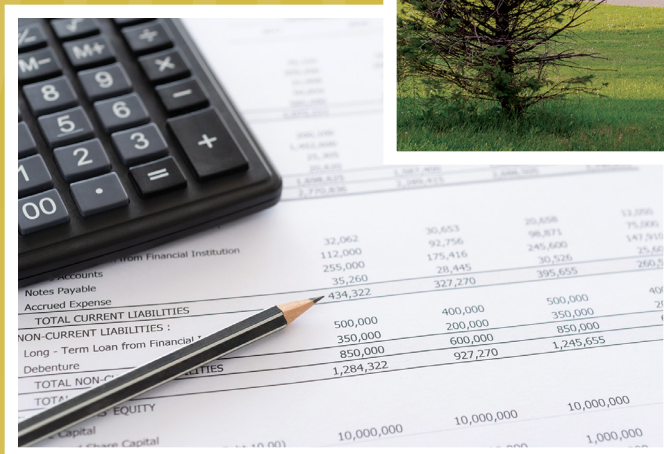




Office of the Auditor General of Ontario

# Value-for-Money Review: Financial Reporting of School Boards in Ontario



*December 2021*



# Financial Reporting of School Boards in Ontario

## 1.0 Summary

In 2019/20, the Ministry of Education (Ministry) provided the province's 72 district school boards and 10 school authorities (school boards) with \$25.6 billion. School boards used this money to administer Ontario's elementary and secondary education programs.

The Ministry is responsible for overseeing school boards' financial health and how they make use of funding. Audited financial statements are a primary tool for oversight. The *Education Act* (Act) governs school boards and requires the treasurer of every board prepare annual financial statements covering the period from September 1 to August 31—the school year. These financial statements must be audited, submitted to the Ministry and made publicly available on each school boards' website within six months after the school year-end. The Ministry reviews the audited financial statements to confirm that school boards are compliant with the Act. Parents, guardians and the public can also read these financial statements to evaluate the quality of school board financial management in their region.

Our review assessed whether the financial statements of Ontario's school boards for the 2018/19 and 2019/20 fiscal years were effectively prepared and communicated. We assessed whether financial information was publicly available, relevant, reliable, comparable, understandable and clearly presented in

a manner that maximized its usefulness to financial statement users, in accordance with Canadian public sector accounting standards (Canadian PSAS).

We found that the Ministry has processes in place to review the school boards' financial submissions. For example, it reviews changes in financial results year-over-year, requests explanations from school boards for significant variances, and monitors submissions to ensure that school boards comply with legislated limits on in-year deficits. The Ministry also issues illustrative financial statement note disclosures to school boards annually.

Overall, our review found that school board financial statements are prepared in accordance with Canadian PSAS. However, there are several opportunities to improve the quality of school board financial reporting in Ontario through implementation of best practices for financial statement disclosures. Specifically:

- **School boards inconsistently disclose education property tax revenues.** Only one school board disclosed a detailed description of the nature of education property tax revenues. Collectively, school boards used 11 different terms (such as “municipal grants” and “provincial grants in lieu of taxes”) to refer to property tax revenue in their financial statements. Further, in both 2018/19 and 2019/20, 34 school boards did not separately disclose the amount of property tax revenue even though property taxes contribute approximately \$7 billion or 29% of total provincial



funding to school boards. Transparent disclosure of the nature and source of this significant revenue stream provides the Ministry, boards of trustees, municipal tax payers and other financial statement users with information about the amount of property tax received by school boards.

- **School board financial statements indicate they are prepared in accordance with legislated requirements instead of Canadian Public Sector Accounting Standards.** School boards state that their financial statements are prepared in accordance with a legislated accounting framework (that is, a framework set by the Province through legislation). This is not necessary, as the legislated requirement to record provincial funding for capital acquisitions (such as buildings and equipment) as “**deferred capital contributions**” is consistent with Canadian PSAS. Reporting under a legislated framework may create the perception that Ontario’s school board financial statements are not prepared in accordance with Canadian PSAS, and therefore not comparable to other jurisdictions’ school board financial statements or to broader public sector entities in Ontario even when the legislation actually results in the same accounting as Canadian PSAS.
- **The financial statements of 18 school boards did not receive a “clean opinion” in 2018/19 (16 in 2019/20) because auditors were unable to determine whether fundraising revenue was complete.** School fundraising revenue (unaudited) for these 18 school boards totalled \$31.4 million in 2018/19 (\$16.2 million in 2019/20). These school boards received **qualified opinions** because they did not have adequate documentation and controls in place for auditors to verify the completeness of their cash fundraising. In turn, community members and financial statement users received no independent assurance over the completeness of the donations and other fundraising activities reported in these school boards’ financial statements.
- **Nine school boards incorrectly accounted for their school bus transportation partnerships in both 2018/19 and 2019/20.** Seventy-one school boards have entered into 33 partnership agreements to provide school bus transportation services to students. These agreements are considered to be “government partnerships” under Canadian PSAS. Nine school boards accounted for their transportation partnership incorrectly including a \$26 million overstatement of expenses for the two school boards which fully consolidated their partnership interests. The remaining seven school boards understated their assets, liabilities, and in some cases revenues, by not recording their share of the partnership’s financial results. The incorrect application of accounting standards makes it difficult to compare financial stewardship results among school boards.
- **Twenty-seven school boards did not disclose who they borrowed from, and eight did not disclose the nature of their investments.** Canadian PSAS requires the nature of investments and **related party transactions**, such as borrowing through a provincial agency, to be disclosed. Ontario regulations also establish limitations for school board borrowing, including who school boards can borrow from, investing and other financial transactions. In fiscal year 2018/19, 27 school boards (27 in 2019/20) did not disclose the lenders of their loans, which totalled approximately \$2.4 billion. Another eight school boards did not disclose details about their \$222 million in investments. Failure to disclose this information means that the Ministry and other users could not use the audited financial statements to evaluate school boards’ compliance with all debt and investment regulations.
- **The Province does not consolidate the Ontario School Boards’ Insurance Exchange (OSBIE or the “Exchange”).** OSBIE was established in 1987 to provide general liability insurance to Ontario school boards and has since evolved to provide various types of insurance such as property insurance, cyber insurance and fleet automobile insurance. OSBIE is collectively controlled by 79 school boards. Canadian PSAS requires the

financial results of controlled entities to be fully consolidated in the Province's statements. The Province has not historically reported in its consolidated financial statements OSBIE's financial results, which includes \$128 million in net assets and \$11 million in comprehensive income as of December 31, 2020, and for the year then ended, respectively.

This report contains 17 recommendations, with 26 action items, to address our findings. See **Appendix 1** for a list of the findings in this report which are relevant to each school board.

## Overall Conclusion

School board financial statements are being prepared in accordance with Canadian PSAS even though the accounting framework disclosed in their financial statements does not reflect this. In our view, school boards should state that their financial statements are prepared in accordance with Canadian PSAS. Referencing a legislated accounting framework reduces the perceived comparability of school board financial statements to other public sector entities and Canadian jurisdictions, and can confuse some users.

There are also opportunities to improve the information contained in the financial statements to better serve the needs of decision-makers and other financial statement users. Financial statements should thoroughly and transparently disclose school boards' activities so as to provide users with sufficient information to evaluate school boards' compliance with financial regulations. The findings and associated recommendations highlighted in this report will improve the relevance, reliability, comparability, timeliness and understandability of school board financial statements. In turn, boards of trustees and the Ministry will be better equipped to effectively discharge their financial oversight responsibilities. School boards and the communities and taxpayers they serve will also be able to better understand how tax dollars are being spent in the Ontario public school system.

While recommendations in this report are addressed to the Ministry, individual school boards should review the findings that apply to them in **Appendix 1** and take actions to address these findings and improve the usefulness of their financial statements.

## OVERALL MINISTRY RESPONSE

The Ministry of Education thanks the Auditor General and her team for their recommendations about how the Ministry can work with school boards to ensure that their financial statements are effectively prepared and communicated.

Over two million students rely on Ontario's publicly-funded education system. That is why Ontario provided over \$27 billion in 2020/21 to its publicly-funded school boards to support high-quality learning, build new schools, refresh existing ones and to ensure that Ontario students are being provided with an education that positions them for future success. We agree with the Auditor General that the public has a right to know how their tax dollars are being spent by the education sector and welcome her and her team's advice on how more clarity can be provided to school board financial statements.

The public confidence in Ontario's education system is a result of the Ministry working closely with our education partners. The Ministry issues guidance, coordinates and supports school boards on implementing financial reporting standards, and provides strategic oversight on school boards' financial management. The Ministry will continue to work with its partners to ensure accuracy, comparability, reliability and usefulness of school boards financial statements.

In its detailed responses, the Ministry has indicated its agreement with the recommendations found in this report and has committed to implementing as many as practical within the next year. As always, our focus remains on providing a strong educational foundation for Ontario's future leaders.

## 2.0 Background

### 2.1 Overview

Ontario's 82 school boards and school authorities operate the province's publicly-funded schools which provide elementary and secondary education to approximately two million students, as of the 2019/20 school year. This includes 72 school boards comprising 31 English public boards, 29 English Catholic boards, four French public boards and eight French Catholic boards. There are also 10 school authorities, consisting of four geographically isolated boards and six hospital-based school authorities. See **Appendix 2** for a list of the school boards and school authorities (school boards) in Ontario as of 2019/20.

The *Education Act* (Act) and its regulations govern school boards and school authorities. Under the Act, the Ministry's responsibilities include distributing provincial funding to school boards and ensuring that school boards comply with the Act and its regulations. School boards use the funding they receive to do things such as prepare an annual budget, supervise the operation of schools and their teaching programs and produce audited financial statements.

Due to strict regulations under the Act, most school boards reported an in-year surplus in 2019/20 and all school boards were compliant with the deficit restrictions imposed by the Act. School boards reported an aggregate annual surplus of \$0.7 billion and an accumulated surplus of \$5.9 billion as of August 31, 2020.

As required under the Act, school boards prepare and publish audited financial statements annually. These statements are key documents that report on each school board's stewardship and use of public funds with which they are entrusted. School board financial statements are used by the board of trustees to exercise their oversight of school boards. School board financial reporting is an important element of keeping locally-elected trustees publicly accountable for their budgeting and governance over school

boards. These statements are also consolidated into the Province's financial statements, which are part of the critical financial information on which the Legislature bases broader funding and policy decisions that affect the daily lives of Ontarians.

### 2.2 History of School Board Financial Reporting in Ontario

In March 2004, the Ministry informed school boards that they would be required to adopt Public Sector Accounting Board (PSAB) standards for local governments as their financial reporting framework. Previously, school boards prepared their financial statements using a modified-cash basis of accounting. As part of the transition to Canadian public sector accounting standards (Canadian PSAS), the Ministry developed sample note disclosure templates to assist all school boards in preparing their financial statements. School boards began preparing financial statements in accordance with Canadian PSAS in the 2003/04 fiscal year with a one-year delay in consolidating school-generated funds in their financial statements. The Ministry provides school boards with updated illustrative financial statement disclosures annually.

In 2009, the *Education Act* and the *Financial Administration Act* were amended. The *Education Act* amendments specify that the government could prescribe accounting standards for Ontario school boards to use in preparing their financial statements. The *Financial Administration Act* amendments allow the government to prescribe accounting standards for any public or non-public entity whose financial statements are included in the Province's consolidated financial statements.

In 2011, the Province passed Ontario Regulation 395/11 under the *Financial Administration Act* which requires transfers for **capital asset** acquisitions and transfers of tangible capital assets to be accounted by recipients as "deferred capital contributions." The deferred amounts are to be brought into revenue by transfer recipients at the same rate as they recognize

**amortization** expense on the related assets. This prescribed accounting treatment is consistent with Canadian PSAS. Since 2011, school boards have prepared financial statements in accordance with this legislative framework. However, there are no material differences between the way they are preparing their financial statements and Canadian PSAS. See **Appendix 9** for a glossary of accounting terminology used in this report.

## 2.3 School Board Financial Reporting

### 2.3.1 Ministry Oversight of School Board Financial Reporting

The Act gives the Ministry a number of powers and oversight responsibilities related to school boards. The Ministry's key oversight functions include:

- monitoring the financial health of Ontario's school boards;
- conducting student enrolment audits;
- developing audit tools and the framework for school boards' audit committees and regional internal audit teams; and
- establishing reporting and accountability requirements associated with administering grants to school boards.

With respect to oversight of school boards' use of operating funds, the Ministry is responsible for the development and implementation of policies for funding the boards. This includes the administration of operating grants and the implementation and monitoring of policies and programs. The Ministry is also responsible for performing reviews of financial submissions of school boards to confirm the correct amount of funding was provided to school boards, school boards are compliant with the Act, and the financial submissions are accurate and complete.

The Ministry communicates information that will affect school board financial policies and financial administration through various memoranda. For example, the Ministry communicates financial reporting requirements for the fiscal year through three

memos sent to school boards, school authorities and isolated boards. See **Figure 1** for an overview of the timeline of key financial reporting communications and deliverables between the Ministry and school boards in a typical year.

### 2.3.2 Roles and Responsibilities of School Boards

The Act gives school boards a number of powers and responsibilities. School board treasurers are responsible for:

- preparing annual financial statements each fiscal year (that is, September 1 to August 31);
- arranging for the financial statements to be audited by an independent auditor;
- submitting a copy of the audited financial statements and the auditor's report to the Ministry; and
- publishing the financial statements and the auditor's report on the board's website within 180 days of the fiscal year-end (that is, by February 28).

See **Appendix 3** for a list of the operating responsibilities of school boards under the Act.

Due to the different fiscal year-ends used by school boards in their financial statements (August 31) and the Province in the Public Accounts (March 31), school boards are required to report supplementary financial information to the Ministry as of March 31. Private sector auditors perform specified audit procedures to check the accuracy of this supplementary information for the period from September 1 to March 31. This process facilitates the inclusion of school board financial results in the consolidated financial statements of the Province.

