GREATER ESSEX COUNTY DISTRICT SCHOOL BOARD

Administrative Office: 451 Park Street West, P. O. Box 210, Windsor, Ontario N9A 6K1

PUBLIC SESSION MEETING OF THE AUDIT COMMITTEE

Monday, June 27, 2023
3:00 pm
451 Park Street West – Board Committee Room

AGENDA

Pages

A. CALL TO ORDER

B. ATTENDANCE

C. APPROVAL OF AGENDA

C.1 Agenda

D. CONVENE TO PRIVATE SESSION
PUBLIC SESSION WILL RECONVENE UPON ADJOURNMENT OF PRIVATE SESSION

E. DECLARATION OF CONFLICT OF INTEREST

F. ACTIONS OF AUDIT COMMITTEE MEETING PRIVATE SESSION

G. APPROVAL OF MINUTES

1 - 3 G.1 Minutes of Public Session meeting of the Audit Committee – March 21, 2023 *Attachment 1*

H. BUSINESS ARISING FROM THE MINUTES

I. NEW BUSINESS

4 I.1 Audit Committee planning for next year *Attachment 2*

J. REPORTS

5 - 31 J.1 March 31, 2023 - Specified Audit Procedures Report to the Ministry of Education *Attachment 3*
32 - 37 J.2 Implementation of PSAB 3280 Asset Retirement Obligations *Attachment 4*

K. ADJOURNMENT

Note: Items J.1 and J.2 will be going forward to the Public session of the Board Meeting of September 19, 2023 as Reports

Audit Committee Members:
Sarah Cipkar, Trustee
Ron Le Clair, Trustee
Gale Hatfield, Trustee
M. Drake Reid, External Member
TBA, External Member

Committee Liaison – Shelley Armstrong
Administrative Assistant – Tammy L. Meloche

GREATER ESSEX COUNTY DISTRICT SCHOOL BOARD

Administrative Office: 451 Park Street West, Windsor, Ontario. N9A 6K1

MINUTES OF A PUBLIC SESSION MEETING OF THE AUDIT COMMITTEE OF THE GREATER ESSEX COUNTY DISTRICT SCHOOL BOARD HELD ON TUESDAY, MARCH 21, 2023 VIRTUAL BY MICROSOFT TEAMS

PRESENT AUDIT COMMITTEE MEMBERS:
G. Hatfield - Chairperson (Virtually)
S. Cipkar
R. LeClair
D. Reid (External Member)

ADMINISTRATION:
E. Kelly, Director of Education
S. Armstrong, Superintendent of Business

OTHER ADMINISTRATIVE STAFF:
S. Maheux, Manager of Financial Services

OTHERS IN ATTENDANCE:
Cynthia Swift, KPMG (External Auditor)

RECORDER: T. Meloche

A. CALL TO ORDER

Superintendent Armstrong assumed the Chair Pro Term and called the meeting to order at 2:58 p.m.

B. ATTENDANCE

Superintendent Armstrong noted four members were present.

C. APPROVAL OF AGENDA

Moved by Trustee LeClair
Seconded by Trustee Cipkar

THAT THE AGENDA BE APPROVED AS PRINTED.

CARRIED

D. NEW BUSINESS

D.1 Audit Committee

a) Election of Chairperson of the Audit Committee

Moved by Trustee LeClair
Seconded by Trustee Cipkar

THAT TRUSTEE HATFIELD BE NOMINATED AS CHAIRPERSON OF THE AUDIT COMMITTEE FOR THE TERM NOVEMBER 15, 2022 (RETROACTIVELY) TO NOVEMBER 14, 2023.

Trustee Hatfield indicated that she would allow her name to stand.

There being no further nominations, Superintendent Armstrong declared that the nominations be closed.

DRAFT

Trustee Hatfield was acclaimed as Chairperson of the Audit Committee.

TRUSTEE HATFIELD ASSUMED THE CHAIR.

b) Election of Vice-Chairperson of the Audit Committee

Moved by Trustee Hatfield
Seconded by Trustee Cipkar

THAT TRUSTEE LECLAIR BE NOMINATED AS VICE-CHAIRPERSON OF THE AUDIT COMMITTEE FOR THE TERM NOVEMBER 15, 2022 (RETROACTIVELY) TO NOVEMBER 14, 2023.

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Trustee LeClair indicated that he would allow his name to stand.

There being no further nominations, Chairperson Hatfield declared that the nominations be closed.

Trustee LeClair was acclaimed as Vice-Chairperson of the Audit Committee.

E. CONVENE TO PRIVATE SESSION

Moved by Trustee LeClair
Seconded by Trustee Cipkar

TO MOVE INTO PRIVATE SESSION.

CARRIED

F. DECLARATION OF CONFLICT OF INTEREST

Excerpt from Ontario Regulation 361/10 - Audit Committees:
Declaration of Conflicts:
Subsection 14(1): Every member of an audit committee shall, when he or she is appointed to the committee for the first time and at the first meeting of the committee in each fiscal year, submit a written declaration to the chair of the committee declaring whether he or she has a conflict of interest as described in subsection 4 (2).
Subsection 4(2): For purposes of clause (1) (c), a person has a conflict of interest if his or her parent, child or spouse is employed by the board.

Subsection 14(3): If a member or his or her parent, child or spouse could derive any financial benefit relating to an item on the agenda for a meeting, the member shall declare the potential benefit at the start of the meeting and withdraw from the meeting during the discussion of the matter and shall not vote on the matter.

There were no Declarations of Conflict of Interest for this meeting.

G. ACTIONS OF AUDIT COMMITTEE MEETING PRIVATE SESSION

Nil

DRAFT

H. APPROVAL OF MINUTES

Moved by Trustee LeClair
Seconded by Trustee Cipkar

THAT THE MINUTES OF THE NOVEMBER 14, 2022 AUDIT COMMITTEE MEETING (PUBLIC SESSION) BE APPROVED AS PRINTED.

CARRIED

I. BUSINESS ARISING FROM THE MINUTES
Nil

J. PRESENTATION
Cynthia Swift, KPMG provided a presentation regarding the consolidation of the Ontario School Boards' Insurance Exchange with school board financial statements as recommended by the Ministry of Education. The Ontario School Boards' Insurance Exchange (OSBIE) is a non-profit insurance reciprocal representing 79 school boards. OSBIE is not a public sector. KPMG noted this is not appropriate accounting. KPMG does not agree with the recommendation by the Ministry that school boards should consolidate OSBIE's financial information with the school board.

It was questioned how this will affect the Board? It was noted the workload is vast. The Ministry has a different year end and uses the International Financial Reporting Standards. It will be difficult to consolidate.

The Ministry's position is that the government has an active interest. The Ministry has warned there will be penalties to school boards who do not comply with the directive. Conversations continue with regional representation.

K. REPORTS
Nil

L. ADJOURNMENT

There being no further business before the Committee, the Chairperson adjourned the meeting at 3:47 p.m.

Next scheduled meeting of the Audit Committee is:

- June 12, 2023 at 3:00 p.m., Via Microsoft Teams

DRAFT

PROPOSED
AUDIT COMMITTEE MEETING
SCHEDULE FOR 2023-24 SCHOOL YEAR

Meeting Date	Meeting Location	Meeting Time
Monday, September 18, 2023	Board Committee Room	3:00 p.m.
Monday, November 13, 2023	Board Committee Room	3:00 p.m.
Monday, June 10, 2024	Board Committee Room	3:00 p.m.

