



BRANDON SCHOOL DIVISION

Finance Committee Minutes

Tuesday, November 12, 2013, 2:00 p.m.
Board Room, Administration Office

Present: K. Sumner (Chairperson), M. Sefton, Dr. D. Michaels,
D. Labossiere.

Regrets: L. Ross

Guest: Todd Birkhan, BDO Canada LLP

1. CALL TO ORDER:

The Finance Committee Meeting was called to order at 2:10 p.m. by Committee Chairperson, Mr. Kevan Sumner.

2. APPROVAL OF AGENDA

The Finance Committee Agenda was approved as circulated.

3. REVIEW OF COMMITTEE MINUTES

The Minutes of the Committee meeting held September 23, 2013 were received as information.

4. COMMITTEE GOVERNANCE GOAL ITEMS

A) Presentation of 2012-2013 Financial Audit – BDO Canada LLP (Timed event with Auditor – Mr. Todd Birkhan.

Chairperson, Mr. Sumner, welcomed Mr. Todd Birkhan, the Division Auditor from BDO Canada LLP, to the meeting. Mr. Birkhan began his presentation by thanking the Secretary-Treasurer and his Department for all the work they had done, while short-staffed, to assist in completing the audit. He assured the Committee that it was not unusual for the Public Schools Finance Branch to receive the audit late from Divisions across the Province. Mr. Labossiere noted the conversations he had held with the Public Schools Finance Branch regarding the timelines and when the final audit would be filed with the Province.

Mr. Birkhan then reviewed the Audit Letter addressed to the Board explaining the process involved in undertaking the audit. Mr. Birkhan spoke about the responsibilities of the auditor under the PSAB rules; he reviewed the audit approach and provided clarity regarding the "overall audit strategy" and "materiality". He noted the letter included information regarding "Likely aggregate misstatements" resulting from the Province's requirements to include sick pay liability and long service accrual. Trustees asked questions for clarification.

The Auditor expressed concern regarding the accumulated surplus. He noted while the Auditor would like to see an accumulated surplus of 5% of the operating budget, the Province sets a limit at 4% of the budget. The Brandon School Division accumulated surplus currently sits at 0.84% of the budget. Mr. Birkhan noted this is the equivalent of only three days of operating expenses with payroll making up a majority of the operating expenses.

Mr. Birkhan confirmed he would be speaking to the Board of Trustees at their Regular meeting to be held in the evening on November 12, 2013 regarding the audit.

The Committee agreed to move forward with their recommendations regarding acceptance of both the Auditor's Reports and the audited financial statements. The Committee Chairperson thanked Mr. Birkhan for his presentation. Mr. Birkhan exited the meeting at 3:00 p.m.

Recommendation:

That the Auditor's Report and Financial Statements for the twelve month fiscal period ended June 30, 2013 be and are hereby accepted, and that the Chairperson be authorized to affix his signature and seal of the Division thereto.

5. OTHER COMMITTEE GOVERNANCE GOAL ITEMS

A) Confirm Payments of Account (September)

The Secretary-Treasurer answered Trustee questions regarding accounts. The payments of account for September were accepted.

B) Review Monthly Reports (Fiscal Year Ended – June 2013)

The Secretary-Treasurer reviewed his memo to the Board of Trustees regarding the Auditor's Report and Financial Statements for the Year Ended June 30, 2013. (Appendix "A"). He noted the operations of the Division for the year ended June 30, 2013, resulted in a net operating deficit of \$1,463,933 which was reflected in the "Operating Fund – Schedule of Revenue, Expenses and Accumulated Surplus" of the Audited Report. Mr. Labossiere reviewed the "Summary of Over-Expenditures Report" as well as the "Accumulated Surplus Analysis". He noted he would be speaking to both these reports at the regular meeting of the Board of Trustees to be held on November 12, 2013.

Mr. Labossiere answered Trustee questions for clarification with respect to substitute teacher costs; Ameresco; School Bundle; and the Computer Reserve. The Committee expressed concern regarding the accumulated surplus. The Committee Chairperson spoke to the importance of Trustees respecting the budget cycle and waiting for the next budget cycle to include items, rather than funding from accumulated surplus.

The Superintendent spoke to the impact legislation has on the budget process when the legislation does not come with dollars attached. She noted the Secretary-Treasurer would be bringing a summary for In-Camera discussions to the November 12, 2013 Board meeting. The summary would include information that is known to date, including: the current state of the contingency funds; the Minister of Education and Advanced Learnings statements to the media; the recommendations of the Personnel Committee; and the recent Municipal Reassessment.

6. OPERATIONS INFORMATION

The regularly scheduled November Finance Committee Meeting would be held to discuss the feedback received from the various stakeholders regarding budget. The December Finance Committee Meeting would be moved from December 23, 2013 to December 16, 2013.

7. NEXT REGULAR MEETING: Monday, November 25, 2:00 p.m., Board Room.

The meeting adjourned at 3:35 p.m.

Respectfully submitted,

K. Sumner (Chairperson)

L. Ross

M. Sefton

P. Bartlette (Alternate)



BRANDON SCHOOL DIVISION

Office of the Secretary-Treasurer

Mr. Denis Labossiere, Secretary-Treasurer

Appendix "A"

MEMO

DATE: November 12, 2013

TO: The Chairperson and Board of Trustees

FROM: Denis Labossiere, Secretary-Treasurer

RE: Auditor's Report and Financial Statements for the Year Ended June 30, 2013

Included in the agenda for the Board of Trustees' approval is the Auditor's Report and Financial Statements for the period ended June 30, 2013. As stated in the Auditor's Report, the consolidated financial statements present fairly, in all material respects, the financial position of the Brandon School Division as at June 30, 2013 and that the results from our operations and our cash flows for the year then ended are in accordance with Canadian public sector accounting standards.