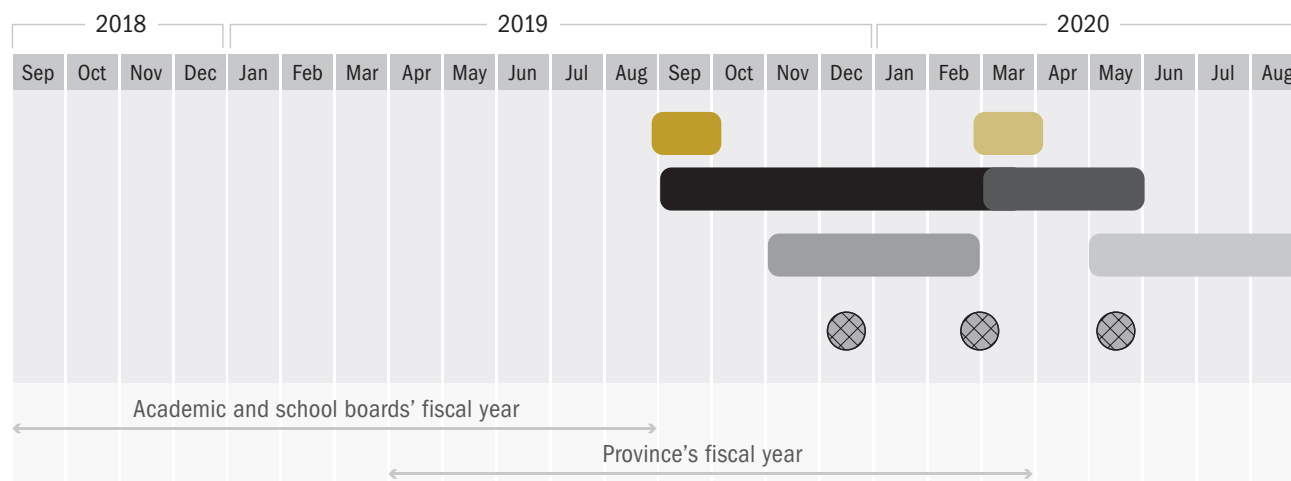
## 2.4 School Board Funding

### 2.4.1 Grants for Student Needs

The Ministry of Education provides the vast majority of operating funding to Ontario's school boards through its annual Grants for Student Needs (GSN). In the 2019/20 school year, the GSN

**Figure 1: Overview of School Board Financial Reporting Timelines, 2018/19**

Prepared by the Office of the Auditor General of Ontario


**SB1**

The Ministry of Education (Ministry) issues an “SB” memorandum to provide instructions to school boards on reporting their August 31 audited financial statements using the web-based reporting system for school boards (Education Financial Information System). The memorandum also includes a link to Ministry guides and training available on the Ministry’s website.

**SB2**

The Ministry issues a second “SB” memorandum providing instructions to school boards on reporting their March 31 balances and revenues and expenses for the seven-month period from September 1 to March 31 for the province’s consolidated financial reporting purposes (i.e., the annual report on the Public Accounts of Ontario). School boards must also provide the Ministry with a report prepared by their external auditor for the period from September 1, 2019 to March 31, 2020 that checks the completeness and accuracy of the board’s submission to the Ministry.

Board prepares financial statements and approves audited financial statements

Board prepares March reporting

Ministry reviews November board submission

Ministry reviews May board submission



Nov 15 (school boards), Dec 31 (school authorities) and Jan 15 (isolated boards): Deadline to submit financial statements and supplementary financial information to the Ministry. School boards may submit financial statements separate from other information by Dec 3.

Feb 28: Deadline to publish financial statements on the school board website.

May 15: Deadline to submit March 31 reporting package to the Ministry

accounted for \$25.3 billion or 94% of total school board funding of \$26.9 billion. See **Figure 2** for the breakdown of the sources of school board revenues in the 2018/19 and 2019/20 school years.

The Ministry determines each board’s overall allocation using a student-focused funding formula described in detail in an annual regulation under the Act. The GSN is commonly referred to as the “funding formula” because the Ministry uses it to set the total amount of education funding (excluding Provincial grants—Other) allocated to a school board.

In the 2019/20 school year, the GSN was funded by \$17.9 billion of provincial grants and \$7.4 billion of education property taxes remitted by municipalities

directly to school boards. **Figure 3** provides a breakdown of the GSN funding for the 2019/20 school year and **Appendix 4** gives two examples of formulas used to calculate funding for the grants for student needs.

The GSN calculated using the funding formula is reduced by certain expenses and fees to determine the actual grant payable by the Ministry of Education in a school year. See **Figure 4** for the items deducted from the gross GSN.

### 2.4.2 Education Property Taxes

Prior to 1998, school boards would set local education property tax rates, and municipalities would



**Figure 2: Total School Board Funding, 2018/19 and 2019/20**

Source of data: Ministry of Education, Education Financial Information System

Funding Source	2018/19		2019/20	
	(\$ million)	% of Total	(\$ million)	% of Total
Ministry of Education – Legislative grants	18,271	66	17,889	67
Education property taxes*	7,323	27	7,398	27
<b>Total Grants for Student Needs Funding</b>	<b>25,594</b>	<b>93</b>	<b>25,287</b>	<b>94</b>
Provincial grants – other	408	1	320	1
<b>Total Provincial Funding</b>	<b>26,002</b>	<b>94</b>	<b>25,607</b>	<b>95</b>
Other revenue	889	3	772	3
Fundraising revenue	590	2	370	1
Other government grants	129	1	126	1
<b>Total School Board-Generated Funding</b>	<b>1,608</b>	<b>6</b>	<b>1,268</b>	<b>5</b>
<b>Total</b>	<b>27,610</b>	<b>100</b>	<b>26,875</b>	<b>100</b>

\* Education property taxes are collected by municipalities on behalf of the province and remitted directly to school boards operating in their local jurisdictions.

**Figure 3: Grants for Student Needs (GSN) Funding Allocations for School Year, 2019/20**

Source of data: Ministry of Education, Education Financial Information System

Type of Grant	Funding for 2019/20 (\$ billion)	Portion of Total GSN (%)
Pupil Foundation Grant <sup>1</sup>	10.7	43
Special Education Grant <sup>2</sup>	3.1	12
Cost Adjustment and Teacher Qualifications and Experience Grant <sup>3</sup>	2.8	11
School Operations Allocation <sup>4</sup>	2.2	9
School Foundation Grant <sup>5</sup>	1.5	6
Total funding for other specific purposes	4.5	17
<b>GSN Funding (Operating)</b>	<b>24.8</b>	<b>98</b>
Capital and other provincial legislative funding	0.5	2
<b>Total GSN Funding</b>	<b>25.3</b>	<b>100</b>

1. The Pupil Foundation Grant provides funding for the salaries of classroom teachers, early childhood educators in kindergarten classes, educational assistants, and other teaching staff such as librarians and guidance counsellors. It also funds textbooks, classroom supplies and classroom computers.
2. The Special Education Grant provides funding for programs, services and/or equipment for students with special education needs.
3. The Cost Adjustment and Teacher Qualifications and Experience Grant provides compensation-related funding adjustments for teachers and other staff. For example, the teacher qualifications and experience allocation provides funding to boards with teachers that, due to their qualifications and years of experience, have average salaries different from the benchmark used in the Pupil Foundation Grant.
4. The School Operations Allocation provides funding for the costs of operating, maintaining and repairing school facilities.
5. The School Foundation Grant provides funding for principals, vice-principals and office support staff, as well as administrative supplies.

**Figure 4: Grants for Student Needs (GSN) Calculation**

Source of data: Ontario Regulation 277/19

<b>GSN Formula</b>	<b>Example Calculation (\$ million)</b>
Total GSN determined under the funding formula <sup>1</sup>	135
Less: declining enrolment for the current fiscal year	5
Less: school board's education property tax revenue for the current fiscal year	40
Less: school board's expenses that are not incurred in the current fiscal year by reason of a labour strike or lockout affecting the operations of the board	1
Less: school board's total fees revenue for the current fiscal year in respect of pupils whose parent or guardian resides on land exempt from provincial taxation (for example, residing on a reserve or outside of Ontario)	1
<b>Additional funding provided by the Ministry of Education for the GSN<sup>2</sup></b>	<b>88</b>

1. Grants for Student Needs (GSN) is a collection of several grants, many of which are made up of two or more components, described in detail each year in a regulation under the *Education Act*. Each school board's funding allocation is set out annually in this regulation.

2. This is the total grant payable by the Ministry of Education to a school board to reach the level set by the GSN funding formula.

collect property taxes on behalf of the school boards. Since 1998, school boards no longer determine education property tax rates.

Under the current school board funding system, the provincial government sets a uniform tax rate, based on a current value property tax assessment system, for the education portion of property taxes for all residential properties in the province. For example, the education property tax rate in 2020 was 0.153% of the assessed value of residential property for all Ontario municipalities. The provincial government also sets the education portion of business property taxes by location and property class. Municipalities collect the education portion of property taxes for the school boards that operate in their communities and remit the taxes directly to school boards on instalment dates set out in the Act. School boards provide estimates of this property tax adjustment to the Ministry through their interim and year-end financial reporting.

School boards record property taxes received from municipalities as part of the funding that they receive from the Ministry (commonly referred to as legislative or provincial grants), as they do not have the legislative right to set or levy the tax. The total amount of education property taxes collected and remitted by municipalities to school boards is recorded as a

separate tax revenue stream on the Province's consolidated financial statements. See **Section 4.1** for our detailed observations relating to this topic.

As shown in **Figure 4**, the Province tops up school boards' funding from education property taxes to equal the total amount of funding determined by the GSN funding formula. In other words, if two school boards were entitled to the same amount of funding through the GSN, any differences in funding from education property taxes would not result in any differences in total GSN funding.

In the 2019/20 school year, 29% of total GSN funding came from education property taxes. The remaining 71% came from the Ministry through various provincial grants.

### 2.4.3 School-Generated Funds and Other Grants

The Ministry also provides operating funding to school boards through Provincial Grant - Other which totalled \$0.3 billion in 2019/20. The GSN plus this other funding comprise about 95% of the operating funding available to school boards. The remaining \$1.3 billion of revenue comes from funds generated by the school boards themselves (such as fundraising events), and grants from the federal government.

## 2.4.4 Impact of COVID-19 on School Board Funding in 2019/20

As part of Ontario's Action Plan: Responding to COVID-19 (March 2020 Economic and Fiscal Update), the Minister of Finance announced the deferral of the June 30, 2020 quarterly municipal remittance of education property tax to school boards by 90 days to September 30, 2020. Similarly, the September 30, 2020 quarterly municipal remittance was deferred to December 31, 2020. In response, the Ministry increased its monthly operating grant payments to school boards to offset the temporary reduction in funding from education property taxes. Therefore, the school boards were not financially impacted by this decision.

As a result of the property tax deferral and provincial grant prepayment, as of the August 31, 2020 year-end school boards recorded a receivable from their municipality and a largely offsetting payable to the Ministry. The Ministry reduced the provincial grant payments starting in January 2021 until the advanced payment was fully recovered.

School boards disclosed this funding change in their notes to the 2019/20 financial statements. In addition to a general note describing COVID-19, school boards included the impact of COVID-19 on funding in their disclosures about accounts receivable from municipalities and accounts payable. The Ministry issued illustrative financial statement note disclosures to assist school boards with communicating these funding changes.

## 2.5 School Board Governance Structure

### 2.5.1 Board of Trustees

District school boards and school authorities are corporations, meaning they are separate legal entities distinct from the Ministry and the Province. **Appendix 5** shows the governance structure for school boards and school authorities. With the exception of hospital school boards, which are appointed

by the Ministry, the vast majority of school boards are governed by an elected board of trustees. Each school board trustee member must be a resident within the jurisdiction of the board and must be eligible to vote (that is, at least 18 years old, a Canadian citizen, etc). Elected trustees serve for a four-year term as their community's advocate for public education and assist the board in fulfilling its duties under the Act.

### 2.5.2 School Board Audit Committees

Ontario Regulation 361/10 under the Act requires every school board to establish an audit committee. School authorities are exempted from this requirement and as such do not have audit committees. A school board's audit committee assists the board of trustees in fulfilling its duties related to board governance and oversight. For example, the audit committee reviews the school board's financial statements and external auditors' reports.

The regulation specifies that each audit committee is required to have a certain number of board and non-board members. The number of board and non-board members grows with the size of the board. Pursuant to the O. Reg. 361/10, the non-board audit committee members are required to possess accounting, financial management or other relevant business experience to enable them to understand the accounting and audit standards applicable to the board. Audit committee members are chosen by a separate selection committee composed of board members. The chair of the audit committee is selected by the members of the audit committee in their first meeting of each fiscal year.

### 2.5.3 Directors of Education and Superintendents of Business or Finance

The Act allows the board, subject to regulations, to employ supervisory officers to carry out the board's senior management responsibilities. The Act stipulates that every school board, with the exception of

hospital boards, and every school authority must employ a Director of Education. The Director of Education is the chief executive officer for the school board or authority and is appointed by the board of trustees. Their responsibilities include overseeing the operations of the board, developing and actioning the board's multi-year plan, and acting as secretary to the board. Superintendents of Business or Finance are supervisory officers who report to the Director of Education and are typically responsible for the board's finances, accounting, audits, etc. Usually, the Superintendent of Business or Finance also signs the financial statements, given their expertise in accounting.

### 3.0 Review Objective and Scope

Our objective was to assess whether Ontario school boards and the Ministry of Education (Ministry) have effective policies and procedures in place to ensure that:

- the financial statements are relevant, reliable, comparable, timely, understandable and clearly presented, and
- the financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS).

We reviewed the 2018/19 audited financial statements of Ontario's school boards, as this was the most recent complete set of school board financial statements available at the time of our fieldwork. We also reviewed the 2019/20 fiscal year financial statements, which were all available by September 20, 2021. We confirmed that the findings from our review of the 2018/19 fiscal year financial statements remain applicable to the 2019/20 fiscal year financial statements.