KPMG LLP
3200 Deziel Drive, 618 Greenwood Centre
Windsor ON N8W 5K8
Canada
Tel 519 251-3500
Fax 519 251-3530

AGREED-UPON PROCEDURES REPORT

To Greater Essex County District School Board

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of providing the Greater Essex County District School Board (the "Board") with information necessary to fulfill its obligation to the Ministry of Education which shall be based on information in Schedules 19, 20, 22, 22A, 22ARO, 27, 28SUM and 28DETAILS of EFIS as at March 31, 2023 and for the period from April 1, 2022 to August 31, 2022 and from September 1, 2022 to March 31, 2023 in connection with the consolidation of the Board financial information into the financial statements of the Province of Ontario ("subject matter") ("purpose") and may not be suitable for another purpose.

Responsibilities of the Engaging Party

Greater Essex County District School Board has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

Greater Essex County District School Board is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Canadian Standard on Related Services (CSRS) 4400, *Agreed-Upon Procedures Engagements*.

An agreed-upon procedures engagement involves our performing the procedures that have been agreed with Greater Essex County District Catholic School Board and reporting the findings, which are the factual results of the agreed-upon procedures performed.

We make no representation regarding the appropriateness of the agreed-upon procedures.
This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics

We have complied with ethical requirements, including those pertaining to independence, relevant to assurance engagements in Canada.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with Greater Essex County District School Board.

I. Schedules 19 and 20 of EFIS of the Board

We have obtained Schedules 19 and 20 of EFIS from the Board and performed the following:

1. With respect to Column A.1, we performed the following at March 31, 2023:

    a. We obtained a summary of the trial balance (or general ledger) at March 31, 2023 of the Board and agreed the subtotals to Column A.1 of Schedules 19 and 20 and found them to be in agreement.

    Procedure performed without exception.

    b. We agreed the following 5 items (assets/ liabilities/ accumulated surplus/ (deficit)/ revenues/ expenses) over $700,000 from the summary referred to in (1) a) above, to the general ledger and found them to agree.

Account
84300 - A/R Government of Canada
91700 - A/P, Trade (control)
99740 - Accumulated Surplus – UFC – School Generated Funds
00101 - Provincial GSN
36980 – Program Supply, Other

2. If applicable, we obtained the entry to reverse any amounts recorded during the seven-month period for school generated funds. We agreed the entry to supporting documentation and agreed to Column A.2 on Schedule 19 and 20.

   Procedure performed without exception.

3. If applicable, we obtained the entry to reverse any amounts recorded during the seven-month period for subsidiaries. We agreed the entry to supporting documentation and Schedule 19 and 20. (Column A.3).

   Not applicable, no adjustments noted in these columns.

4. We obtained a summary of the Column B.1 adjustments on Schedules 19 and 20, if any, to reverse entries over $700,000 which recorded receivables and payables at August 31, 2022 and were not reversed in the Board's general ledger during the subsequent period. We randomly selected 20% of the entries (a minimum of 5), agreed them to the supporting documentation and verified the amount was included in the summary of the entries. We agreed the summary of the entries to Column B.1 of Schedule 19 "Consolidated Statement of Financial Position", and Schedule 20 "Revenues and Expenses", as applicable.

   Not applicable, no adjustments noted in these columns.

5. We obtained a summary of Column B.2 accrual adjustments on Schedules 19 and 20, if any, for adjustments over $700,000 related to the period prior to March 31, 2023. We randomly selected 20% of the entries (a minimum of 5), agreed them to the supporting documentation and verified the amount included in the summary of the entries related to the period prior to March 31, 2023. We agreed the summary of the entries to Column B.2 of Schedule 19 "Consolidated Statement of Financial Position", and Schedule 20 "Revenues and Expenses", as applicable.

   Procedure performed without exception.

JE#	Schedule and Line #	Amount ($)	Description
AJE 13	Sch 19/Ln 4.3/Col B.2 Sch20E/Ln 11.4/Col B.2	46,740,665	To record TCA additions for period ended March 31, 2023
AJE 14	Sch 19/Ln 4.3/Col B.2 Sch20E/Ln 11.10/Col B.2	14,939,097	To record amortization for period ended March 31, 2023

6. With respect to Column B.3 adjustments made to accrue the Ontario Financing Authority (OFA) loan interest, we recalculated the accrued amount and agreed to the adjustment on column B.3 of Schedule 19 and 20.

   Procedure performed without exception.

7. We obtained supporting documentation for any Column C.1 adjustments made to reclassify Ministry Revenue between the various categories on Schedule 20 “Revenue”. We agreed 2 entries to the supporting documentation.

   Not applicable, no adjustments noted in these columns to reclassify revenue between categories.

8. With respect to the revenue recorded for municipal taxes over $700,000, we performed the following:

   a. With respect to the tax revenue for the period from September 1, 2022 to December 31, 2022:

      We agreed the 2022 municipal tax revenue to the most current supporting documentation (for a maximum of two municipalities) and recalculated the revenue for the period by subtracting the amount included in revenue in the August 31, 2022 audited financial statements (being 62% of the 2022 tax revenue as included in Schedule 11B of EFIS for the year ended August 31, 2022) from the total 2022 tax revenues (based on most current information).

Municipality
Municipality of Leamington – 2022 tax levy #4
Town of Amherstburg – 2022 tax levy #4

   b. With respect to the tax revenue for the period from January 1, 2023 to March 31, 2023:

      We recalculated the estimated 2023 municipal tax revenue for the period using 25% of the estimated 2023 tax revenue based on most current information. We agreed estimated 2023 tax revenue to supporting documentation . If current information regarding estimated 2023 tax revenue is unavailable, then the 2023 tax revenue for the period was estimated using 2023 tax revenue as included in Schedule 11A of the Revised Estimates for the year ending August 31, 2023.

Municipality
Town of Tecumseh – 2023 tax levy #1
Municipality of Lakeshore – 2023 tax levy #1

c. We agreed the 2022 supplementary taxes and write offs(for a maximum of two municipalities) to supporting documentation and recalculated the revenue for the period by subtracting the amount included in line 3.4 in Schedule 9 of the 2021-2022 financial statements.

   Not applicable, no supplementary taxes or write-offs.

d. If an amount greater than $700,000 was reported on line 3.4, Column C.2 of Schedule 20 “Revenue”, we asked management for the supporting listing that totaled the amount on line 3.4. We calculated the difference between the 2023 supplementary taxes and write-offs based on most current information and 2022 supplementary taxes and write-offs and agreed to the amounts on the listing (for a maximum of two municipalities).

   Not applicable.

e. We agreed the total of 8a), 8b), 8c) and 8d), above to Local Taxation (line 3.5) in Column E on Schedule 20 “Revenue” after the adjustment, if any, in Column C.2. We agreed the adjustment amount to Schedule 19, “Consolidated Statement of Financial Position” Column C.2, line 1.4 or line 2.3.

   Procedure performed without exception.

