Trustees that they be approved.

In reviewing the financial results for the previous year, it is important to note that the Ministry of Education requires school Districts to budget and report on a slightly different basis of accounting than that presented in the consolidated financial statements. Specifically, the Ministry reporting is referred to as “compliance” reporting, which means it is in accordance with the applicable regulations that govern how certain funding must be spent and that limit the use of accumulated surplus to support a budgeted and actual deficit.

KEY CONSIDERATIONS:

- 4. The draft 2023-2024 Consolidated Financial Statements are attached as Appendix A. They have been prepared in accordance with requirements and standards established for school boards, which include standards established by the Public Sector Accounting Board (PSAB). The statements are referred to as draft until they are approved by the Board.

In compliance with these accounting standards, the financial activity, and balances of the Ottawa-Carleton Education Network (OCENET), school generated funds (SGF), which are held by individual schools and school councils, and the Ottawa Student Transportation Authority (OSTA), have been consolidated with the OCDSB’s financial information. With regard to OSTA, the amounts have been proportionally consolidated recognizing that OSTA also serves the Ottawa Catholic School Board’s transportation needs.

On a consolidated basis, the 2023-2024 actual results showed expenses of \$1.282 billion, revenues totaling \$1.295 billion and a surplus of \$12.25 million. Table 1 compares the consolidated results and the consolidated budget. As can be seen in the table, there was a net decrease in the accumulated surplus relative to the consolidated budget.

Table 1 – Comparison of Actual Results and Consolidated Budget

	Actual	Consolidated Budget (Restated)	Change
	\$	\$	\$
Revenues	1,295,129,932	1,122,103,814	173,026,118
Expenses	1,282,878,414	1,112,834,108	170,044,306
Surplus (Deficit)	12,251,518	9,269,706	2,981,812

5. Accumulated Surplus

Note 9 to the draft consolidated financial statements provides additional detail regarding the accumulated surplus and segregates amounts that are available for compliance from amounts that are restricted and not available for compliance. Amounts available for compliance can be used by the Board to balance future budgets within limits established by the Ministry; however, the Board cannot direct the use of restricted amounts. Table 2 summarizes the information presented in Note 9 and shows the total accumulated deficit of \$17.6 million.

Table 2 – Summary of Note 9 – Consolidated Accumulated Surplus

	Actual as at 31 Aug 2024	Actual as at 31 Aug 2023 (Restated)	Change increase (decrease)
	\$	\$	\$
<u>Available for compliance</u>			
Restricted-committed capital	13,934,981	14,609,424	(674,443)
Committed Capital Projects adj			
Internally appropriated			
Extended Day Program	(870,712)	(1,770,383)	(299,118)
Budgets carried forward	1,146,747	1,887,089	(740,443)
Business systems	2,000,000	2,000,000	
Contingencies	3,000,000	3,500,000	(500,000)
Unappropriated Surplus (Deficit)	(11,132,437)	142,979	(142,979)
	8,078,578	20,369,109	(12,290,530)
<u>Unavailable for compliance</u>			
OCENET	3,672,744	4,850,410	(1,177,666)
School generated funds	10,567,844	10,170,317	397,527
Employee future benefits		(7,910,635)	7,910,636
Committed Capital Projects Adj			
Asset Retirement Obligation	(177,618,345)	(174,960,985)	(2,657,360)
Revenue recognized for land	137,741,447	117,672,535	20,068,912
	(25,636,310)	(50,178,358)	24,542,048
Total accumulated surplus	(17,557,731)	(29,809,249)	12,251,518

Amounts have also been internally appropriated as follows:

- The OCDSB is posting an unappropriated deficit of \$11.1 million;
- \$1.1 million has been identified as a budget carryforward and will be used to support schools;
- \$2.0 million has been set aside for the renewal of the OCDSB's business management systems specifically for Finance, Budget, Payroll and Employee Services;
- \$3.0 million has been identified for contingencies relating to revenue shortfalls or increased expenses relative to the budget. The amount is below the Ministry recommendation that a provision of approximately 2% of the annual operating allocation be established to respond to unanticipated budget variances; and

- The accumulated deficit for the Extended Day and the Childcare programs is reduced to \$870,000. This remainder will be eliminated as participation in the programs continues to increase and funding changes continue.

Amounts reported in the summary, as unavailable for compliance, relate to the accumulated surplus of OCENET, SGF fund balances, the newly implemented Asset Retirement Obligation (ARO) and revenue recognized for the purchase of land. The OCDSB’s obligation for the unfunded liability relating to employee future benefits (EFB) has been met. When combined, these amounts result in an externally appropriated (or restricted) net accumulated deficit of (\$25.6 million).