In planning our work, we identified the criteria (listed in **Appendix 6**) we would use to address our objective. These criteria were established based on a review of applicable legislation, policies and procedures, internal and external studies, and best practices.

The Ministry reviewed and agreed with our objective and criteria.

We conducted our review within the period of January 2020 to September 2021. We obtained written representation from Ministry management that, effective November 19, 2021, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this report. Our work included:

- evaluating whether the school board financial statements were prepared in accordance with Canadian public sector accounting standards;
- evaluating the reliability of the financial statements based on their external audit reports;
- assessing the comparability of the financial statements across school boards;
- determining whether the financial statements were published in accordance with applicable legislation and made available to the public on a timely basis;
- meeting with staff from the Ministry of Education in their Financial Analysis and Accountability Branch; and
- interviewing relevant stakeholders including the Council of Senior Business Officials (a committee of the Ontario Association of School Business Officials, composed of senior school board officials with overall responsibility for financial statement preparation), Ontario Catholic School Trustees' Association, Ontario Public School Boards' Association, and Ontario School Boards' Insurance Exchange.

We conducted our work and reported on the results of our review in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada.

The Office of the Auditor General of Ontario applies the Canadian Standards of Quality Control and, as a result, maintains a comprehensive quality control system that includes documented policies and procedures with respect to compliance with rules



of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

## 4.0 Detailed Review Observations

The Ministry has developed a guidance document, which it updates annually, to assist school boards in preparing notes to their financial statements. This document (known as the “Illustrative Note Disclosures to the Consolidated Financial Statements”) provides examples of common note disclosures that the Ministry expects in school board financial statements. By referring to this document, school boards prepare their note disclosures in a more consistent manner, thereby improving the comparability of financial statements across all school boards.

Overall, we found that the illustrative note disclosures met the requirements under Canadian PSAS. We also identified several areas where the Ministry can enhance the illustrative note disclosures to further improve the comparability of school board financial statements. In addition, the document does not provide illustrative examples of financial statement templates such as the consolidated statements of financial position, operations, change in net debt and cash flows. As a result, school boards may use different terms to describe the same sources of revenues or expenses, thus reducing their comparability.

See **Appendix 1** for a listing of which findings discussed in this report apply to each school board’s 2018/19 and 2019/20 financial statements.

## RECOMMENDATION 1

To improve the comparability and usefulness of the school board financial statements, we recommend that the Ministry of Education:

- expand its illustrative note disclosure guidance to include illustrative examples of the consolidated statements of financial position, operations, change in net debt and cash flows; and
- require school boards to follow the illustrative guidance.

## MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. Consolidated statements of financial position, operations, change in net debt and cash flows are provided in the Education Finance Information System (EFIS) that school boards complete as part of the financial statement process. The Ministry will clarify that the format in the EFIS should extend to the school boards’ audited financial statements.

The Ministry will also require all school boards to follow the illustrative notes to the financial statements, unless, in consultation with their auditor, a different note better reflects the unique circumstances at a board.

## 4.1 Inadequate Education Property Tax Disclosure

Approximately 29% of provincial funding for school boards is provided through education property taxes. Disclosing this significant revenue stream is important for taxpayers to know how their tax dollars have been spent and how property taxes have contributed to education funding in the province. We expected school board financial statements to consistently disclose information about the nature of this revenue stream and the amount of property taxes recognized. Our review found that a majority of school boards did not make these disclosures.

### 4.1.1 Financial Statement Disclosure of Education Property Taxes Lacks Clarity and Detail

Although education property taxes contributed over \$7 billion to school board funding in 2019/20, disclosure of this revenue stream was limited and did not clearly describe the education property tax arrangement in Ontario. Representatives of Ontario's school board trustee associations expressed that, in their experience, this is an area of confusion for parents and guardians and the general public.

We found no discussion of how property tax revenues were generated or how they fit into the GSN funding formula in the financial statements of 14 school boards in 2018/19 (13 in 2019/20). The Ottawa-Carleton District School Board was the only school board financial statements which included a clear description of the relationship between property tax and the GSN. Note 10 of the Ottawa-Carleton District School Board 2019/20 financial statements reads: "School boards in Ontario receive the majority of their funding from the provincial government. This funding comes in two forms: direct grants from the provincial government and education property taxes. The provincial government sets the education property tax rate. Eighty-seven percent of the consolidated revenues of the Board are directly controlled by the provincial government through the grants for student needs." A table follows this description which discloses the portion of the grants for student needs received through direct funding from the Ministry of Education and through local property taxation.

To be transparent, school board revenue disclosures should describe what education property taxes are and how they are related to the GSN. Taxpayers can then understand how tax dollars from various sources have contributed to education funding in their communities. Public sector accounting standards require that information be disclosed in the financial statements to allow a reader to understand the nature and terms of the entity's revenue sources. More broadly, a fundamental objective of financial

reporting is to communicate information that is understandable and clearly presented to the reader. On the whole, school boards are not meeting this objective with the vague property tax disclosures in the 2018/19 and 2019/20 financial statements.

The Ottawa-Carleton District School Board property tax note disclosure clearly articulates the source of property tax revenue, the relationship between property tax revenue and the GSN, and that the provincial government sets the education property tax rate for the municipality. These are all key pieces of information for a reader to understand the composition of a school board's revenue sources. This disclosure could be improved by explaining that municipalities in which the school board operates collect and remit education property taxes on behalf of the Province.

Notably, all of the remaining 67 school boards only included the following disclosure about property tax funding in the notes to the financial statements, consistent with the Ministry's illustrative note disclosures:

"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 Legislative Grants or another similar line item in the school board financial statements]."

This explanation of property taxes provides generic and limited information on the Province's involvement in setting education property tax rates. Taxpayers would be unable to understand the relationship between property tax and the GSN solely by reading this note.

## RECOMMENDATION 2

To more clearly communicate the role of education property taxes in school board funding, we recommend that the Ministry of Education revise its illustrative school board financial statement

note disclosures to clearly describe how school board funding arises and the relationship between property taxes and the GSN.

## MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry will revise its illustrative school board financial statement note disclosures to clearly describe how school board funding arises and the relationship between property taxes and the Grants for Student Needs (GSN).

### 4.1.2 Financial Statements of 34 School Boards Failed to Separately Disclose the Amount of Education Property Taxes Included in Revenue

Of the 82 school boards in Ontario, 34 school boards did not separately disclose the amount of property tax revenue recognized and received in 2018/19 and 2019/20. Instead of separately disclosing the amount of property tax revenue on the statement of operations or in the notes to the financial statements, school boards recorded education property taxes as part of provincial grants. For example, line items that included property tax revenues were labelled “Provincial legislative grants.”

Without a separate disclosure, taxpayers cannot easily determine how much of their education property tax payments contributed to the total funding of their school board; for example, both of 2018/19 and 2019/20, property taxes represented 28% and 29% of school board funding, respectively. Public sector accounting standards require that financial statements disclose the types of transfers recognized in the accounting period. Since education property tax payments contribute to a significant portion of GSN funding, this source of funding should be separately identified.

One of the primary objectives of the Ministry’s review of school board financial statements is to verify that the correct amount of funding was provided to school boards. In the absence of clear disclosure of the amount of property tax revenue, the Ministry is

unable to meet this objective using the audited financial statements. Similarly, in our 2017 report titled *Ministry Funding and Oversight of School Boards*, we noted that school board financial statements were not detailed enough for the Ministry to verify whether the education property tax revenues recorded by the boards were accurate.

The Ministry calculates the provincial grant payable to each school board after deducting property taxes received by the school board. In the absence of transparent and consistent itemization of property taxes within the audited financial statements, the Ministry relies on unaudited submissions by school boards to calculate this property tax deduction. As discussed in our *2019 Follow-Up Report on 2017 Annual Report Value-for-Money Audits*, the Ministry of Finance has undertaken a pilot project to develop procedures that allow it to confirm that all property tax revenue collected from taxpayers is forwarded to school boards. This pilot project is a work in progress.

In other Canadian jurisdictions, school boards with similar education funding structures list property taxes as a separate line item in the Statement of Operations. For example, the 2018/19 financial statements for each school authority in Alberta included a separate line for property taxes, even when the school authority had no property taxes to report in the period.

## RECOMMENDATION 3

To improve the clarity and comparability of school board financial statements for taxpayers and users of the financial statements, we recommend that the Ministry of Education revise its illustrative financial statements to add a separate line item for property taxes in the statement of operations and in a property tax note disclosure.

## MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The consolidated statement of operations in the Education Finance Information System (EFIS) that school boards complete as

part of the financial statement process currently includes this line item. The Ministry will clarify that the format in the EFIS should extend to the school boards' audited financial statements and make the update to the illustrative financial statements.

### 4.1.3 Revenue Accounting Policy Disclosures Are Inconsistent Across School Boards and within Individual Financial Statements

School boards did not consistently use the same terminology when referring to property tax revenue in the statement of operations and financial statement note disclosures. For example, five school boards referred to property tax revenue as a “municipal grant,” which is contradictory to the underlying source of this tax stream since the rate is set by the Province. The board of trustees and taxpayers may be unable to compare the financial results of different school boards efficiently if different terminology is used to identify the same source of funding. Comparability and clear presentation are two objectives of financial reporting. School boards are not meeting these objectives when using different terms to refer to the same property tax revenue streams.

In all, school board financial statements contained 11 different terms or points of reference when referring to identical property tax revenue in the statement of operations:

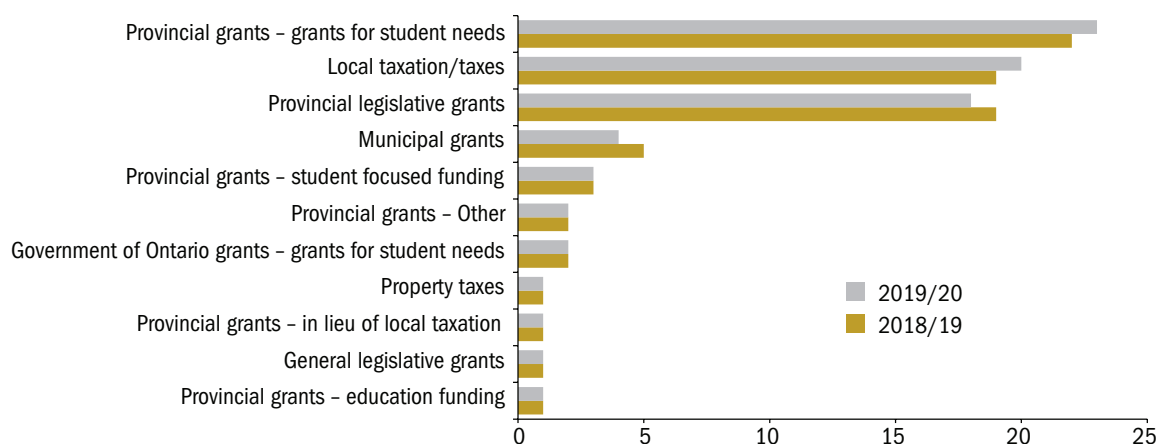
- property taxes,
- local taxation/taxes
- provincial grants – in lieu of local taxation property taxes, and part of municipal grants,
- provincial legislative grants,
- provincial grants – student focused funding,
- general legislative grants,
- government of Ontario grants – grants for student needs,
- provincial grants – grants for student needs,
- provincial grants – education funding,
- provincial grants – other, and
- municipal grants.

See **Figure 5** for the frequency distribution of this terminology in the 2018/19 school board statements of operations. The Ministry does not provide guidance to school boards on preferred financial statement line item terminology in its annual illustrative note disclosures.

In addition to being inconsistent with each other, school boards were also internally inconsistent within their own financial statements. The financial statements for 25 school boards in 2018/19 (26 in 2019/20) used a different term when referring to

**Figure 5: Location of Property Taxes in the Statement of Operations, 2018/19 and 2019/20\***

Source of data: School boards' audited financial statements



\* 6 school authorities do not receive property taxes and are not included in the chart above.



property tax revenue in their note disclosure (e.g., “Provincial Legislative Grants”) as compared to their financial statement line item (e.g., “Municipal Grants, Local Taxation”). For example, one school board reported that “property tax revenue received from the municipalities is recorded as part of the Provincial Legislative Grants.” However, the property tax revenue was recorded in the “municipal grants” line in its Statement of Operations, adding to potential confusion from the already vague disclosure.

#### RECOMMENDATION 4

To improve the clarity and comparability of school board financial statements, we recommend that the Ministry of Education:

- establish a single, financial statement line-item description for property tax revenue remitted to school boards; and
- revise the illustrative notes disclosures to use the same line-item description as the face of the financial statements.

#### MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry will establish a single, financial statement line-item description for the education portion of property tax revenue remitted to school boards. The Ministry will also revise the illustrative notes disclosures to use the same line-item description as on the face of the financial statements.

## 4.2 Use of a Legislated Accounting Framework Reduces the Comparability and Understandability of School Board Financial Statements

Our review found that Ontario school board financial statements state that they are prepared in accordance with a **special legislated accounting framework** instead of Canadian PSAS as the basis for their accounting. In 2011, the government introduced Ontario Regulation 395/11 (Regulation) under the

*Financial Administration Act* to ensure consistency in the treatment of government transfers relating to government funding of capital assets. The Regulation prescribes the accounting used by school boards to record government funding for capital acquisitions and transfers of tangible capital assets as deferred capital contributions.

Under this deferral method of accounting, school boards are required to record the funding that they receive to acquire or construct capital assets in revenue over the life of the asset, rather than at the time they receive the funding. Revenue is recorded at the same rate as school boards recognize amortization expense on the capital assets purchased with the transferred funds. Amounts not yet recognized in revenue are recorded as a liability. This deferral method of accounting for capital contributions is the accounting policy followed by the Province to prepare its consolidated financial statements.