9. We verified the calculation of the allocation of tuition revenues to the period using the prescribed methodology prorated on the related number of school days. We agreed the adjustment, if over $700,000, made to reflect this calculation in Schedule 20 “Revenue”, and Schedule 19 “Consolidated Statement of Financial Position” in Column C.3.

   Procedure performed without exception.

10. With respect to salaries and benefits earned for the period we obtained the payroll paid and payroll earned during the period from the Board, and performed the following:

    a. We obtained a listing of the general ledger entries and agreed the following amounts paid to the payroll journal, selecting from different employee groups, a maximum of 5 entries.

Pay Period	Employee Group
January 11, 2023	Academic – Elementary Teacher
October 28, 2022	OSSTF
February 7, 2023	ESS/Paraprof
September 23, 2022	Plant
November 18, 2022	MGMT

11. We obtained the calculation of the vacation pay accruals for any amounts over $700,000 and performed the following:

    a. We obtained the supporting documentation for the 2 employee groups with the largest vacation pay accruals.

       Procedure performed without exception.

    b. We agreed a sample of the following 5 employees (allocated between the employee groups) to the records of vacation days outstanding, and the payroll rate. We recalculated the accrued vacation pay for those 5 employees.

       Procedure performed without exception.

    c. We agreed the adjustment to Column C.5 on Schedule 19, “Consolidated Statement of Financial Position” and Schedule 20 “Expenses”.

       Procedure performed without exception.

12. We verified the mathematical accuracy of the prorated calculation of the employee future benefits liability and related expense adjustment, using the 2022-2023 estimates provided in the actuarial assessment at August 31, 20XX and found no differences. If 2022-2023 estimates are not provided in the August 31, 20XX assessment, verify if the board has used 2021-2022 expenses as the basis for prorating. We agreed the total employee future benefits liability to the total in Column E, after the required adjustment to Column C.6, on Schedule 19, “Consolidated Statement of Financial Position”, line

2.20. We agreed the adjustment to expenses to the total in Column C.6 on Schedule 20, “Expenses”.

Procedure performed with no exceptions.

13. We performed the following with respect to any other adjustments over $700,000 provided by the Board:

    a. We obtained a summary of the other adjustment entries included in Column C.7 which related to the period prior to March 31, 2023 and required adjustment in Schedule 19 and 20, except for Schedule 19, line 2.22.2 “Asset Retirement Obligations” and line 4.3 “Tangible Capital Assets” and Schedule 20, line 11.10 “Amortization and Write Downs and Net Loss on Disposal” and line 11.11 “Accretion and Other Expense on Asset Retirement Obligations".

    Not applicable.

    b. We randomly selected 20% of the entries provided in a) above (a minimum of 5) over $700,000 as detailed below and compared to the supporting documentation. We verified the amount related to the period prior to March 31, 2023 was included in the summary of entries.

    Not applicable.

    c. We recalculated the summary of entries which required adjustment and agreed the adjustment to Column C.7 on Schedule 19 and 20. We ensured that the entries balanced between Schedule 20, “Revenues and Expenses” and Schedule 19, “Consolidated Statement of Financial Position”.

    Not applicable.

    d. We enquired whether any statement of financial position items, which are historically adjusted in the General Ledger at August 31 each year, were considered and included in the adjustments provided in a). (Note that items to be considered include accrued liabilities, receivables, interest on sinking fund assets, etc.)

    Not applicable.

    e. We enquired whether any items, historically included in the General Ledger as a net amount during the year and restated to report as gross revenue and expenses at August 31 each year, were considered and included in the adjustments provided in a). (Note that items to be considered include special projects, federal government grants, capital projects, etc.)

    Not applicable.

14. With respect to the School Generated Funds, we obtained the amounts included in the Consolidated Statement of Financial Position in the audited financial statements for the year ended August 31, 2022, agreed to supporting documentation and Schedule 19, "Consolidated Statement of Financial Position" in Column G.

    Procedure performed without exception.

15. With respect to the Subsidiaries, we obtained the amounts included in the Consolidated Statement of Financial Position in the audited financial statements for the year ended August 31, 2022, agreed to supporting documentation and agreed to the Schedule 19, "Consolidated Statement of Financial Position" Column H.

    Not applicable, no such amounts were identified.

II. Schedule 22

1. We obtained a detailed listing of tangible capital assets by asset class and agreed totals to corresponding columns by asset class in Schedule 22 of EFIS – "Tangible Capital Asset Continuity".

   Procedure performed without exception.

2. We conducted the following procedures with respect to additions to buildings (40 years) and land for the period September 1, 2022 to March 31, 2023:

   a. From the detailed listing of tangible capital assets for the 7-month period supporting the data in Schedule 22, we selected a sample of 7 additions (5 buildings and 2 land) as follows:

Building (School)	Asset ID#	Amount
Amherstburg PS	N/A	595,816.42
Anderdon PS	N/A	1,557,957.61
Colchester North	N/A	1,170,478.60
Riverside	N/A	161,044.27

Walkerville	N/A	2,006,272.19
Lakeshore Land	N/A	4,226,426.52

b. We selected one cost component included in each addition selected in a) and agreed the cost to specific documentation as follows:

Building (School)	Vendor	Document #	Amount (Net of GST Recovery)	Agreed to supporting documents?
Amherstburg PS	Sterling Ridge	SRG-2206-4a	196,296.98	Yes - Invoice
Anderdon PS	Sterling Ridge	SRG-2206-4b	577,656.21	Yes - Invoice
Colchester North	Sterling Ridge	SRG-2206-4c	479,020.88	Yes - Invoice
Riverside	Walter Fedy	2231594	62,595.47	Yes - Invoice
Walkerville	Fortis Construction Group	5282	912,168.76	Yes - Invoice

Land	Vendor	Document #	Amount (Net of GST Recovery)	Agreed to supporting documents?
Lakeshore Land	Harrison Pensa LLP	188519	4,170,608.65	Yes - Invoice

c. For the sample selected in b) we determined that the items were recorded in accordance with the "District School Board & School Authority Tangible Capital Assets Provincial Accounting Policies & Implementation Guide" dated April 2023.

   Procedure performed without exception.

3. We conducted the following procedures with respect to Construction in Progress (CIP) assets:

   a. From the detailed listing of tangible capital assets for the 7-month period we selected 2 additions to CIP as follows:

Building (School)	Asset ID	Amount (Net of GST Recovery)
Eastview Horizon	N/A	4,389,517.75
Kingsville K-12	N/A	14,854,197.12

   b. We selected one cost component included in each addition selected in a) and agreed the costs to specific documentation as follows:

Building (School)	Vendor	Amount (Net of GST Recovery)	Agreed to supporting documents?
Eastview Horizon	Fortis	1,007,169.60	Yes - Invoice
Kingsville K-12	Fortis	3,419,504.30	Yes - Invoice

c. For the sample selected in b) we determined that the items were recorded in accordance with the "District School Board & School Authority Tangible Capital Assets Provincial Accounting Policies & Implementation Guide" dated April 2023.

   Procedure performed without exception.

d. We selected one item from CIP that was transferred into an in-service asset class and performed the following:

   Not applicable, no CIP assets were transferred into an in-service asset class.

e. We traced the related project to an authorized completion certificate or equivalent.

   Not applicable, no CIP assets were transferred into an in-service asset class.