The operations of the Brandon School Division for the year ended June 30, 2013, resulted in a net operating deficit of \$1,463,933 as reflected on the Operating Fund – Schedule of Revenue, Expenses and Accumulated Surplus on page 7. This is a variance of approximately 1.86% from the total budget.

The attached Summary of Over Expenditures report, presented to the Finance Committee on November 12, 2013, outlines the major items contributing to the budget variance as reported in the Audited Financial Report.

Also attached, is the Accumulated Surplus Analysis which shows an undesignated surplus of \$661,327, or 0.84% of the 2012/13 Operating Budget, which is a low operating contingency in relation to our total budget and the uncertainties of the current budgeting process.

We trust this summary of the Division's financial operations for the year ended June 30, 2013 is sufficient, but if further information or clarification is required, please contact me.

Respectfully submitted,

D. Labossiere, CGA
Secretary-Treasurer
/sb

"Accepting the Challenge"

Summary of Over Expenditures
2012/13
June 30, 2013

Motion **Approved Over Expenditures**

| | | | |
|---|-----------|---------|---------|
| 17/2002 Computer Replacement/School Bundle | | 106,561 | |
| 169/2011 Ameresco | | 22,760 | |
| 22/2012 Teacher Mentorship Initiative | | 32,000 | |
| 22/2012 Real-Time Streaming and Archiving of Board Meetings | | 16,500 | |
| 22/2012 Riverheights Parking Lot Extension | | 52,500 | |
| 55/2012 Joint Job Evaluation Human Resources Secretary | | 49,883 | |
| 96/2012 Teachers for K-3 Class Size Initiative, staff changes | 755,000 | | |
| 20K3 Class Size Initiative funding | (131,200) | | |
| Additional Grant funding (EAL & Enrollment Change) | (407,800) | 216,000 | |
| 98/2012 All-Day/Every Day Kindergarten for George Fitton | | 108,700 | |
| | | | |
| | | | 604,904 |

Unapproved Over Expenditures

| | | | |
|--|---------|---------|-------------------------|
| Respectful Workplace | | 237,384 | |
| <u>Collective Agreements</u> | | | |
| Parental Leaves | 54,217 | | |
| Maternity Leaves | 34,555 | | |
| Other Leaves, Family, Breavement, Special Discretionary | 86,451 | | |
| Substitutes | 188,768 | | |
| Relief Bus Drivers | 99,989 | 463,980 | |
| | | | |
| Reduction in interest revenue and increase in interest costs | | 47,698 | |
| Non-Vested Sick Leave - per PSFB formula | | 76,758 | |
| Other various over (under) expenditures | | 33,209 | 859,029 |
| | | | |
| 2012-2013 Over Expenditure | | | <u><u>1,463,933</u></u> |

BRANDON SCHOOL DIVISION
ACCUMULATED SURPLUS ANALYSIS

As of June 30, 2013

| | <u>Board Motion No.</u> | |
|---|-----------------------------|------------------------------|
| ACCUMULATED SURPLUS AS AT July 1, 2012 | | \$ 2,493,258 |
| Non-vested Sick Leave | | 367,489 |
| Net Current Year (2012-2013) Deficit | | <u>(1,463,933)</u> |
| Operating Fund Accumulated Surplus Gross of Non-vested sick leave - June 30, 2013 | | 1,396,814 |
| LESS: Designated & Committed | | |
| a) School Carry Forwards | Policy | \$ 146,300 |
| b) Crocus Plains Fieldhouse & In Ground Sprinkler System | 21/2013 | 21,000 |
| LESS: Designated but not Committed | | |
| a) Vocational Equipment Replacement | | 50,000 |
| b) Major Building Renovations | | 40,894 |
| c) Administration Computers | | 9,924 |
| d) Insurance Aggregate Retention (Self-Insurance) | 155/2006 | 45,000 |
| e) Natural Gas Infrastructure - Transportation | 156/2007 | <u>54,880</u> |
| Total Designated Surplus | | <u>367,998</u> |
| Undesignated Surplus (Deficit) | | 1,028,816 |
| LESS: Non-vested Accumulated Sick Leave Liability | | 367,489 |
| UNDESIGNATED SURPLUS NET OF NON-VESTED SICK LEAVE- JUNE 30, 2013 | | <u>\$ 661,327</u> |

| | |
|--|---------------|
| 2012/2013 Operating Budget | \$ 78,884,000 |
| Percentage of Undesignated Surplus on 2012/2013 Operating Budget | 0.84% |

In previous financial reports to the Board of Trustees we have reported the auditor's opinion that the Division should carry an undesignated surplus of at least 5% of the annual budgeted expenditures, or approximately \$3,944,200. An undesignated accumulated surplus of \$661,327, or 0.84%, is a low operating contingency fund in relation to our total budget and the uncertainties characteristic of the current budgeting process. The Office of the Secretary-Treasurer continues to recommend that the Board of Trustees endeavor to maintain the unappropriated accumulated surplus balance.

Furthermore, as per Motion 129/2012, the Board of Trustees has agreed that Senior Administration be directed to plan for an contingency fund that is no less than 2% of the operating budget which would be approximately \$1,577,700 based on the 2012/2013 Operating Budget.