At the time the Regulation was put in place, the recently issued accounting standard for government transfers relating to the acquisition or construction of capital assets was subject to differences in interpretation. Because of a lack of clarity around the appropriateness of using the deferral method under the new standard, the government codified its accounting interpretation in the Regulation. Our Office supported deferral accounting for capital contributions as we viewed the method as being consistent with accounting principles in Canadian PSAS. Under current accounting practice, the deferral method is considered acceptable.

We also reviewed the accounting framework note disclosure in the school board financial statements for other provinces and territories in Canada. **Figure 6** compares the accounting framework used by school boards in Ontario with other jurisdictions. School board financial statements for eight provinces and territories in Canada are prepared in accordance with Canadian PSAS without the use of legislated accounting. British Columbia is the only other province in Canada where school boards prepare their financial statements using a legislated basis of accounting for government transfers. The remaining three provinces and territories do not have school boards or do not

require school boards to produce audited financial statements. We conducted a survey of legislated auditors for other Canadian jurisdictions and they noted no barriers to applying Canadian PSAS to prepare the financial statements of school boards.

Other broader public sector entities in Ontario, such as colleges and hospitals, do not report under a legislated framework. They follow Canadian PSAS for government not-for-profit organizations (GNFPOs), which explicitly allows accounting for deferred capital contributions. Reporting under a legislated framework makes Ontario's school board financial statements appear not to be comparable to other jurisdictions' school board financial statements or to broader public sector entities in Ontario. This perception remains, whether or not legislation actually results in the same outcome as Canadian PSAS.

### Figure 6: School Board Accounting Framework by Canadian Jurisdiction

Prepared by the Office of the Auditor General of Ontario

Jurisdiction	Accounting Framework
ON	Disclosed Basis
BC	Disclosed Basis
AB	Canadian public sector accounting standards (PSAS)
SK	Canadian PSAS
MB	Canadian PSAS
QC	Canadian PSAS
NB	n/a <sup>1</sup>
NS	Canadian PSAS
NL	Canadian PSAS
PE	Canadian PSAS
YT	n/a <sup>2</sup>
NT	Canadian PSAS
NU	n/a <sup>3</sup>

1. In New Brunswick, school districts do not prepare stand-alone audited financial statements.
2. Yukon has one school board. All other schools fall under the Department of Education, which plays a dual role as the Ministry of Education and the school board.
3. Nunavut has one school board. All other schools have a local District Education Authority, which retains some of the characteristics of a school board but shares responsibility for schools with the Department of Education.

Members of the Council of Senior Business Officials indicated that the accounting framework is a recurring point of discussion between senior business officials and the board of trustees each year because it is unique to school boards. Stakeholders expressed their agreement that disclosing that school board financial statements are prepared in accordance with Canadian PSAS would be more familiar to financial statement users.

The template disclosures provided by the Ministry incorrectly state that the legislated accounting requirements are significantly different from Canadian PSAS. As a result of this, school boards receive an auditor's report indicating whether the statements comply with the legislated framework. They do not receive an auditor's report on whether or not the financial statements comply with Canadian PSAS.

Given that most provinces have adopted the same interpretation as Ontario for the accounting of capital contributions, the Regulation is no longer necessary and has outlived its usefulness.

## RECOMMENDATION 5

To improve the clarity of presentation of school boards' accounting framework and the comparability of school board financial statements, we recommend that the Ministry of Education replace the legislated accounting framework disclosures in its school board illustrative financial statements with disclosures that reference preparation in accordance with Canadian PSAS.

## MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry will replace the legislated accounting framework disclosures in its school board illustrative financial statements with disclosures that reference preparation in accordance with Canadian Public Sector Accounting Standards (PSAS).

### 4.3 Financial Statements of 18 School Boards Received Qualified Opinions, Diminishing Their Reliability and Usefulness

Of the 82 school boards in Ontario, the auditor had a qualified opinion for the financial statements of 18 of them in 2018/19 (16 in 2019/20). The auditors of these school boards were unable to conclude whether revenue from fundraising activities was complete (that is, whether all school-generated funds were reported on the financial statements). School boards received a qualified opinion since the documentation and controls over their fundraising activities were limited, especially in the case of cash fundraisers. Fundraising revenue for these school boards totalled \$31.4 million in 2018/19 (\$16.2 million in 2019/20).

Upon the completion of an audit, auditors are required to issue an opinion on whether the financial statements were presented fairly in accordance with the applicable financial reporting framework. The opinion informs users whether the financial statements are free from material misstatements. An **unqualified** or “clean opinion” is issued when the statements are free from material errors. Where there are disagreements between an auditor and management on the application or adequacy of accounting policies or the auditor is unable to obtain sufficient evidence to form an opinion on the application or adequacy of accounting policies, the auditor must assess the **materiality** or significance of the issue to the overall financial statements in forming the audit opinion. If the issue is material, it would result in a qualified opinion in which the auditor concludes that the financial statements are fairly presented except for the items described as the basis for the qualification.

The qualification regarding school-generated funds arises from what auditors refer to as a limitation in audit scope. In such cases, the financial statement user does not receive any independent assurance on the portions of the financial statements for which the auditor has specified a scope limitation (for example, school-generated funds). As such, the public has no

way of knowing whether the audited financial statements present a complete picture of the school board’s funding and operations.

The Ministry issued a fundraising guideline on May 4, 2012 which established a province-wide standard from which each school board was expected to develop or amend its own policy. The guideline required school boards to prepare an annual report on school generated revenues and it documented best practices for school boards to consider when developing fundraising policies. In addition, the Ontario Association of School Business Officials issued Guidelines for School Generated Funds in September 2003, revised in January 2009 and June 2014, which describes suggested procedures and controls over school generated revenue. Despite such guidance being in place, in some cases auditors have been unable to obtain sufficient support over school generated revenues. As a result, financial statement users’ confidence in their school board’s safeguarding and record keeping of cash donations and other fundraising activities may be undermined.

#### RECOMMENDATION 6

To improve the credibility of school board financial statements and usefulness of the audit opinions to donors such as parents, students, and local community members, we recommend that the Ministry of Education:

- facilitate discussions between the impacted school boards and their external auditors to understand the level of documentation and controls required to provide them with a sufficient level of audit evidence; and
- require school boards to implement, where cost-effective, solutions and controls to enable school boards to receive unqualified audit opinions.

#### MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry will facilitate discussions with the school boards and their external auditors

to understand the level of documentation and controls required to provide them with a sufficient level of audit evidence.

Further, based on the outcome of the discussions with school boards and their external auditors, the Ministry will work with the school boards on determining feasible options to receive unqualified audit opinions. The Ministry would like to see online donation tools available at school boards; however, cash may still need to be an option for some communities. Some school boards may still receive a qualified audit opinion, even with the implementation of an online cash system where there is an ongoing reliance on the use of cash.

## 4.4 Some School Boards Lacked Evidence of Board Approval and Management's Statement of Responsibility

### 4.4.1 Five School Board Financial Statements Did Not Include Management's Statement of Responsibility

The audited financial statements of five school boards for 2018/19 (10 for 2019/20) did not include a signed **statement of management's responsibility**. Canadian PSAS requires audited financial statements to be accompanied by a formal acknowledgement of management's responsibility for the preparation of the financial statements in accordance with the applicable accounting framework and their approval by the appropriate minister or elected official (for example, school trustee). The Ministry's illustrative notes disclosures include a template for the statement of management's responsibility. The absence of a signed statement of management's responsibility raises questions as to who is held accountable for the preparation of the financial statements.

## RECOMMENDATION 7

In order to improve the reliability and accountability of school board financial statements, we recommend that the Ministry direct all school boards to:

- append a signed statement of management responsibility to all audited financial statements currently published on their websites; and
- attach a signed statement of management responsibility to future financial statements at the time they are issued.

## MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry will direct all school boards to append a signed statement of management responsibility to all audited financial statements currently published on their websites, where it is available.

The Ministry will direct school boards to attach a signed statement of management responsibility to all future financial statements at the time they are issued.

### 4.4.2 Financial Statements of a Number of School Boards Did Not Include Board Approval

Fourteen school boards did not show any form of board sign-off on the 2018/19 financial statements published on their websites; 17 school boards were missing this sign-off on their 2019/20 financial statements. The lack of any formal acknowledgement of the financial statements by the board (for example, by including signatures on the statement of financial position) makes it unclear whether the financial statements were reviewed and approved by the board. It could also raise doubt about whether the published set of financial statements are in fact those that the auditors opined on, and make them less reliable as a result.



## RECOMMENDATION 8

In order to improve the reliability and accountability of school board financial statements, we recommend that the Ministry require school boards to include board signatures on the face of the financial statements as evidence of board approval, and publish those signed copies on their websites.

## MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry will require school boards to include board signatures on the face of the financial statements as evidence of board approval and publish those signed copies on their websites.

## 4.5 School Boards Incorrectly and Inconsistently Account for Transportation Partnerships

### 4.5.1 Nine School Boards Accounted for Transportation Partnerships Incorrectly

Of the 71 school boards that are party to transportation partnership agreements (transportation consortia) with other school boards, nine incorrectly accounted for their interest in their 2018/19 financial statements (nine in 2019/20). Furthermore, of the 71 school boards, 16 school boards in six transportation partnerships applied different accounting policies for reporting the financial results of the same partnership in 2018/19 (16 in 2019/20). For example, in a partnership with two school boards, one fully consolidated the statement of operations of the partnership (that is, it incorrectly reported all of the transportation consortium's revenues and expenses) while the second partner recorded its portion of the results of the partnership (that is, it correctly reported only their proportion of assets, liabilities, revenues and expenses). Despite the Ministry providing template note disclosure for the school boards to follow, some

school boards have incorrectly and inconsistently applied the accounting standards, reducing the reliability of the financial statements and their comparability from one school board to another.

Seventy-one of Ontario's school boards have entered into one or more transportation partnership agreements with other school boards in their region. See **Appendix 7** for a list of the transportation consortia and the partnering school boards. Transportation consortia are to assist school boards to transport students in their regions more economically and effectively than if each school board were to independently procure school bus services.

We reviewed the partnership agreements for nine transportation consortia and noted that decisions pertaining to each partnership are jointly made by all its partners. In accordance with Canadian PSAS, partners to such agreements must report their portion of the transportation partnership's assets, liabilities, revenues and expenses in their financial statements. Despite this accounting requirement, nine school boards incorrectly accounted for the consortiums; specifically, two fully consolidated the transportation partnership's statement of operations (that is, they incorrectly reported 100% of the assets, liabilities, revenues and expenses) and seven only recorded their share of expenses of the partnership (that is, they did not report their share of assets, liabilities or revenues).

The two school boards which reported 100% of their partnership's expenses rather than just their portion of them, erroneously recorded additional expenses of \$26 million in 2018/19 (\$24 million in 2019/20) between the two school boards. The other seven school boards understated their assets, liabilities and in some cases revenues by not recording their share of the partnership's financial results.

## RECOMMENDATION 9

In order to improve the accuracy and usefulness of the school boards' financial statements to users, we recommend that the Ministry of Education develop and implement a standardized

proportionate consolidation accounting policy for the accounting of school boards' transportation partnerships in accordance with Canadian PSAS.

### MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry has provided school boards with training on how to account for transportation consortia. The Ministry will provide a refresher training session and make the material available on an ongoing basis.

#### 4.5.2 Financial Statements of 36 School Boards Contained Incomplete or Missing Disclosures on Transportation Partnerships

Of the 71 school boards that are party to transportation partnerships agreements, 36 school board financial statements did not disclose all information required under Canadian PSAS about the agreement. This omission of information prevents users from properly evaluating the financial impact on school boards of the transportation partnerships, particularly considering that the financial statements for most consortia are not publicly available. As a result, users of these statements cannot distinguish the results presented on the financial statements that are attributed directly to the school board as opposed to those that are a result of the transportation consortium's performance. Complete and accurate disclosure of the transportation partnership would aid decision makers, such as the board of trustees and the Ministry, in making informed decisions.

See **Figure 7** for examples of strong and weak disclosures of transportation partnerships we observed when reviewing the school board financial statements. Canadian PSAS explicitly requires the financial statements to disclose the purpose of the partnership; listing of partners; and condensed financial information of the partnership, including statements of financial position and operations. Of the 36 school boards with incomplete disclosures, 10 school boards did not list the partners in the partnership in 2018/19

(nine in 2019/20) and 29 school boards did not disclose condensed financial information of the transportation partnership as required in both 2018/19 and 2019/20. In addition, six school boards did not disclose the accounting treatment being used to represent the school board's interest in the transportation partnership.

### RECOMMENDATION 10

In order to improve the accuracy of the financial statements for users, we recommend that the Ministry of Education:

- update its illustrative school board financial statement disclosures to include a list of the transportation consortium partner names; and
- direct school boards to include transportation consortia condensed financial information in the notes to their financial statements, consistent with the Ministry's illustrative note disclosure guidance.

### MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry will update its illustrative school board financial statement disclosures to include a list of the transportation consortium partner names. The Ministry will also require school boards to disclose condensed financial information for transportation consortia.