4. We conducted the following procedure with respect to amortization of buildings (40 years):

   a. From the detailed listing of tangible capital assets for the 7-month period we selected a sample of 5 amortization expenses as follows:

Asset ID #	Amortization Amount
624	190,866.32
881	104,604.61
1240	114,139.94

2995	374,445.91
16090	228,488.96

b. recalculated the amortization in accordance with the “District School Board & School Authority Tangible Capital Assets Provincial Accounting Policies & Implementation Guide” dated April 2023 and agreed to the amortization reported in the detailed listing of tangible capital assets for the 7-month period for the assets selected.

Procedure performed without exception.

5. We conducted the following with respect to disposals of buildings (40 years) and land:

a. From the detailed listing of tangible capital assets for the 7-month period we selected a sample of 3 disposals as follows:

Not applicable, no disposals took place.

b. We agreed the proceeds of disposition for the items selected in a) above to supporting documentation (indicate the supporting documentation - i.e., Agreement of Purchase and Sale).

Not applicable, no disposals took place.

c. We recalculated the gain/loss on disposal for the items selected in a) above and agreed to the gain/(loss) on disposal for that asset to the board’s data.

Not applicable, no disposals took place

III. Schedule 22A

1. We obtained a detailed listing of assets held for sale by asset class and agreed totals to corresponding columns by asset class in Schedule 22A of EFIS – “Assets Held for Sale Continuity”.

Not applicable, no assets held for sale were noted.

2. We conducted the following procedures for assets held for sale with respect to additions to land and land improvements with infinite lives, and building and land improvements with finite lives, for the period September 1, 2022 to March 31, 2023:

a. From the detailed listing of assets held for sale for the 7-month period supporting the data in Schedule 22A, we selected a sample of 3 additions (1 land and land improvement with infinite life and 1 building and 1 land improvement with finite life (if applicable) and ensured that the criteria (PSAB handbook section 1201.55) to transfer into assets held for sale was met in the September 1, 2022 to March 31, 2023 period as follows:

   Not applicable, no assets held for sale were noted.

b. We selected 1 additional expenditure on assets held for sale and agreed the cost to specific documentation as follows:

   Not applicable, no assets held for sale were noted.

3. We conducted the following with respect to disposals of assets held for sale:

   a. From the detailed listing of assets held for sale for the 7-month period we selected a sample of 2 disposals as follows:

      Not applicable, no disposals were noted.

   b. We agreed the proceeds of disposition for the items selected in a) above to supporting documentation (indicate the supporting documentation - i.e., Agreement of Purchase and Sale).

      Not applicable, no disposals were noted.

   c. We recalculated the gain/loss on disposal for the items selected in a) above and agreed to the gain / (loss) on disposal for that asset to the board's data.

      Not applicable, no disposals were noted.

IV. Schedule 22ARO

1. We obtained a detailed listing of asset retirement obligations associated with tangible capital assets by asset class (the "ARO Asset Inventory Listing") and verified that school board calculated the 7-month amortization expense as instructed in the Ministry of Education "Instructions for Reporting March 31, 2023: Balances for Provincial Consolidation Reporting" document, in Schedule 22ARO. School boards were instructed to modify their most recent version of the ARO Asset Inventory listing, on Tab 5 "Board Owned Buildings" and on Tab 7 "Land Improvements", to add nine columns to the right of the of the "comments" column, labeled as follows:

   Col 1 - "Changes in Estimates for the Period September 1, 2020 to March 31, 2022"

Col 2 – “ARO Liability- Liabilities Incurred for the 5-Month Period (April 1, 2022 to August 31, 2022)”

Col 3 – “ARO Liability- Disposals for the 5-Month Period (April 1, 2022 to August 31, 2022)”

Col 4 – “ARO Liability- Abatement for the 5-Month Period (April 1, 2022 to August 31, 2022)”

Col 5 – “Total ARO Liability/TCA-ARO GBV as at September 1, 2022”

Col 6 - “Original RSL”

Col 7 - “RSL from Sch 3C or Sch 3D as at August 31, 2022”

Col 8 - “Increase to Opening Accumulated Deficit as at September 1, 2022”

Col 9 - “7-Month Amortization Expenses – September 1, 2022 to March 31, 2023”

a. In the school board’s most recent version of the ARO Asset Inventory listing, on Tab 5 “Board Owned Buildings”, in the column labeled “Increase to Opening Accumulated Deficit as at September 1, 2022”, we agreed the total of this column to the sum of the amounts entered on Schedule 22 - Tangible Capital Asset Continuity ARO – Accumulated Amortization, column 1, lines “Buildings – 40 Years” and “Other Buildings”.

   Procedure performed without exception.

b. In the school board’s most recent version of the ARO Asset Inventory listing, on Tab 7 “Land Improvements”, in the column labeled “Increase to Opening Accumulated Deficit as at September 1, 2022”, we agreed the total of this column to the amount entered on Schedule 22 – Tangible Capital Asset Continuity ARO – Accumulated Amortization, column 1, on the line “Land Improvements”.

   Not applicable, ARO does not apply to any Land Improvements for the Board.

c. In the school board’s most recent version of the ARO Asset Inventory listing, on Tab 5 “Board Owned Buildings”, in the column labeled “7-Month Amortization Expense – September 1, 2022 to March 31, 2023”, we agreed the total of this column to the sum of the amounts entered on Schedule 22 – Tangible Capital Asset Continuity ARO – Accumulated Amortization, column 4

(7-month amortization expense), lines “Buildings – 40 Years” and “Other Buildings”.

Procedure performed without exception.

d. In the school board’s most recent version of the ARO Asset Inventory listing, on Tab 7 “Land Improvements”, in the column labeled “7-Month Amortization Expenses – (September 1, 2022 to March 31, 2023)”, we agreed the total of this column to the amount entered on Schedule 22 – Tangible Capital Asset Continuity – ARO – Accumulated Amortization, column 4 (7-month amortization expense), on the line “Land Improvements”.

   Not applicable, ARO does not apply to any Land Improvements for the Board.

e. In the school board’s most recent version of the ARO Asset Inventory listing, on Tab 5 “Board Owned Buildings” and on Tab 7 “Land Improvements”, in the column labeled “RSL from Sch 3C or Sch 3D as at August 31, 2022”, select 6 remaining service life (RSL) entries from Tab 5 and 2 RSL entries from Tab 7 and agree them to the RSL August 31, 2022 closing balance in the school board’s 2021-2022 EFIS financial statement submission.

Asset Name	RSL from SCH 3C or 3D	Agreed to August 31, 2022 RSL?
B66028-A000000000105 Bellewood Public School	26.6	Yes

B66028-A000000000718 John Campbell Public School	0	Yes
B66028-A000000001151 Queen Elizabeth Public School	23	Yes
B66028-A000000005734 Belle River Public School	14.94	Yes
B66028-A000000016070 Western Secondary School	10.5	Yes
B66028-A000000016162 Prince Andrew	4.5	Yes

Tab 7 is not applicable, ARO is only identified in the 40-year Buildings asset class for the Board..

Procedure performed with no exceptions

f. In the school board's most recent version of the ARO Asset Inventory listing, on Tab 5 "Board Owned Buildings", sort the data by the "Asset Type" category.