6. Year End Results Relative to Budget

The OCDSB’s 2023-2024 actual results on a non-consolidated (compliance) basis showed expenses of \$1.261 billion, revenues of \$1.249 billion and a deficit of \$12 million. Table 3 compares the surplus with the amount originally budgeted.

Table 3 – Comparison of Actual Results and Budget (Compliance Results)

	Actual	Budget	Change increase (decrease)
	\$	\$	\$
Revenues	1,249,485,823	1,101,048,096	148,437,727
Expenses	1,261,582,235	1,101,048,096	160,534,139
Surplus (Deficit)	(12,096,412)	-	(12,096,412)

Changes in revenues and expenses since the approval of the OCDSB’s 2023-2024 Budget are expanded upon in Report 24-127, Analysis of the District’s 2023-2024 Financial Results.

The approval of the draft 2023-2024 Consolidated Financial Statements includes the provision that certain unspent budgets be carried forward for use in 2023-2024. The amounts carried forward act as a draw on the accumulated surplus and are available to the respective budget holders to purchase supplies and services in the subsequent year.

7. OCENET

OCENET is an arm’s length not-for-profit organization whose principal activity is to market products, programs, services and expertise to international students and to generate tuition revenue for the OCDSB. OCENET’s activities are overseen by a Board of Directors, which includes two (2) trustees, the Director of Education and the Associate Director, Business Operations. The Board of Directors makes decisions regarding the use of OCENET’s accumulated surplus.

OCENET is consolidated into the OCDSB financial statements based on the degree of control the Board exercises over OCENET. The accounting standards require the OCDSB to consolidate OCENET's financial position in the Board's financial statements.

8. **School Generated Funds (SGF)**

SGF are funds that are collected by school communities, for example, through fundraising activities, and are used for the benefit of students and the school. Uses vary by school and may include activities such as yearbook publications, student excursions that are not part of the curriculum, graduation events, lunch programs and charitable fundraising. Individual school principals are responsible for overseeing the management of SGF for their respective schools. School Councils, in collaboration with school principals, are responsible for the management of school council funds.

The balances shown in the draft consolidated financial statements reflect the activities and fund balances of all schools in the OCDSB and include funds raised and administered by school councils.

9. **Employee Future Benefits (EFB)**

The Employee Future Benefits (EFB) obligations have been met.

10. **Asset Retirement Obligations**

Public sector entities in Canada, which includes the education sector, have a legal obligation to retire certain tangible capital assets at the end of their lives. Effective in 2022, under PS 2380 Asset Retirement Obligations (ARO), school OCDSBs must have a liability reflected in their financial statements. See Note 8 for a breakdown of the ARO for the OCDSB.

11. **Revenue Recognized for Land**

The OCDSB collects Education Development Charges (EDC) at rates approved by the Board. The use of EDC revenue is restricted to land acquisition costs. Amounts collected are reported as deferred revenue until used.

12. **Summary**

KPMG LLP, the OCDSB's external auditors, has conducted the audit in accordance with Canadian generally accepted auditing standards and has provided an opinion which is shown in the draft 2023-2024 Consolidated Financial Statements.

The opinion expressed in the Independent Auditors' Report is without qualification. It states, "In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2024, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with the basis of accounting described in note 1(a) to the financial statements."

Changes to the draft consolidated financial statements resulting from Audit Committee or Board discussions are subject to further audit.

RESOURCE IMPLICATIONS:

- 13. The review and approval of the year-end financial statements is an important milestone in the OCDSB’s financial cycle, and an important aspect of the Audit Committee’s mandate. It provides an opportunity to review and discuss the previous year’s financial results, including material or significant variances from the budget and revised estimates.

COMMUNICATION/CONSULTATION ISSUES:

- 14. The draft consolidated financial statements were prepared by Finance staff in consultation with other departments.

The external auditor met with members of the senior management team including the Director of Education, Superintendent of Employee Services, Associate Director of Business and various staff from the Finance, Employee Services, and Business and Learning Technologies departments when conducting the audit. The external auditor’s attendance at this meeting provides the opportunity for members of the Audit Committee to ask questions and discuss any issues or areas of concern that may have been identified during the audit.

RECOMMENDATION:

THAT the draft 2023-2024 Consolidated Financial Statements attached as Appendix A to Report 24-126 be approved.

Randall Gerrior
Associate Director of Education,
Business

Pino Buffone
Director of Education and Secretary of
the Board

Appendices:

Appendix A - Consolidated Financial Statements of the OCDSB for the Year Ended August 31, 2024 (Draft)