#### 4.6 Insufficient Note Disclosure on Debt, Investments and Related Party Transactions

One of the primary purposes of a note disclosure is to provide users of the financial statements with details that enable them to make well-informed decisions. In our review, we noted that certain required disclosures under Canadian PSAS were omitted from school board financial statements. In other instances, we noted that though Canadian PSAS disclosure requirements were met, the inclusion of additional details

**Figure 7: Examples of School Board Transportation Consortium Disclosure, 2019/20**

Source of data: School Board Audited Financial Statements

Example of Weak Disclosure	Example of Strong Disclosure																														
<p><b>Observation: Disclosure omits the complete condensed financial information of the partnership.</b></p> <p>The Board is a member of the Sudbury Student Services Consortium / Consortium de services aux élèves de Sudbury (SSSC). The SSSC provides student transportation services to students of the four local school boards. The SSSC is a separate legal entity. In the year, the Board paid \$13,501,484 for student transportation services provided by the SSSC. These amounts are included in transportation expense on the consolidated statement of operations and accumulated surplus. At year-end, the Board has a receivable of \$618,924 (2019 – \$63,694) with SSSC. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the members.</p>	<p><b>Observation: Disclosure complies with Canadian PSAS as it includes condensed financial statements of the consortium and a description of the nature of the partnership.</b></p> <p>On March 6, 2007, the Board entered into an agreement with Niagara Catholic District School Board to provide common administration of student transportation services. On March 9, 2007, Niagara Student Transportation Services (NSTS) was incorporated under the <i>Corporations Act</i> of Ontario.</p> <p>Each Board participates in the shared costs associated with this service for the transportation of their respective students through NSTS. 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. The Board’s pro-rata share for 2020 is 65.2% (2019 – 64.5%). Inter-organizational transactions and balances have been eliminated.</p> <p>The following provides condensed financial information:</p> <table><tr><th></th><th colspan="2">2020</th></tr><tr><th></th><th>Total (\$)</th><th>Board Portion (\$)</th></tr><tr><td colspan="3"><b>Financial Position</b></td></tr><tr><td>Financial Assets</td><td>224,661</td><td>146,479</td></tr><tr><td>Financial Liabilities</td><td>(224,661)</td><td>(146,479)</td></tr><tr><td>Non-financial Assets</td><td>–</td><td>–</td></tr><tr><td>Accumulated Surplus</td><td>–</td><td>–</td></tr><tr><td colspan="3"><b>Operations</b></td></tr><tr><td>Revenues</td><td>29,033,973</td><td>18,930,150</td></tr><tr><td>Expenses</td><td>29,033,973</td><td>18,930,150</td></tr></table>		2020			Total (\$)	Board Portion (\$)	<b>Financial Position</b>			Financial Assets	224,661	146,479	Financial Liabilities	(224,661)	(146,479)	Non-financial Assets	–	–	Accumulated Surplus	–	–	<b>Operations</b>			Revenues	29,033,973	18,930,150	Expenses	29,033,973	18,930,150
	2020																														
	Total (\$)	Board Portion (\$)																													
<b>Financial Position</b>																															
Financial Assets	224,661	146,479																													
Financial Liabilities	(224,661)	(146,479)																													
Non-financial Assets	–	–																													
Accumulated Surplus	–	–																													
<b>Operations</b>																															
Revenues	29,033,973	18,930,150																													
Expenses	29,033,973	18,930,150																													

would enhance the transparency and usefulness of the financial statements.

#### 4.6.1 Financial Statements of 27 School Boards Have Incomplete Debt and Investment Disclosures

Of the 82 school boards in Ontario, 27 did not include sufficient disclosures in their 2018/19 financial

statements (27 in 2019/20) to enable users to evaluate the nature of **long-term debt** held, and eight (eight in 2019/20) did not disclose details on the nature of the investments they held. Missing investment disclosures include those required by Canadian PSAS, such as disclosing the nature and terms of investments. While Canadian PSAS does not require the issuer of loans to be named, as a best practice, identifying debt providers supports transparency

by providing information about school boards' compliance with regulatory restrictions on lending.

One of the primary objectives of the Ministry's review of school board financial statements is to ensure that school boards are compliant with the *Education Act*. Ontario Regulation 41/10 under the Act sets restrictions on school board financing and investing activities. For example, school boards are only permitted to enter into loan agreements with maturity terms greater than one year upon approval from the Ontario Financing Authority, and the loan must be entered into with the Ontario Financing Authority directly or with a bank on a pre-approved list if the rate is more favourable. Similarly, the regulation specifies which eligible investments can be held by the school board. For instance, school boards are permitted to hold bonds issued or guaranteed by a Canadian government, agency or municipality.

See **Figure 8** for examples of strong and weak disclosures of investments we observed during our review of the school board financial statements. The weaker disclosures do not enable users of the financial statements to determine the permissibility of the assets and liabilities held by the school boards. For example, one school board with over \$200 million in temporary investments did not disclose any

information on the nature or term of these investments. Another school board with over \$250 million in debt did not disclose the Ontario Financing Authority as the related party lender of its debt.

Currently, the Ministry must assess the permissibility of the debt and investments held by the school boards through unaudited school board submissions received as part of the Ministry's reporting processes. School board holdings are required to be broken down by the type of investment such as short or long-term investments and Ontario government bonds. However, these submissions are unaudited. Financial statements alone should provide the Ministry and other users sufficient detail to assess the permissibility of investments and debt.

## RECOMMENDATION 11

In order to improve the transparency, comparability and usefulness of financial statements for the board of trustees and other users, we recommend that the Ministry of Education:

- update the template investment note disclosure to include details about the nature of investments; and

**Figure 8: Examples of School Board Investment Disclosures, 2019/20**

Source: 2019/20 School Board Audited Financial Statements

Example of Weak Disclosure	Example of Strong Disclosure								
<p><b>Observation:</b> Disclosure omits include the type of investments held and terms of the investments.</p> <p>Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost, and assessed regularly for permanent impairment.</p>	<p><b>Observation:</b> Disclosure complies with Canadian PSAS as it includes the terms of the investment and the type of investments held.</p> <p>Investments consist of guaranteed investment certificates. The investments are carried on the statement of financial position at the lower of cost or fair value and consist of the following:</p> <table><tr><th>Issue Date</th><th>Maturity Date</th><th>Interest Rate (%)</th><th>Principal Amount (\$)</th></tr><tr><td>August 27, 2020</td><td>August 27, 2021</td><td>0.65</td><td>362,334</td></tr></table>	Issue Date	Maturity Date	Interest Rate (%)	Principal Amount (\$)	August 27, 2020	August 27, 2021	0.65	362,334
Issue Date	Maturity Date	Interest Rate (%)	Principal Amount (\$)						
August 27, 2020	August 27, 2021	0.65	362,334						



- update the template debt disclosure to include the name of the lender.

### MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry will update the template investment note disclosure to include details about the nature of investments. The Ministry will also update the template debt disclosure to include the name of the lender.

#### 4.6.2 Financial Statements of 26 School Boards are Not Disclosing Related Parties and Transactions in Accordance with Canadian PSAS

Of the 82 school boards in Ontario, 26 (2018/19) school board financial statements (26 in 2019/20) did not meet the related party disclosure requirements under Canadian PSAS by failing to disclose their relationship with other provincially controlled entities such as the Ontario Financing Authority. Related party transaction disclosures enable users to understand the impact of non-arm's length party transactions (such as those with other school boards, ministries or other organization consolidated by the Province) on the financial results. They also provide additional information to the Ministry to ensure that the financial results of school boards are accurately recorded in the consolidated financial statements of the Province for transactions between entities under the Province's common control.

Without completed related party disclosures, users cannot evaluate the financial impact that parties such as other ministries have on school boards. This additional level of detail may also guide the board of trustees in making informed decisions that involve related party entities.

Canadian PSAS requirements for related party disclosures include describing the nature of the relationship and the financial impact of the transaction (for example, amounts of outstanding balances, basis of measurement). Most commonly, the school boards which did not comply with this related party

Canadian PSAS requirement failed to disclose the portion of their debt borrowed from the Ontario Financing Authority, a provincial agency of the Crown responsible for managing the Province's debt and issuing debt to public bodies. School boards with weak disclosures did not communicate that the debentures are held by the Province through the Ontario Financing Authority, a related party of the school board.

### RECOMMENDATION 12

In order to improve the usefulness and transparency of the financial statements for users, we recommend that the Ministry direct school boards to disclose the Ontario Financing Authority as a related party as described in the Ministry's illustrative guidance.

### MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry will direct school boards to disclose the Ontario Financing Authority (OFA) as a related party as described in the Ministry's illustrative guidance.

#### 4.6.3 Most School Boards Did Not Disclose the Adoption of New Accounting Standards

Most school boards did not disclose the adoption of the new Restructuring Transactions standard in their 2018/19 statements. In addition, 69 of the 2017/18 school board financial statements did not disclose the adoption of the then-new standard (PS 2200, *Related Party Disclosures*) even though the Ministry provided a sample note for this standard in their illustrative note disclosure for the 2017/18 year-end.

Canadian PSAS requires that changes in accounting policies necessitated by the implementation of new standards be disclosed, including those that do not have a material impact in the current year but are likely to have a material effect in the future. The

majority of school boards did not disclose the new standard on related party disclosures in 2017/18, which is material to the school boards, given their interaction with related parties such as the Ontario Financing Authority and the Ministry.

While restructuring transactions were not material for school boards in the year of adoption, as a best practice, the adoption of new standards should still be disclosed in the financial statements to educate users on the adoption of new accounting policies that could be used in the future. The Ministry considered including the *Restructuring Transactions* standard in the illustrative note disclosures in 2018/19; however, based on the nature of the standard, the Ministry did not anticipate it being applicable to the school board sector at the time or in the future.

Disclosure of the adoption of new standards improves the comparability of financial statements year-over-year and across entities. This information can explain the impact of changes in accounting standards on the entity's underlying accounting policies and the application of those policies. Several new Canadian public sector accounting standards which impact school boards are coming into effect in the upcoming fiscal years, such as PS 3280, *Asset Retirement Obligations*, so it is increasingly important for school boards to consistently disclose the adoption of new standards.

### RECOMMENDATION 13

In order to improve the transparency, consistency and comparability of financial statements to users, we recommend that the Ministry of Education prepare and distribute standardized note disclosures for the adoption of newly issued Canadian PSAS standards that are expected to apply to school boards.

### MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry will prepare and distribute standardized note disclosures for the

adoption of all newly issued Canadian Public Sector Accounting Standards that are expected to apply to school boards.

## 4.7 Timeliness of School Board Financial Statements

### 4.7.1 Financial Statements of 15 School Boards Failed to Publish Their Financial Statements Online by Provincial Deadline

The Broader Public Sector (BPS) Business Documents Directive requires school boards to post their audited financial statements on their website within six months after their year-end. As such, the deadline to post the financial statements for the August 31, 2019 year-end was February 28, 2020.

We visited the public websites of all school boards on March 3, 2020, three days after the Province's deadline, to verify that the 2018/19 audited financial statements were posted. Audited financial statements for 15 school boards were missing. Two of these school boards had still not posted their statements by the time the consolidated financial statements of the Province had been released in September 2020.

The *Education Act* also requires school boards to publish the financial statements and the auditor's report on the school board's website within one month of receiving the auditor's report. This deadline was also not met by these school boards. Similarly, the 2019/20 audited financial statements for 15 school boards were not posted on the school board website by the March 1, 2021 deadline. Based on our discussions with representatives of the Council of Senior Business Officials, some school boards were not aware that this deadline existed.

We found that the posted audited financial statements were straightforward to locate by navigating to the governance section of each website, or using search functionalities within the websites. However, hosting all audited school board financial statements in a centralized Ministry website would make it even easier for a parent or guardian to access school board financial statements.

Canadian PSAS explicitly acknowledges that financial statements are only relevant to users if they are produced on a timely basis. For example, if an interested parent or guardian who is moving to a new school district is unable to access recent financial statements for prospective school boards, they would be unable to compare the current financial performance of all school boards.

## RECOMMENDATION 14

So that the audited school board financial statements are available to parents, guardians and taxpayers on a timely basis, we recommend that the Ministry of Education:

- direct school boards to publish audited financial statements on the school board website in an annual Ministry memo which clearly communicates the publishing deadline; and
- publish a central listing of audited financial statements of school boards and school authorities on a timely basis.

## MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. In the 2020-2021 Financial Statement Instructions Memo issued in September 2021, the Ministry communicated the requirements for school boards to publish audited financial statements on the school board website within one month after receiving the auditor's report on the board's financial statements and will continue to do so annually. Further, the Ministry will publish and maintain a central listing of links to school board audited financial statements.

### 4.7.2 Twenty School Boards Failed to Meet the Ministry's Deadline to Submit Financial Statements; Three Were Up to Nine Months Late

In 2018/19, audit opinions for 20 school boards (21 school boards in 2019/20) were dated after the Ministry's internal deadline for submission of audited

financial statements for school boards (December 3, 2019) and school authorities (December 31, 2019 or January 15, 2020). In addition, audit opinions for three school boards were dated after the February 28, 2020 deadline set by the Province, without having received a deadline extension from the Ministry.

Since the audited financial statements are a key datapoint used by the board of trustees to discharge their duties, delaying the audits of financial statements hampers the contribution that the board of trustees can make towards strong school board governance. Members of the school board trustee associations noted that these delays are often due to administrative disparities between school boards. Some school boards may not prioritize the preparation of their financial statements which make it challenging to meet the Ministry's deadlines.