In the column labeled “Original RSL”, ensure the RSL is 40 years for all asset types labeled as “B40” and the RSL is 20 years for all asset types labeled as “B20”.

Procedure performed without exception.

g. In the school board’s most recent version of the ARO Asset Inventory listing, on Tab 7 “Land Improvements”, in the column labeled “Original RSL”, ensure the RSL is 15 years for all assets.

Not applicable, ARO was not identified in Land Improvements for the Board.

h. In the school board’s most recent version of the ARO Asset Inventory listing, on Tab 5 “Board Owned Buildings” and on Tab 7 “Land Improvements”, in the column labeled “Total ARO Liability/TCA-ARO GBV as of September 1, 2022”, ensure the ARO liability has been correctly populated from Tab 5 column AI or from Tab 7 column Q, as applicable including any applicable adjustments as laid out in columns 1 to 4.

Procedure performed without exception.

i. In the school board’s most recent version of the ARO Asset Inventory listing, on Tab 5 “Board Owned Buildings” and on Tab 7 “Land Improvements”, in the column labeled “Increase to Opening Accumulated Deficit as at September 1, 2022”, for the samples chosen in e), we confirmed the amount is calculated as column 6 (Original RSL) less column 7 (RSL from Sch 3C or Sch 3D as at August 31, 2022), with the result divided by column 6, then multiplied by column 5 (Total ARO Liability/TCA-ARO GBV as at September 1, 2022).

Asset Name	Asset ID	Opening Accumulated Deficit
Bellewood Public School	B66028-A000000000105	691,096
John Campbell Public School	B66028-A000000000718	0

Queen Elizabeth Public School	B66028-A000000001151	67,803
Belle River Public School	B66028-A000000005734	3,794,103
Western Secondary School	B66028-A000000016070	524,769
Prince Andrew	B66028-A000000016162	542,058

Procedure performed without exception.

j. In the school board's most recent version of the ARO Asset Inventory listing, on Tab 5 "Board Owned Buildings" and on Tab 7 "Land Improvements", in the column labeled "7-Month Amortization Expenses (September 1, 2022 to March 31, 2023)", for the samples chosen in e), we confirmed the amount is calculated as column 5 (Total ARO Liability as at September 1, 2022) divided by column 6 (Original RSL), multiplied by 7/12 months.

Asset Name	**Asset ID**	**Amortization Expense**

Bellewood Public School	B66028-A000000000105	30,764
John Campbell Public School	B66028-A000000000718	0
Queen Elizabeth Public School	B66028-A000000001151	2,045
Belle River Public School	B66028-A000000005734	91,656
Western Secondary School	B66028-A000000016070	10,970
Prince Andrew	B66028-A000000016162	0

Procedure performed without exception.

2. We conducted the following procedures with respect to the “disposals” in Schedule 22 – Tangible Capital Asset Continuity ARO – Gross Book Value, column 5:

    a. We obtained a listing of the amounts therein and selected 2 items from column 5 that are greater than $700,000 (if any):

    Not applicable, there were no 7-month disposals greater than $700,000.

    b. We obtained the supporting documentation used to record the disposal for each asset selected in a) and agreed the amount to specific documentation (ex. Invoice, sale agreement) as follows:

    Not applicable, there were no 7-month disposals greater than $700,000.

V. Schedule 28SUM

1. We obtained a detailed listing of asset retirement obligations associated with tangible capital assets by asset class (the "ARO Asset Inventory Listing") and agreed the total ARO for each asset category in Tab 4.1 "Summary" to corresponding lines by asset class in Schedule 28SUM of EFIS – "Asset Retirement Obligation Liability Information Prior to Sept 1, 2022", column 2. The asset category called "Board Owned Buildings" in Tab 4.1 "Summary" should agree to the sum of the categories "Buildings – 40 years", "Other Buildings", "Permanently Removed from Service – Buildings – 40 Years" and "Assets Held for Sale" in Schedule 28SUM.

   Procedure performed without exception.

2. We conducted the following procedures with respect to column 3 "ARO Liability Changes in Estimates for the Period September 1, 2020 to March 31, 2022":

   a. We agreed the total of lines "Buildings – 40 years", "Other Buildings", "Permanently Removed from Service – Buildings – 40 Years" and "Assets Held for Sale" in Schedule 28SUM, column 3, to the total of Col 1 - "Changes in Estimates for the Period September 1, 2020 to March 31, 2022" on the ARO Asset Inventory Listing Tab 5 "Board Owned Buildings".

      Procedure performed without exception.

   b. We agreed the total of line "Land Improvements" in Schedule 28SUM, column 3, to the total of Col 1 - "Changes in Estimates for the Period September 1, 2020 to March 31, 2022" on the ARO Asset Inventory Listing Tab 7 "Land Improvements".

      Not applicable, ARO not identified in land improvements for the Board.

   c. From the Col 1 - "Changes in Estimates for the Period September 1, 2020 to March 31, 2022" on the ARO Asset Inventory Listing Tab 5 "Board Owned Building" and Tab 7 "Land Improvements", we obtained 4 samples from Tab 5 and 1 sample from Tab 7 greater than $700,000:

      Procedure performed without exception

   d. From Schedule 28SUM, column 3, for the lines Portables, Equipment, Capital Leased Buildings, Leasehold Improvements or Directly Expensed Items for any amount greater than $700,000, we obtained the detailed listing of the changes in estimates related to a particular asset category and we selected a sample of 2 entries greater than $700,000:

      Not applicable, no changes in estimates related to these asset categories

   e. For the samples selected in c) and d), if the sample was a liability incurred, we performed specified procedure Part VI 1b, as well as 1c (if ARO Costing Model

1 was used) or 1d (if the Sector-Level ARO Costing Model 2 was used), as applicable.

Not applicable, due to c) and d) also being not applicable.

f. For the samples selected in c) and d), if the sample was a disposal or abatement, we performed specified procedure Part VI 2b.

Not applicable, due to c) and d) also being not applicable.

3. We obtained a listing of additions and betterments, split by asset category, from both the 2020-2021 and 2021-2022 financial statements from EFIS. We noted any additions or betterments made to the following asset categories greater than $700,000: buildings - 40 years, other buildings, capital leased buildings, land improvements, portables or equipment. For each asset category that met the criteria, we obtained the detailed list of additions and betterments aggregated by asset. We enquired with the school board if each addition and betterment greater than $700,000 in the detailed listing was assessed for the presence of an ARO. If an addition or betterment was found to have an ARO greater than $700,000, we ensured that the ARO addition associated with that asset was recorded as a positive adjustment in Schedule 28SUM in either column 3 or column 4, depending on the applicable period.

   Applicable procedures performed without exception, remainder of procedure is not applicable, as there are no individual additions greater than $700,000.

4. We obtained a listing of disposals, split by asset category, from both the 2020-2021 and 2021-2022 financial statements from EFIS. We noted any disposals made to the following asset categories greater than $700,000: buildings - 40 years, other buildings, capital leased buildings, land improvements, portables or equipment. For each asset category that met the criteria, we obtained the detailed list of disposals aggregated by asset. For each disposal that was greater than $700,000 in the detailed listing, we ensured that any disposal of ARO greater than $700,000 associated with that asset was recorded as a negative adjustment in Schedule 28SUM in either column 3 or 5, depending on the applicable period.

   Not applicable, no disposals over $700,000.

VI. Schedule 28 Details

1. We conducted the following procedures with respect to the liabilities incurred reported in column 5 of Schedule 28 – ARO Liability Changes for the 5-Month Period, April 1, 2022 to August 31, 2022:

   a. We obtained a listing of the amounts therein and selected 2 items that are greater than $700,000 (if any):

   Not applicable, no information required to be presented in this schedule.

b. We obtained the costing model and/or supporting documentation used to estimate the ARO liability incurred or changed for each asset selected in a) and agreed the cost to specific documentation as follows:

   Not applicable, no information required to be presented in this schedule.

c. For the samples selected in a) where the amounts were calculated using ARO Costing Model 1 provided in the Ministry of Education memorandum 2021:SB11, we selected the largest ARO liability in tab 3 “DS Cost Model 1” and reperformed the calculation using the supporting documentation.

   Not applicable, no information required to be presented in this schedule.

d. For the samples selected in a) where the amounts were calculated using the Sector-Level ARO Costing Model 2 provided in the Ministry of Education memorandum 2022:SB36, we reperformed the calculation of the ARO liability using Tab 2 “HAZ ARO Model 2” by entering the “Weighted Average Year of Construction Before 1990” and the “Gross Square Meters (Pre-1990)” into the Sector-Level ARO Costing Model 2

   Not applicable, no information required to be presented in this schedule.

2. We conducted the following procedures with respect to the “disposals” in column 6 and “abatements” in column 7 of Schedule 28 – ARO Liability Changes for the 5-Month Period, April 1, 2022 to August 31, 2022:

   a. We obtained a listing of the amounts therein and selected 2 items from each of columns 6 and 7 that are greater than $700,000 (if any):

      Not applicable, no information required to be presented in this schedule.

   b. We obtained the supporting documentation for the ARO liability settled for each asset selected in a) and agreed the cost to specific documentation (ex. Invoice) as follows:

      Not applicable, no information required to be presented in this schedule.

3. For the assets selected in 1a and 2a of this section, agree the remaining service life (RSL) entered in column 4 (Asset RSL on August 31, 2022) of Schedule 28 – ARO Liability Changes for the 5-Month Period, April 1, 2022 to August 31, 2022, if applicable, to the RSL August 31, 2022 closing balance in the school board’s 2021-2022 EFIS financial statement submission.

   Not applicable, no information required to be presented in this schedule.

VII. Schedule 27

1. We conducted the following procedures with respect to the opening ARO liability balance at September 1, 2022 in column 2 of Schedule 27 – Asset Retirement Obligation Liability Continuity (7-Month Activity):

    a. From the ARO Asset Inventory Listing tab 5 “Board Owned Building”, we selected a sample of 7 assets as follows:

Asset ID	Asset Name	ARO Liability Amount
B66028-A000000003039	Administration Building	11,970
B66028-A000000000340	D M Eagle PS	135,594
B66028-A000000001078	Ford City Public	136,817
B66028-A000000000624	Harrow Senior Public School	949,750
B66028-A000000016145	Sandwich SS	0

    b. We obtained the costing model and/or supporting documentation (ex. Survey of asbestos containing materials) used to estimate the ARO liability for each asset selected in a) and agreed the cost to specific documentation as follows:

    Procedure performed without exception.

    c. For the sample selected in a) where the amounts were calculated using ARO Costing Model 1 provided in the Ministry of Education memorandum 2021:SB11, we selected the largest ARO liability in tab 3 “DS Cost Model 1” and reperformed the calculation using the supporting documentation.

    Procedure performed without exception.

d. For the samples selected in a) where the amounts were calculated using the Sector-Level ARO Costing Model 2 provided in the Ministry of Education memorandum 2022:SB36, we reperformed the calculation of the ARO liability using Tab 2 “HAZ ARO Model 2” by entering the “Weighted Average Year of Construction Before 1990” and the “Gross Square Meters (Pre-1990)” into the Sector-Level ARO Costing Model 2.

   Not applicable, all amounts were calculated using Costing Model 1.

2. We conducted the following procedures with respect to the opening ARO liability balance at September 1, 2022 in column 2 of Schedule 27 – Asset Retirement Obligation Liability Continuity (7-Month Activity):

   a. For any amount greater than $700,000 on the lines for Land Improvements, Portables, Equipment, Capital Leased Buildings, Leasehold Improvements or Directly Expensed Items, we obtained the detailed listing for each category, and we selected a sample of 1 entry greater than $700,000 for each category and agreed it to supporting data as follows:

      Not applicable, there were no amounts greater than $700,000.

   b. We obtained the costing model and/or supporting documentation (ex. Survey of asbestos containing materials) used to estimate the ARO liability for each asset selected in a) and agreed the cost to specific documentation as follows:

      Not applicable, only one amount Greater than 700,000k which was tested in Capital

      For the sample selected in a) where the amounts were due to asbestos and were calculated using ARO Costing Model 1 provided in the Ministry of Education memorandum 2021:SB11, we selected the largest ARO liability in tab 3 “DS Cost Model 1” and reperformed the calculation using the supporting documentation.

      Not applicable, there were no amounts greater than $700,000.

   c. For the sample selected in a) where the amounts were due to the decommissioning of fuel storage tanks, drinking water wells, monitoring wells, fire water holding tanks or septic tanks/beds and were calculated using ARO Costing Model 1 provided in the Ministry of Education memorandum 2021:SB11, we selected the largest ARO liability in the appropriate tab and reperformed the calculation using the supporting documentation.

      Not applicable, there were no amounts greater than $700,000.

   e. For the samples selected in a) where the amounts were related to asbestos and were calculated using the Sector-Level ARO Costing Model 2 provided in

the Ministry of Education memorandum 2022:SB36, we reperformed the calculation of the ARO liability using Tab 2 “HAZ ARO Model 2” by entering the “Weighted Average Year of Construction Before 1990” and the “Gross Square Meters (Pre-1990)” into the Sector-Level ARO Costing Model 2

Not applicable, there were no amounts greater than $700,000

3. We conducted the following procedures with respect to column 4 “Transfer of Solid Waste Landfill Liability on Adoption”:

    d. From Schedule 27, column 4, for any amount greater than $700,000, we obtained the detailed listing of the transfer of solid waste landfill liability on adoption in the “Directly Expensed” category and we selected a sample of 1 entry greater than $700,000 and agreed it to supporting data as follows:

    Not applicable, there were no amounts greater than $700,000.

    e. For the sample selected in a) we determined that the item was recorded in accordance with Public Sector Accounting Standard 3280 “Asset Retirement Obligations”

    Not applicable, there were no amounts greater than $700,000.

4. We conducted the following procedures with respect to the “changes in estimates” in column 5 and the “liabilities incurred during the period” in column 6 of Schedule 27, respectively:

    a. We obtained a listing of the amounts therein and selected 2 items from each of columns 5 and 6 that are greater than $700,000 (if any):

    Not applicable, there were no amounts greater than $700,000.

    b. We obtained the costing model and/or supporting documentation used to estimate the ARO liability incurred or changed for each asset selected in a) and agreed the cost to specific documentation as follows:

    Not applicable, there were no amounts greater than $700,000.

    c. For the sample selected in a) where the amounts were calculated using ARO Costing Model 1 provided in the Ministry of Education memorandum 2021:SB11, we selected the largest ARO liability in tab 3 “DS Cost Model 1” and reperformed the calculation using the supporting documentation.