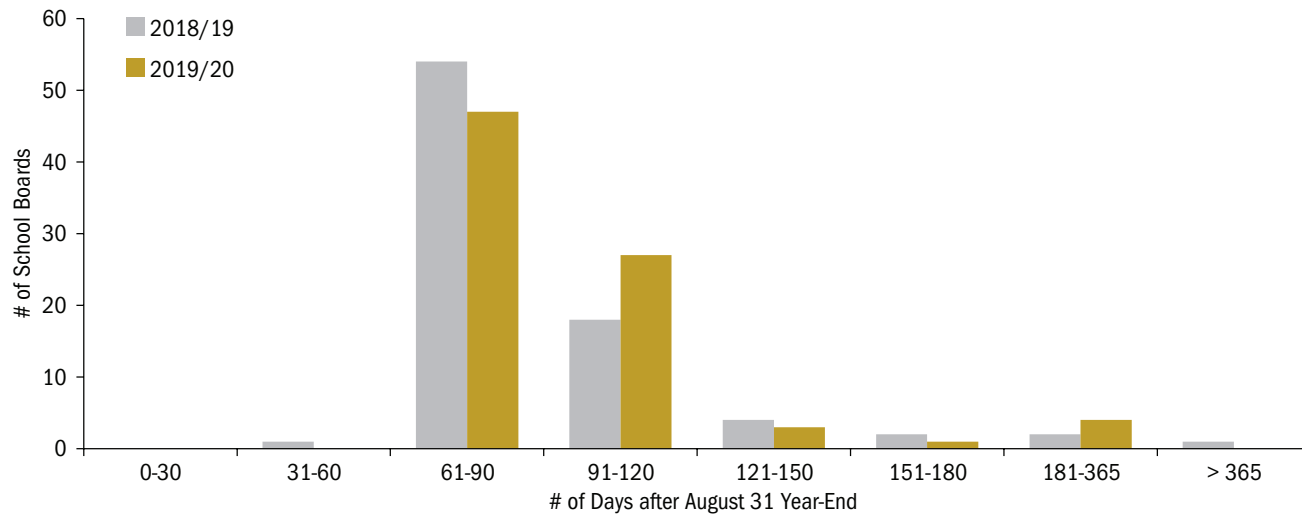
**Figure 9** displays the distribution of dates of the audit opinions by days after year end for each school board for the 2018/19 and 2019/20 financial statements. On average, school board auditors' reports were dated 97 days (2018/19) and 96 days (2019/20) after year-end. Audit opinions were dated on average 40 days (2018/19) and 28 days (2019/20) after the Ministry deadline for the 20 (2018/19) and 21 (2019/20) school boards that submitted audited financial statements to the Ministry after the Ministry deadline (before considering approved extensions).

Three school boards published 2018/19 financial statements with audit opinions dated March 30, April 6, and September 4, 2020, the latter being more than one year after the end of the academic year. The Ministry followed up with these school boards when they missed the submission deadline, and the school boards requested extensions for the submission of the audited financial statements to the Ministry, citing delays in completing the audit and obtaining board approval for the financial statements. None of the three school boards met their extended deadline. The Ministry was in regular communication with the school boards regarding the delay in the submission of the audited financial statements during this period.

The Ministry communicates in an annual memo that school boards that miss Ministry deadlines may

**Figure 9: Number of Days Audit Opinion Issued after August 31 Year-End**

Prepared by the Office of the Auditor General of Ontario



have cash flows withheld until financial submissions are received. This cash withholding amount is equal to a 50% reduction in the school board's regular grant payment from the Ministry. Ultimately, the Ministry did not exercise its option to withhold cash flows for the school boards which submitted 2018/19 financial statements late.

### RECOMMENDATION 15

So that the audited school board financial statements are available to the board of trustees to enable timely decision-making and response to audit findings, we recommend that the Ministry of Education:

- identify school boards that historically missed Ministry deadlines for the audit of their financial statements and engage these school boards to develop and implement strategies to comply with reporting deadlines; and
- continuously monitor and review actual reporting timelines for the submission of audited school board financial statements against pre-established targets, and take corrective action when such targets are not met.

### MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry will continue to identify school boards that historically missed Ministry deadlines for the audit of their financial statements and engage these school boards to develop and implement strategies to comply with reporting deadlines.

Further, the Ministry will continue to monitor and review actual reporting timelines for the submission of audited school board financial statements against pre-established targets and will follow up on the delayed submissions to ensure the reporting is on track. In cases of unreasonable delays, the Ministry may implement cash penalties until the submission is received.

## 4.8 Ontario School Boards' Insurance Exchange Is Accounted for Incorrectly and Corresponding Disclosures Are Incomplete

### 4.8.1 OSBIE's Net Assets of About \$128 Million Are Not Included in the Province's Consolidated Financial Statements

Our review of school board financial statements found that the financial results of the Ontario School Boards' Insurance Exchange (OSBIE) were not included in the Province's consolidated financial statements, even though Ontario school boards, which are consolidated, collectively control OSBIE. As of December 31, 2020, OSBIE reported net assets of about \$128 million and \$11 million in comprehensive income. In 2020, OSBIE paid \$29 million in insurance claims to Ontario school boards.

OSBIE was established in 1987 to provide general liability insurance to Ontario school boards, and has since evolved to provide various types of insurance such as property, cyber and fleet automobile insurance. OSBIE currently has 121 members (also called "subscribers"), which include 79 school boards and 42 joint ventures (mostly made up of school board transportation consortia that provide school busing for students). Each member can subscribe to one or more types of insurance offered by OSBIE. For example, transportation consortia may subscribe to fleet automobile insurance to mitigate the risks of collisions involving school buses.

OSBIE's governance structure and decision-making process are primarily set out in a contract among school boards called the Reciprocal Insurance Exchange Agreement for School Boards and Board Organizations (Reciprocal Agreement). Under the Reciprocal Agreement, only Ontario school boards have voting delegates that can elect or appoint members to OSBIE's Board of Directors (Board). OSBIE's Board members are required to be employees of a school board (for example, Superintendent of Business or Finance) or members of a school board

(for example, board trustees), and no two members of the Board can be from the same school board.

Together, school boards have agreed to assume the ongoing responsibility for OSBIE's operating costs. In turn, school boards are exposed to the significant risks and share in the benefits associated with OSBIE's operations. For example, school boards must pay premiums or assessments to fund OSBIE's operating costs and potential deficits. They may also receive reductions or refunds of premiums if there are surpluses. In the event OSBIE is dissolved, OSBIE's assets would be used to pay its obligations and to set aside a reserve for future claim liabilities under existing insurance policies. Any remaining assets would be returned to members.

Canadian PSAS requires the financial results of controlled entities to be fully consolidated in the Province's financial statements. During the course of our review, we requested the Ministry to conduct an accounting control assessment of OSBIE. The Ministry concluded that OSBIE is collectively controlled by the school boards since school boards have the exclusive right to appoint the entirety of OSBIE's Board. Since the Province controls the school boards, OSBIE's financial results should be included in the Province's consolidated financial statements. **Appendix 8** illustrates this relationship.

We agree with the Ministry's accounting conclusion with respect to school boards' control of OSBIE. As a result, the appropriate accounting treatment for OSBIE in the Province's financial statements is to fully consolidate its results. This means that OSBIE's assets, liabilities, revenues and expenses would be included in the Province's consolidated financial statements each year. However, the Province has not historically reported OSBIE's financial results, including the \$128 million it holds in net assets, in the Province's consolidated financial statements.

### RECOMMENDATION 16

To better hold OSBIE accountable for its use of public funds, we recommend that the Ministry of Education work with the Office of the Provincial



**Figure 10: Example of Ontario School Boards' Insurance Exchange Disclosure by School Boards, 2019/20**

Source of data: 2019/20 School Board Audited Financial Statements

#### Ontario School Board Insurance Exchange

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the *Insurance Act*. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$24 million per occurrence. The ultimate premiums over a five-year period are based on the reciprocal's 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. There are ongoing legal cases with uncertain outcomes that could affect future premiums paid by the Board.

**Disclosure is missing the related party relationship with OSBIE and the amount of insurance premiums paid or refunds received during the fiscal year, which is a required related party transaction disclosure.**

Controller Division (Treasury Board Secretariat) to consolidate OSBIE's financial results into the consolidated financial statements of the Province in accordance with Canadian PSAS commencing with the year ended March 31, 2023.

#### MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry will require that school boards consolidate their proportionate share of Ontario School Boards' Insurance Exchange (OSBIE) into their financial statements. The Ministry will then consolidate OSBIE through its consolidation of school boards during the Public Accounts process. The Ministry does not have direct control over OSBIE; therefore, the Ministry will endeavour to have school boards complete the consolidation of OSBIE into their financial statements in the 2022/23 school year and reflect the consolidation in the 2022/23 Public Accounts.

#### 4.8.2 OSBIE School Board Financial Statement Disclosures Are Incomplete

Most participating school boards disclose their membership in OSBIE in the notes to their financial statements. (See **Figure 10** for an example of a school board's disclosure of its membership in OSBIE.) This

disclosure lacks sufficient information for users to understand how the school board's financial statements account for OSBIE, and/or the school board's share of the risks and benefits associated with OSBIE's operations. For example, school boards do not disclose the following information in their financial statements:

- the method of accounting for OSBIE;
- their proportionate share of OSBIE's financial results;
- a summary of OSBIE's overall financial position and results of operations; and
- the nature and amount of transactions with OSBIE.

Without this information users are unable to reasonably assess school boards' financial participation in OSBIE.

#### RECOMMENDATION 17

To improve the usefulness and transparency of the school board financial statements, we recommend that the Ministry of Education:

- revise its school board illustrative note disclosures to include the method of accounting for OSBIE, the school board's proportionate share of OSBIE's financial results, a summary of OSBIE's financial position and results, and the nature and amount of transactions between the school board and OSBIE; and

- require school boards that hold membership in OSBIE to adopt this disclosure in their financial statements starting with the fiscal year ended August 31, 2023.

## MINISTRY RESPONSE

The Ministry of Education agrees with this recommendation. The Ministry will implement this at the time school boards have the information to proportionately consolidate the Ontario School Boards' Insurance Exchange (OSBIE).

The Ministry will also require school boards to complete the consolidation of OSBIE into their financial statements and adopt this disclosure for the school board fiscal year ended August 31, 2023.

## Appendix 1: Review Findings by School Board

Prepared by the Office of the Auditor General of Ontario

Report Section	Description of Audit Finding
<b>4.1.1</b>	The financial statements for these school boards had limited discussion of how property tax funds are generated or how they fit into the Ministry of Education's Grants for Student Needs funding formula.
<b>4.1.2</b>	Did not disclose the amount of revenue relating to property taxes separately on the statement of operations or in the notes to the financial statements.
<b>4.1.3</b>	Used a different term when referring to property tax revenue in their note disclosure when compared to the line item used in their statement of operations.
<b>4.3</b>	Financial statements received a qualified opinion from their external auditors.
<b>4.4.1</b>	Financial statements did not include a signed statement of management's responsibility.
<b>4.4.2</b>	Financial statements did not contain evidence of board approval.
<b>4.5.1<sup>1</sup></b>	Incorrectly accounted for their interest of a transportation consortium.
<b>4.5.1<sup>2</sup></b>	Is part of the same transportation consortium, but applied different accounting policies to account for it in their individual financial statements.
<b>4.5.2<sup>1</sup></b>	Did not list the partners in the transportation partnership.
<b>4.5.2<sup>2</sup></b>	Did not disclose condensed financial information of the transportation consortium.
<b>4.5.2<sup>3</sup></b>	Did not disclose the accounting treatment used to represent the school board's interest in the transportation partnership.
<b>4.6.1<sup>1</sup></b>	Did not disclose the lender of debt.
<b>4.6.1<sup>2</sup></b>	Did not disclose the nature or terms of the investments it holds.
<b>4.6.2</b>	Did not list the Ontario Financing Authority as a related party.
<b>4.6.3</b>	Did not disclose the adoption of the then new related party disclosures standard finding in their 2017/18 financial statements.
<b>4.7.1</b>	Failed to publish their financial statements online by the deadline in the Broader Public Sector Business Documents Directive.
<b>4.7.2</b>	Failed to meet the Ministry's internal deadline to submit audited financial statements.
	The finding is present in the school board's 2018/19 financial statements.
	The finding is present in the school board's 2019/20 financial statements.
	The finding is present in both sets of financial statements.

 2018/19
  2019/20
  Both

School Board/Authority	Review Finding Section																
	4.1.1	4.1.2	4.1.3	4.3	4.4.1	4.4.2	4.5.1 <sup>1</sup>	4.5.1 <sup>2</sup>	4.5.2 <sup>1</sup>	4.5.2 <sup>2</sup>	4.5.2 <sup>3</sup>	4.6.1 <sup>1</sup>	4.6.1 <sup>2</sup>	4.6.2	4.6.3	4.7.1	4.7.2
Algoma District School Board			●					●	●	●					●	●	●
Algonquin and Lakeshore Catholic District School Board		●	●					●	●		●			●			
Avon Maitland District School Board		●	●					●		●		●	●	●	●		
Bloorview School Authority	●														●	●	●
Bluewater District School Board			●			●									●		
Brant Haldimand Norfolk Catholic District School Board		●				●									●		
Bruce-Grey Catholic District School Board															●	●	
Campbell Children's School Authority	●				●										●	●	
Catholic District School Board of Eastern Ontario												●		●	●		
Conseil des écoles publiques de l'Est de l'Ontario		●										●		●			
Conseil scolaire catholique MonAvenir									●	●		●		●	●		
Conseil scolaire de district catholique de l'Est ontarien	●											●		●	●		●
Conseil scolaire de district catholique des Aurores boréales				●	●	●	●	●		●					●	●	●
Conseil scolaire de district catholique des Grandes Rivières				●													●
Conseil scolaire de district catholique du Centre-Est de l'Ontario		●										●		●	●	●	
Conseil scolaire de district catholique du Nouvel-Ontario		●								●					●		●
Conseil scolaire de district catholique Franco-Nord	●			●								●		●	●		
Conseil scolaire catholique Providence		●								●		●		●	●	●	
Conseil scolaire Viamonde						●						●		●	●		

School Board/Authority	Review Finding Section																
	4.1.1	4.1.2	4.1.3	4.3	4.4.1	4.4.2	4.5.1 <sup>1</sup>	4.5.1 <sup>2</sup>	4.5.2 <sup>1</sup>	4.5.2 <sup>2</sup>	4.5.2 <sup>3</sup>	4.6.1 <sup>1</sup>	4.6.1 <sup>2</sup>	4.6.2	4.6.3	4.7.1	4.7.2
Conseil scolaire public du Grand Nord de l'Ontario								●		●	●				●		
Conseil scolaire de district du Nord-Est de l'Ontario	●			●				●				●		●	●		●
District School Board of Niagara		●										●		●			
District School Board Ontario North East				●	●	●	●	●		●			●		●	●	●
Dufferin-Peel Catholic District School Board		●															
Durham Catholic District School Board		●	●		●		●	●							●		
Durham District School Board	●	●	●			●		●		●					●		
Grand Erie District School Board		●		●	●	●									●		
Greater Essex County District School Board			●									●		●	●		
Halton Catholic District School Board															●	●	●
Halton District School Board		●			●	●									●		
Hamilton-Wentworth Catholic District School Board			●							●							
Hamilton-Wentworth District School Board		●								●							
Hastings & Prince Edward District School Board	●	●							●						●		
Huron Perth Catholic District School Board					●		●	●		●					●		
Huron-Superior Catholic District School Board		●	●		●		●	●		●					●		●
James Bay Lowlands Secondary School Board				●	●	●									●	●	●
John McGivney Children's Centre School Authority	●														●	●	
Kawartha Pine Ridge District School Board		●	●			●				●					●		