    Not applicable, there were no amounts greater than $700,000.

    d. For the samples selected in a) where the amounts were calculated using the Sector-Level ARO Costing Model 2 provided in the Ministry of Education

memorandum 2022:SB36, we reperformed the calculation of the ARO liability using Tab 2 “HAZ ARO Model 2” by entering the “Weighted Average Year of Construction Before 1990” and the “Gross Square Meters (Pre-1990)” into the Sector-Level ARO Costing Model 2

Not applicable, there were no amounts greater than $700,000.

5. We conducted the following procedures with respect to the “disposals” in column 8 and “abatements” in column 9 on Schedule 27:

    a. We obtained a listing of the amounts therein and selected 2 items from each of columns 8 and 9 that are greater than $700,000 (if any):

    Not applicable, no disposals or abatements included in the schedule.

    b. We obtained the supporting documentation used to record the ARO liability settled for each asset selected in a) and agreed the cost to specific documentation (ex. Invoice) as follows:

    Not applicable, no disposals or abatements included in the schedule.

6. We conducted the following procedures with respect to the “accretion expense” in column 7 of Schedule 27:

    a. We obtained a listing of the amounts therein and selected 2 items from columns 7 that are greater than $700,000 (if any):

    Not applicable, no accretion expense in schedule.

    b. For each asset associated with an accretion expense selected in a), we performed specified procedure Part VI 1b, as well as 1c (if ARO Costing Model 1 was used) or 1d (if the Sector-Level ARO Costing Model 2 was used), as applicable:

    Not applicable, no accretion expense in schedule.

    c. We obtained an asset-level listing of the amounts listed in column 2 (Balance at September 1, 2022) of Schedule 27 and selected all ARO liabilities greater than $10 million (if any):

    Not applicable, no accretion expense in schedule.

    d. For the assets listed in part c), we ensured accretion expense amounts were recorded for the corresponding asset as part of the listing in a), and noted if accretion expense was not recorded:

    Not applicable, no accretion expense in schedule.

e. For each accretion expense selected in a), we obtained the supporting documentation (ex. a contract) used to support the calculation of the accretion expense (for example timing and/or amount of cash flows):

   Not applicable, no accretion expense in schedule.

f. For each accretion expense selected in a), we agreed the discount rate used in the calculation of the accretion expense to the amounts provided in the Ministry of Education “Instructions for Reporting March 31, 2023: Balances for Provincial Consolidation Reporting” document:

   Not applicable, no accretion expense in schedule.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Windsor, Canada
May 23, 2023

GREATER ESSEX COUNTY DISTRICT SCHOOL BOARD

CONFIDENTIAL MEMORANDUM

TO: TRUSTEE MEMBERS OF THE AUDIT COMMITTEE

FROM: SHELLEY ARMSTRONG, SUPERINTENDENT OF BUSINESS AND TREASURER
SHAWN MAHEUX, MANAGER OF FINANCIAL SERVICES

ERIN KELLY, DIRECTOR OF EDUCATION

SUBJECT: PSAB 3280 – ASSET RETIREMENT OBLIGATION - IMPLEMENTATION

DATE: JUNE 27, 2023

Creating Confident Learners | Engaging Communities | Demonstrating Ethical Stewardship

AIM:
To update the Audit Committee on the implementation of Public Sector Accounting Board ("PSAB") 3280 – *Asset Retirement Obligations*.

CONTEXT:
The new PSAB 3280 – *Asset Retirement Obligations* standard became effective for fiscal years beginning on or after April 1, 2022. PSAB 3280 addresses the reporting of legal obligations associated with the retirement of tangible capital assets ("TCAs"). The PSAB standard applies to both owned or leased TCAs (where a legal obligation exists) by a public sector entity that are either in productive use or no longer in productive use.

The Audit Committee was previously provided with an overview of the new accounting standard in November 2021. A copy of the memo is attached for reference purposes.

PURPOSE:

The implementation of the new accounting standard is significant and requires the use of management estimates and assumptions. Administration has been provided guidance from the Ministry on the implementation of the new standard, to ensure consistency with other Ontario school boards, compliancy with Ministry requirements and to ensure that the standard is adopted in a manner that presented fairly, in all material respects, the implications of the new standard on the Board's financial statements.

In June 2021, the Ministry issued memorandum 2021: SB11, providing school boards with details on the implementation of Asset Retirement Obligations ("ARO") including:

- Reporting the ARO opening balance as of September 1, 2020, by November 15, 2021.
- Full implementation of the standard on a modified retroactive basis, without restatement of prior period financial statements, for the year ended August 31, 2023.
- Consultation with external auditors on the requirement to provide comparative figures for the prior period (2021-22).
- Three step implementation strategy with two costing models available for use.

Materiality:

The Board owns and operates 69 schools, multiple administrative buildings and leases a variety of spaces. As of August 31, 2020, the gross book value ("GBV") of these buildings totaled $608.5 million. In conjunction with the Board's health and safety initiatives, a Designated Substances Management Program ("DSMP") is in place to track 11 hazardous designated substances referenced under Ontario Regulations 490 and 278 per the Ontario Occupational Health & Safety Act ("OHSA"). These substances are tracked across Board owned and leased sites.

Based on materiality established for the 2022-23 fiscal year ($7 million), the total ARO is considered material to the Board's financial statements.

Determining the ARO:

The Ministry provided school boards with two (2) costing models to assist with the determination of the ARO. Since Administration has asbestos data readily available, it made use of Model #1. This model affords higher accuracy based on the data that is available and requires fewer management estimates. This model also provides an assessment of fuel tanks, drinking water wells, monitoring wells, fire water holding tanks and septic tanks and beds. The model was completed for each building (owned or leased) and assumes that abatement is completed at the end of the useful life of the TCA. To determine the unit rates for various materials required in abatement, the Ministry engaged the services of Environmental Consulting and Occupational Health Inc. ("ECOH").

To assist Administration in completing the model for each building, Administration hired Indoor Environmental Specialists, a third-party consultant, who visited eight schools and assessed the number of designated substances in each type of room. An average was then taken per material per room and was applied consistently across each school, based on the number and room type in the building. An assessment was also performed for all board-owned fuel tanks, drinking wells, monitoring wells, septic tanks and fire water holding tanks.

Administration used EFIS to ensure completeness of the Board's asset inventory listing, and completeness of the underlying ARO.

Below is a summary of the opening ARO reported on November 15, 2021:

Asset Category	Asbestos	Fuel Tanks	Drinking Water Wells	Fire Water Holding Tank	Septic Tank and Septic Beds	ARO Liability as of September 1, 2020
Board owned buildings	34,125,939	3,750	52,750	-	1,048,225	35,230,664

While most school buildings contained asbestos, some buildings had much higher estimated liabilities than others. The age of the building significantly impacted the size of the liability since asbestos was used frequently in construction projects prior to the 1990's. Schools that contained vermiculite in the exterior walls often had a much higher asbestos remediation cost than those that did not. Total abatement costs of all fuel tanks, drinking water wells and septic tanks are much lower because there are not many schools which have these items.