 2018/19
  2019/20
  Both

School Board/Authority	Review Finding Section														
	4.1.1	4.1.2	4.1.3	4.3	4.4.1	4.4.2	4.5.1 <sup>1</sup>	4.5.1 <sup>2</sup>	4.5.2 <sup>1</sup>	4.5.2 <sup>2</sup>	4.5.2 <sup>3</sup>	4.6.1 <sup>1</sup>	4.6.1 <sup>2</sup>	4.6.2	4.6.3
Keewatin-Patricia District School Board			●	●				●						●	●
Kenora Catholic District School Board			●	●				●						●	
KidsAbility Education Authority	●				●	●								●	●
Lakehead District School Board		●		●		●				●				●	●
Lambton Kent District School Board			●											●	
Limestone District School Board								●	●		●		●		●
London District Catholic School Board	●												●		
Moose Factory Island District School Area Board				●										●	●
Moosonee District School Area Board				●	●	●								●	●
Near North District School Board		●												●	●
Niagara Catholic District School Board		●							●			●		●	
Niagara Peninsula Children's Centre School Authority	●			●	●	●								●	●
Nipissing-Parry Sound Catholic District School Board	●			●				●				●		●	
Northeastern Catholic District School Board				●	●					●				●	●
Northwest Catholic District School Board	●							●							●
Ottawa Catholic District School Board			●									●		●	
Ottawa Children's Treatment Centre School Authority (renamed CHEO School Authority)	●														●
Ottawa-Carleton District School Board			●		●	●								●	
Peel District School Board		●	●								●				●

 2018/19
  2019/20
  Both

School Board/Authority		Review Finding Section																
		4.1.1	4.1.2	4.1.3	4.3	4.4.1	4.4.2	4.5.1 <sup>1</sup>	4.5.1 <sup>2</sup>	4.5.2 <sup>1</sup>	4.5.2 <sup>2</sup>	4.5.2 <sup>3</sup>	4.6.1 <sup>1</sup>	4.6.1 <sup>2</sup>	4.6.2	4.6.3	4.7.1	4.7.2
Penetanguishene Protestant Separate School Board				●									●			●		●
Peterborough Victoria Northumberland and Clarington Catholic District School Board		●									●	●				●		
Rainbow District School Board					●					●	●			●		●		●
Rainy River District School Board	●										●	●		●		●		●
Renfrew County Catholic District School Board		●	●	●									●		●	●		●
Renfrew County District School Board		●	●	●												●	●	
Simcoe County District School Board				●												●		
Simcoe Muskoka Catholic District School Board				●												●		
St Clair Catholic District School Board		●	●	●			●						●		●	●		
Sudbury Catholic District School Board					●		●		●		●		●		●	●		
Superior North Catholic District School Board		●							●		●					●		●
Superior-Greenstone District School Board					●				●		●					●	●	●
Thames Valley District School Board		●					●									●		
Thunder Bay Catholic District School Board		●	●	●			●	●			●					●		●
Toronto Catholic District School Board		●						●			●			●		●		
Toronto District School Board								●			●			●		●		●
Trillium Lakelands District School Board		●														●		
Upper Canada District School Board				●			●						●		●	●		

 2018/19
  2019/20
  Both

School Board/Authority		Review Finding Section																
		4.1.1	4.1.2	4.1.3	4.3	4.4.1	4.4.2	4.5.1 <sup>1</sup>	4.5.1 <sup>2</sup>	4.5.2 <sup>1</sup>	4.5.2 <sup>2</sup>	4.5.2 <sup>3</sup>	4.6.1 <sup>1</sup>	4.6.1 <sup>2</sup>	4.6.2	4.6.3	4.7.1	4.7.2
Upper Grand District School Board			●	●						●			●		●	●		
Waterloo Catholic District School Board			●							●								
Waterloo Region District School Board				●			●											
Wellington Catholic District School Board			●										●		●	●	●	
Windsor-Essex Catholic District School Board				●							●		●		●	●		
York Catholic District School Board			●	●							●		●		●	●		
York Region District School Board			●	●							●	●	●		●	●		●
<b>Total school boards with finding for 2018/19</b>	<b>14</b>	<b>14</b>	<b>34</b>	<b>25</b>	<b>18</b>	<b>5</b>	<b>14</b>	<b>9</b>	<b>16</b>	<b>10</b>	<b>29</b>	<b>6</b>	<b>27</b>	<b>8</b>	<b>26</b>	<b>69<sup>4</sup></b>	<b>15</b>	<b>20</b>
<b>Total school boards with finding for 2019/20</b>	<b>13</b>	<b>13</b>	<b>34</b>	<b>26</b>	<b>16</b>	<b>10</b>	<b>17</b>	<b>9</b>	<b>16</b>	<b>9</b>	<b>29</b>	<b>6</b>	<b>27</b>	<b>8</b>	<b>26</b>	<b>n/a<sup>4</sup></b>	<b>15</b>	<b>21</b>

1 Differentiates separate findings within the same sub-section and corresponds to the table above.

2 Differentiates separate findings within the same sub-section and corresponds to the table above.

3 Differentiates separate findings within the same sub-section and corresponds to the table above.

4 Finding 4.6.3 relates to adoption of new related party disclosures, which came into effect for school boards in 2017/18.

## Appendix 2: Ontario School Boards and School Authorities

Prepared by the Office of the Auditor General of Ontario

### Public District School Boards

Algoma  
Avon Maitland  
Bluewater  
Durham  
Grand Erie  
Greater Essex County  
Halton  
Hamilton-Wentworth  
Hastings & Prince Edward  
Kawartha Pine Ridge  
Keewatin-Patricia  
Lakehead  
Lambton Kent  
Limestone  
Near North  
Niagara  
Ontario North East  
Ottawa-Carleton  
Peel  
Rainbow  
Rainy River  
Renfrew County  
Simcoe County  
Superior-Greenstone  
Thames Valley  
Toronto  
Trillium Lakelands  
Upper Canada  
Upper Grand  
Waterloo Region  
York Region

### French Public School Boards

Conseil des écoles publiques de l'Est de l'Ontario  
Conseil scolaire de district du Nord-Est de l'Ontario  
Conseil scolaire public du Grand Nord de l'Ontario  
Conseil scolaire Viamonde

### School Authorities

Bloorview  
Campbell Children's School  
James Bay Lowlands  
John McGivney Children's Centre  
KidsAbility Education  
Moose Factory Island  
Moosonee  
Niagara Peninsula Children's Centre  
Ottawa Children's Treatment Centre  
Penetanguishene Protestant Separate

### Catholic District School Boards

Algonquin and Lakeshore  
Brant Haldimand Norfolk  
Bruce-Grey  
Dufferin-Peel  
Durham  
Eastern Ontario  
Halton  
Hamilton-Wentworth  
Huron Perth  
Huron-Superior  
Kenora  
London District  
Niagara  
Nipissing-Parry Sound  
Northeastern  
Northwest  
Ottawa  
Peterborough Victoria Northumberland and Clarington  
Renfrew County  
Simcoe Muskoka  
St. Clair  
Sudbury  
Superior North  
Thunder Bay  
Toronto

Waterloo

Wellington

Windsor-Essex

York

#### **French Catholic School Boards**

Conseil scolaire catholique MonAvenir

Conseil scolaire catholique Providence

Conseil scolaire de district catholique de l'Est ontarien

Conseil scolaire de district catholique des Aurores boréales

Conseil scolaire de district catholique des Grandes Rivières

Conseil scolaire de district catholique du Centre-Est de l'Ontario

Conseil scolaire de district catholique du Nouvel-Ontario

Conseil scolaire de district catholique Franco-Nord



## Appendix 3: Operating Responsibilities of School Boards

Prepared by the Office of the Auditor General of Ontario

### General responsibilities

- determining the number, size and location of schools;
- building, equipping and furnishing schools;
- approving schools' textbook and learning materials choices, based on the list of approved materials provided by the Ministry of Education; and
- supervising the operation of schools and their teaching programs.

### Financial responsibilities

- prudent management of the funds allocated by the province to support all board activities, including education programs for elementary and secondary school students, student transportation, and the maintaining of schools;
- preparing an annual budget;
- establishing a school council at each school; and
- ensuring schools abide by the *Education Act* and its regulations.

### Student-focused responsibilities

- providing education programs that meet the needs of the school community, including needs for special education;
- developing policy for safe arrival programs for elementary schools; and
- enforcing the student attendance provisions of the *Education Act*.

### Teacher-focused responsibilities

- hiring teachers and other staff;
  - helping teachers improve their teaching practices; and
  - teacher performance.
-

## Appendix 4: Examples of Grants for Student Needs Formulas

Source: Ontario Regulation 277/19

The Grants for Student Needs (GSN) has two major components:

- Foundation grants (there are two) are intended to cover the basic costs of education common to all students and schools.
- Special purpose grants (there were thirteen in 2019/20) are intended to address specific needs that may vary among school boards. They consider such factors as demographics, school location and special needs.

The calculation for each grant is detailed in an annual regulation under the *Education Act*.

### Pupil Foundation Grant

This grant is calculated on a per-pupil basis. The pupil foundation allocation for the 2019/20 school year is outlined in section 16 of Ontario Regulation 277/19 and includes the following amounts:

1. \$6,335.42 per pupil in Kindergarten
2. \$5,821.40 per pupil in Grades 1 to 3
3. \$4,844.11 per pupil in Grades 4 to 6
4. \$222.89 per pupil in Grades 7 to 8
5. \$4,927.44 per pupil in secondary school

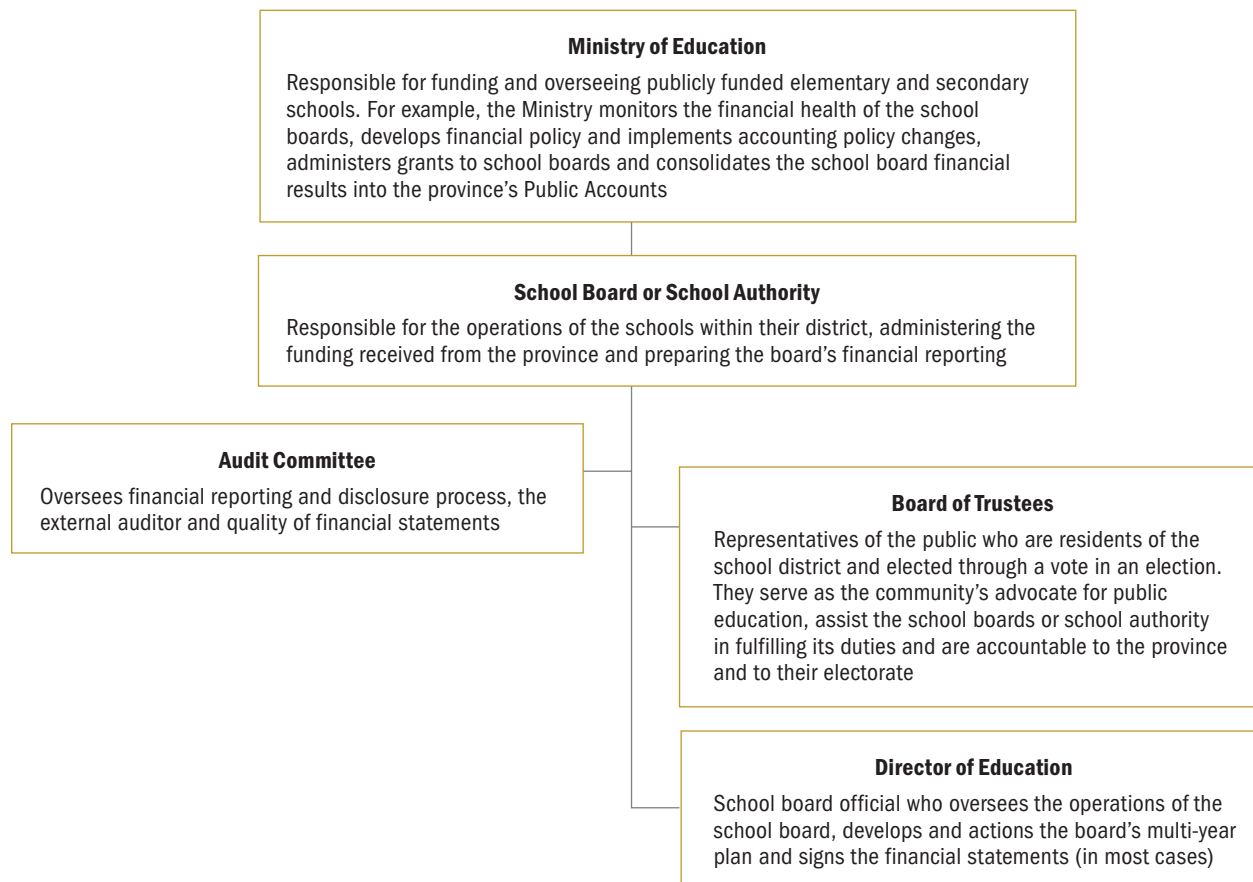
### School Operations Allocation

This grant is calculated based on benchmark area requirements. The school operations allocation for the 2019/20 school year is outlined in section 53 of Ontario Regulation 277/19 and includes the following amounts:

1. \$90.36 per metre squared of benchmark area requirement, where the benchmark area requirement is calculated as follows:
  - a. 9.7 metres squared per elementary school pupil, adjusted by a supplementary school area factor
  - b. 9.29 metres squared per pupil in continuing education and other program areas, adjusted by a supplementary school area factor
  - c. 12.07 metres squared per secondary school pupil, adjusted by a supplementary school area factor
2. top-up amount for schools that meet certain criteria (e.g., schools located at least 10 kilometres from other schools);
3. renewal software licensing fees amount as set out in regulation; and
4. community use of school amount as set out in regulation.