A review of existing leases, portables and equipment was also performed.

- All portables owned by the Board are not old enough to contain asbestos. Therefore no liability exists for portables.
- Based on the review of lease agreements, only the leased space at the Essex Civic Centre requires remediation work to be performed for any leasehold improvements that were made. These costs are deemed immaterial.
- Neutralizing tanks are located at 14 school sites, most of which are located in closets. Given that few are underground, Administration has concluded that the remediation costs are immaterial.

Discounting the Obligation:

Discounted cash flow ("DCF") is a technique that determines the present value of future cash flows. As the ARO is a liability that will be incurred in the future (at the end of the useful life of the TCA), Administration needed to consider whether a discounting method should be applied to the future obligation. The Ministry provided the following considerations for discounting:

- The liability is material (threshold for reporting to the province is greater than $10 million per liability/asset/type). Boards are to discuss with their auditor the appropriateness of the recording threshold for the school board entity.
- The cash flows are reasonably set in both amount and timing; and
- The cash flow settlement period extends beyond 5 years from the initial recognition date of the liability.

In reviewing the above considerations, Administration has determined that the ARO is material. Additionally, the average expected life of each assessed asset is expected to be greater than 5 years (e.g. buildings). However, the cash flows for each particular asset / building are not reasonably set in both amount and timing due to the following:

- The amount (disposition of the building) is determined by a Ministry-directed circulation process which could result in proceeds of disposition varying significantly based on market conditions and the bidding process.
- The timing of disposition is not within the control of the Board and is entirely dependent upon the Ministry approval of capital funding, which typically occurs annually.

Consequently, Administration determined that discounting is not appropriate.

Impact on 2023 Financial Statements:

The March 31, 2023 reporting to the Ministry required school boards to record the implementation of the new standard in their EFIS submissions. External Auditors were required to perform specified procedures over this information (refer to Agenda item J.1 for a copy of the Specified Audit Procedures).

Below is a summary of the adjustments recorded in EFIS:

Opening ARO liability as of September 1, 2020	35,230,664
Remove: ARO liability of Harrow District High School (sold Dec. 2021)	(385,097)
Remove: ARO liability of Parkview PS (demolished in 2022)	(146,478)

Remove: ARO liability for Sun Parlour PS (charged to surplus)	(138,857)
Remove: ARO liability for Prince Andrew PS (charged to surplus)	(497,301)
Adjusted Opening Balance	34,062,931

The following journal entries will be recorded at August 31, 2023 under the modified retrospective method:

Dr. Tangible Capital Asset	34,062,931	
Dr. Opening Accumulated Surplus	20,535,355	
Cr. Asset Retirement Obligation		34,699,089
Cr. Accumulated Amortization		19,899,197

To record the opening ARO balance

Dr. Amortization Expense	739,900	
Dr. Accretion Expense	TBD	
Cr. Accumulated Amortization		739,900
Cr. Asset Retirement Obligation		TBD

To record amortization and accretion expense

All income statement related adjustments are ‘out of compliance’ for purposes of Ministry EFIS reporting. In other words, the Board does not have to fund amortization/accretion expenses.

GREATER ESSEX COUNTY DISTRICT SCHOOL BOARD

MEMORANDUM

TO: CHAIRPERSON AND MEMBERS OF THE AUDIT COMMITTEE

FROM: SHELLEY ARMSTRONG, SUPERINTENDENT OF BUSINESS AND TREASURER

SUBJECT: PS 3280 - ASSET RETIREMENT OBLIGATIONS

DATE: NOVEMBER 15, 2021

Demonstrating Ethical Stewardship

AIM:
To provide the Audit Committee with an overview of the Public Sector Accounting Standards Board ("PSAB") new standard 3280 *Asset Retirement Obligations* ("ARO").

CONTEXT:
In August 2018, the PSAB issued a new standard PS 3280 *Asset Retirement Obligations*, which requires public sector entities to record and disclose legal obligations associated with the retirement of tangible capital assets ("TCA") which are controlled by the public entity. TCA included in the scope of the new accounting standard include leased assets, and those TCA which are in productive use or are no longer in productive use. Costs associated with contaminated sites are excluded from the scope of PS 3280 and are separately accounted for under PS 3260 *Liability for Contaminated Sites*.

The new standard is effective for fiscal years beginning on or after April 1, 2022.

Legal Obligations:

PS 3280 only applies to ARO's arising from legal obligations. Legal obligations may arise from the acquisition, construction, development or subsequent use of a tangible capital asset. Agreements, legislation or promissory estoppel may give rise to the remediation of an asset.

Examples of AROs:

Examples of AROs include, but are not limited to, asbestos abatement, lead, fuel tank removal, school lab equipment (e.g. x-ray machines), wastewater or fire water holding tanks, septic tanks, and drinking water wells. Additionally, end of lease provisions requiring restoration of buildings to their original condition may also result in an ARO.

Recognition of AROs:

In accordance with PS3280, ARO should be recognized as at the financial reporting date when all the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a TCA;

- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Reporting of ARO on the Financial Statements:

At a high level, the initial recognition of an ARO will result in an increase in the carrying amount of the tangible asset and an equal and offsetting liability. Similar to the amortization of a tangible capital asset, the ARO liability is recognized as an expense in a rational and systematic manner over the estimated useful life of the tangible capital asset.

ARO's related to TCA no longer in productive use are expensed.

The Board's financial statements for the year ended August 31, 2023 will reflect the new accounting standard on a modified retroactive basis without restatement of prior period financial statements.

Current Ministry of Education Reporting Requirements:

School boards are required to report the ARO opening balance as of September 1, 2020 to the Ministry as part of its year end reporting submission by November 15, 2021. This reporting includes the following:

- Identification of all TCA which potentially have an ARO liability; and
- Measurement Reporting – application of one of two costing models developed by the Ministry to measure the liability.

Key to this reporting process, is ensuring the completeness of the TCA listing for determining the ARO liability. To ensure the completeness and validity of the data, the Board developed its asset inventory listing from the Ministry's School Facility Inventory System ("SFIS"), which is reconciled to the Education Financial Information System ("EFIS") forms, and financial statements. The Board is also reviewing existing lease agreements for any requirements to remediate at the end of the lease term. The Business department is collaborating with Facility Services in this reporting requirement.

Regarding the ARO costing model, the Board has elected to use the more comprehensive Ministry costing model to estimate the ARO related to asbestos, decommissioning of fuel tanks, drinking water wells, monitoring wells, fire water holding tanks and septic tanks based on recent asbestos and other survey data available for use.

The environmental specifications of every site are completed already, and work has been undertaken to finalize the calculations for asbestos-containing materials. To assist in this effort, the Board has engaged Indoor Environmental Specialists Inc. to assist with this important work.

Other:

Board Finance and Facility Services staff have engaged in professional development training with the Ministry of Education and KPMG, together with self-directed study to enhance our knowledge of PS 3280 – *Asset Retirement Obligations* to ensure the effective implementation of the new accounting standard.

As the new accounting standard is implemented into the Board's financial statements for the year ended August 31, 2023, Administration will review the implications of the adoption of this accounting standard on the Board's financial statements with the Audit Committee.