## Appendix 5: Governance Structure for School Boards and School Authorities

Prepared by the Office of the Auditor General of Ontario



## Appendix 6: Review Criteria

Prepared by the Office of the Auditor General of Ontario

### School Boards and School Authorities (School Boards)

1. School boards prepare their financial statements in accordance with the CPA Canada – Public Sector Accounting Handbook.
2. School board financial statements receive an unmodified opinion from their external auditor.
3. School board audited financial statements are publicly available in a timely manner.
4. School board financial statements disclose sufficient information about transactions, circumstances or events of such size, nature or incidence that their disclosure is necessary to understand school board finances.
5. School board financial statements are free from bias and do not influence users' decisions by the way the information is measured or presented.
6. School boards consistently apply similar accounting principles in their financial statements to enable users to compare boards.
7. School board financial statements are understandable and clearly presented.

### Ministry of Education (Ministry)

1. The Ministry has policies and procedures in place such that school board financial statements comply with the CPA Canada – Public Sector Accounting Handbook and promote quality financial reporting by school boards.

## Appendix 7: Ontario School Board Transportation Consortia

Prepared by the Office of the Auditor General of Ontario

Transportation Consortium	Partnering School Boards
<b>Algoma and Huron Superior Transportation Services Consortium</b>	<ul style="list-style-type: none"> <li>Algoma</li> <li>Huron-Superior Catholic</li> </ul>
<b>Chatham Kent Lambton Administrative School Services</b>	<ul style="list-style-type: none"> <li>Lambton Kent</li> <li>St. Clair Catholic</li> </ul>
<b>Consortium de transport scolaire de l'Est</b>	<ul style="list-style-type: none"> <li>Conseil des écoles publiques de l'Est de l'Ontario</li> <li>Conseil scolaire de district catholique du Centre-Est de l'Ontario</li> </ul>
<b>Consortium de transport scolaire d'Ottawa</b>	<ul style="list-style-type: none"> <li>Conseil des écoles publiques de l'Est de l'Ontario</li> <li>Conseil scolaire de district catholique de l'Est ontarien</li> </ul>
<b>Durham Student Transportation Services</b>	<ul style="list-style-type: none"> <li>Durham Catholic</li> <li>Durham</li> </ul>
<b>East of Thunder Bay Transportation Consortium</b>	<ul style="list-style-type: none"> <li>Conseil scolaire de district catholique des Aurores boréales</li> <li>Conseil scolaire public du Grand Nord de l'Ontario</li> <li>Superior North Catholic</li> <li>Superior-Greenstone</li> </ul>
<b>Halton Student Transportation Services</b>	<ul style="list-style-type: none"> <li>Halton Catholic</li> <li>Halton</li> </ul>
<b>Hamilton-Wentworth Student Transportation Services</b>	<ul style="list-style-type: none"> <li>Hamilton-Wentworth Catholic</li> <li>Hamilton-Wentworth</li> </ul>
<b>Huron Perth Student Transportation Services</b>	<ul style="list-style-type: none"> <li>Avon Maitland</li> <li>Huron Perth Catholic</li> </ul>
<b>Le Service de transport Francobus</b>	<ul style="list-style-type: none"> <li>Conseil scolaire catholique MonAvenir</li> <li>Conseil scolaire catholique Providence</li> <li>Conseil scolaire Viamonde</li> </ul>
<b>Niagara Student Transportation Services</b>	<ul style="list-style-type: none"> <li>District School Board of Niagara</li> <li>Niagara Catholic</li> </ul>
<b>Nipissing-Parry Sound Transportation Consortium</b>	<ul style="list-style-type: none"> <li>Conseil scolaire de district catholique Franco-Nord</li> <li>Conseil scolaire de district du Nord-Est de l'Ontario</li> <li>Near North</li> <li>Nipissing-Parry Sound Catholic</li> </ul>
<b>North East Tri-Board Transportation Consortium</b>	<ul style="list-style-type: none"> <li>Conseil scolaire de district du Nord-Est de l'Ontario</li> <li>District School Board Ontario North East</li> <li>Northeastern Catholic</li> </ul>
<b>Northwestern Ontario Student Services Consortium</b>	<ul style="list-style-type: none"> <li>Conseil scolaire de district catholique des Aurores boréales</li> <li>Kenora Catholic</li> <li>Keewatin-Patricia</li> <li>Northwest Catholic</li> </ul>



<b>Transportation Consortium</b>	<b>Partnering School Boards</b>
<b>Ottawa Student Transportation Authority</b>	<ul style="list-style-type: none"> <li>• Ottawa Catholic</li> <li>• Ottawa-Carleton</li> </ul>
<b>Rainy River District Transportation Services Consortium</b>	<ul style="list-style-type: none"> <li>• Northwest Catholic</li> <li>• Rainy River</li> </ul>
<b>Renfrew County Joint Transportation Consortium</b>	<ul style="list-style-type: none"> <li>• Renfrew County Catholic</li> <li>• Renfrew County</li> </ul>
<b>Service de transport de Wellington - Dufferin Student Transportation Services</b>	<ul style="list-style-type: none"> <li>• Conseil scolaire catholique MonAvenir</li> <li>• Conseil scolaire Viamonde</li> <li>• Dufferin-Peel Catholic</li> <li>• Upper Grand</li> <li>• Wellington Catholic</li> </ul>
<b>Simcoe County Student Transportation Consortium</b>	<ul style="list-style-type: none"> <li>• Simcoe County</li> <li>• Simcoe Muskoka Catholic</li> </ul>
<b>Southwestern Ontario Student Transportation Services</b>	<ul style="list-style-type: none"> <li>• London District Catholic School Board</li> <li>• Thames Valley</li> </ul>
<b>Student Transportation of Eastern Ontario</b>	<ul style="list-style-type: none"> <li>• Catholic District School Board of Eastern Ontario</li> <li>• Upper Canada</li> </ul>
<b>Student Transportation of Peel Region</b>	<ul style="list-style-type: none"> <li>• Dufferin-Peel Catholic</li> <li>• Peel</li> </ul>
<b>Student Transportation Service Consortium of Grey-Bruce</b>	<ul style="list-style-type: none"> <li>• Bluewater</li> <li>• Bruce-Grey Catholic</li> </ul>
<b>Student Transportation Services of Brant Haldimand Norfolk</b>	<ul style="list-style-type: none"> <li>• Brant Haldimand Norfolk Catholic</li> <li>• Conseil scolaire catholique MonAvenir</li> <li>• Grand Erie</li> </ul>
<b>Student Transportation Services of Central Ontario</b>	<ul style="list-style-type: none"> <li>• Conseil scolaire catholique MonAvenir</li> <li>• Kawartha Pine Ridge</li> <li>• Peterborough Victoria Northumberland and Clarington Catholic</li> </ul>
<b>Student Transportation Services of Thunder Bay</b>	<ul style="list-style-type: none"> <li>• Conseil scolaire de district catholique des Aurores boréales</li> <li>• Lakehead</li> <li>• Thunder Bay Catholic</li> </ul>
<b>Student Transportation Services of Waterloo Region</b>	<ul style="list-style-type: none"> <li>• Waterloo Catholic</li> <li>• Waterloo Region</li> </ul>
<b>Student Transportation Services of York Region</b>	<ul style="list-style-type: none"> <li>• York Catholic</li> <li>• York Region</li> </ul>
<b>Sudbury Student Services Consortium</b>	<ul style="list-style-type: none"> <li>• Conseil scolaire de district catholique du Nouvel-Ontario</li> <li>• Conseil scolaire public du Grand Nord de l'Ontario</li> <li>• Rainbow</li> <li>• Sudbury Catholic</li> </ul>
<b>Toronto Student Transportation Group</b>	<ul style="list-style-type: none"> <li>• Toronto Catholic</li> <li>• Toronto</li> </ul>

Transportation Consortium	Partnering School Boards
<b>Tri-Board Student Transportation Services</b>	<ul style="list-style-type: none"> <li>• Algonquin and Lakeshore Catholic</li> <li>• Limestone</li> <li>• Hastings and Prince Edward</li> </ul>
<b>Windsor-Essex Student Transportation Services</b>	<ul style="list-style-type: none"> <li>• Conseil scolaire catholique Providence</li> <li>• Conseil scolaire Viamonde</li> <li>• Greater Essex County</li> <li>• Windsor-Essex Catholic</li> </ul>

The following school board is part of a transportation consortium for which it is the only full member:

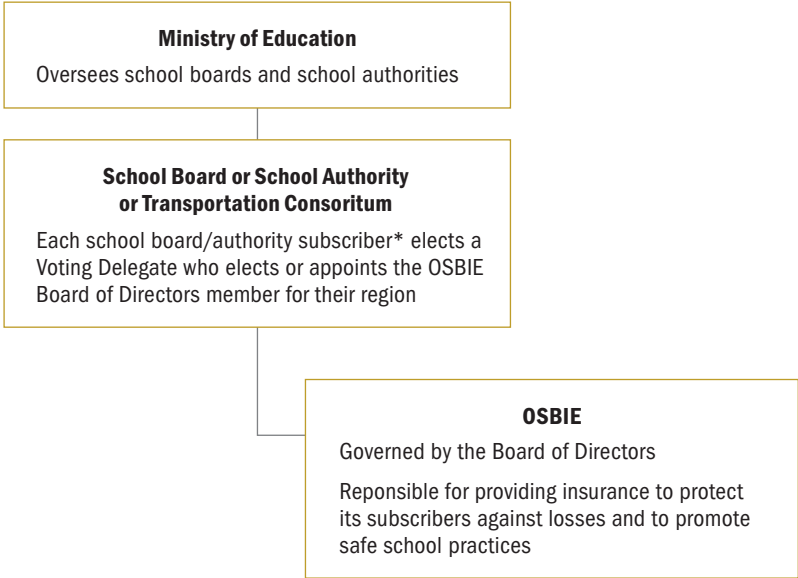
- Trillium Lakelands District School Board

The following school boards are not party to a transportation consortium:

- Bloorview School Authority
- Campbell Children's School Authority
- Conseil scolaire de district catholique des Grandes Rivières
- James Bay Lowlands Secondary School Board
- John McGivney Children's Centre School Authority
- KidsAbility Education Authority
- Moose Factory Island District School Area Board
- Moosonee District School Area Board
- Niagara Peninsula Children's Centre School Authority
- Ottawa Children's Treatment Centre School Authority
- Penetanguishene Protestant Separate School Board

**Appendix 8: Structure of School Boards and Ontario School Boards’ Insurance Exchange (OSBIE)**

Prepared by the Office of the Auditor General of Ontario



\* Only school boards and school authorities that are subscribers to OSBIE elect voting delegates.

## Appendix 9: Glossary of Key Accounting Terms

Prepared by the Office of the Auditor General of Ontario

Term	Definition
<b>Amortization</b>	The allocation of the cost of a tangible capital asset to expense over its useful life.
<b>Capital assets</b>	Non-financial assets having physical substance that are held for use, have useful lives extending beyond an accounting period, are to be used on a continuing basis, and are not for sale in the ordinary course of operations. Tangible capital assets include items such as buildings, roads, vehicles, equipment, land, etc.
<b>Debentures</b>	Debt instruments where the issuer promises to pay interest and repay the principal by the maturity date. It is unsecured, meaning there is no lien on any specific asset.
<b>Deferred capital contribution</b>	Contributions received by an entity related to capital expenditures of future periods, which are deferred and recognized as revenue in the period in which the related expenses are incurred. For example, a contribution received to purchase a capital asset is recognized as revenue when amortization expense is recognized over the useful life of the asset.
<b>Financial statement note disclosures</b>	Explanatory material included in the financial statements of an entity, which are used to provide additional financial information regarding the entity's operations and explain the assumptions and judgments used to prepare the financial statements.
<b>Long-term debt</b>	Loan that matures in more than one year.
<b>Materiality</b>	Threshold used to determine the significance of a misstatement or transaction to the users of the financial statements. Typically, a threshold is set by the independent auditor to evaluate whether, in the auditor's judgment, an error or misstatement would impact the decisions of the users of the financial statements. Amounts above this threshold are considered "material."
<b>Qualified opinion</b>	Auditor's signed opinion that the financial statements contain one or more material misstatements or omissions.
<b>Related party transaction</b>	Transfer of economic resources or obligations between parties who have a pre-existing relationship prior to the transaction, such as two organizations which are controlled by the same government.
<b>Special legislated accounting framework</b>	Government's use of legislation or regulation to specify accounting treatments instead of the wholesale application of independently established accounting standards.
<b>Statement of management's responsibility</b>	Written letter at the beginning of financial statements which is signed by management and declares management's responsibility for the preparation of the financial statements.
<b>Unqualified opinion</b>	An independent auditor's judgment that an entity's financial statements are reliable and are fairly presented, in accordance with the appropriate accounting framework. It is also referred to as a "clean opinion."





## Office of the Auditor General of Ontario

20 Dundas Street West, Suite 1530  
Toronto, Ontario  
M5G 2C2  
[www.auditor.on.ca](http://www.auditor.on.ca)

ISSN 1911-7078 (Online)  
ISBN 978-1-4868-5645-9  
(PDF, 2021 ed.)

Cover photograph credits:  
top right: © iStockphoto.com/Iryna Tolmachova  
bottom left: © iStockphoto.com/utah778