



FINANCE COMMITTEE

Monday, November 21, 2016
5:00 p.m.

Education Centre
Director's Meeting Room

AGENDA

1. CALL TO ORDER
2. APPROVAL OF THE AGENDA
3. APPROVAL OF THE MINUTES OF SEPTEMBER 21, 2016
4. ANNUAL REPORT ON BOARD INVESTMENTS - Stacy Veld
5. SCHEDULE OF ACCUMULATED SURPLUS - Stacy Veld
6. OTHER BUSINESS
7. NEXT MEETING DATE
8. ADJOURNMENT

DISTRICT SCHOOL BOARD OF NIAGARA
REPORT TO FINANCE COMMITTEE
ANNUAL REPORT ON BOARD INVESTMENTS

Background

District School Board of Niagara (DSBN) Policy B-04 *Investment of Board Funds* requires that an annual report on individual investments and investment performance be prepared as part of the year-end financial reporting process.

The policy also specifies that the following information be provided.

1. Schedule 1 – *Summary of Investments* lists all individual investments held at the end of the fiscal year, being August 31, 2016. The schedule summarizes the term, purchase and maturity date, organizational name, quality rating, principal amount and interest rate for each Guaranteed Investment Certificate investment.
2. The investment portfolio is invested 100% in the Corporate Investment category as allowed by the Policy. All of the investments are within the maximum individual organization limit allowed by the Policy.
3. The investment portfolio is generating an annual average investment return of 2.07%, which is an increase of 88% over the interest rate paid by the Board's financial service provider, CIBC, on the Board's daily cash balances.
4. In the opinion of the Superintendent of Business Services, all of the investments were made in accordance with the DSBN's Investment Policy and the objectives set out therein.

Appended Data

1. Summary of Investments

Recommended Motion

“That the Annual Report on Board Investments, as at August 31, 2016, be received.”

Respectfully submitted,

Stacy Veld, Superintendent of Business Services
Rick Werezak, Chief Financial Officer

November 21, 2016

For further information please contact Stacy Veld or Rick Werezak.

District School Board of Niagara

**Summary of Investments
As at August 31, 2016**

Investment Broker	Term	Purchase Date	Maturity Date	Invested In	DBRS Rating	Principal Amount	Annual Interest Rate
RBC Dominion Securities Inc	1 year	October 19, 2015	October 19, 2016	Bank of Montreal GIC	AA	8,000,000	1.72%
RBC Dominion Securities Inc	2 years	October 19, 2015	October 19, 2017	National Bank of Canada GIC	AA	8,000,000	1.95%
CIBC Wood Gundy	3 years	Nov. 26/27, 2015	Nov. 26/27, 2018	HSBC Canada GIC (Note 1)	A(High)	8,000,000	2.05%
RBC Dominion Securities Inc	4 years	October 19, 2015	October 21, 2019	Royal Bank of Canada GIC	AA	8,000,000	2.09%
Scotiabank	5 years	October 19, 2015	October 19, 2020	Scotiabank GIC	AA	8,000,000	2.55%
						40,000,000	

Average Interest Rate	2.07%
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Notes

- (1) Since the investment quality rating of the GIC investment in HSBC Canada dropped below the minimum Dominion Bond Rating Service (DBRS) investment quality limit of AA (low), as required by the Investment of Board Funds policy, this investment was sold in October, 2016 and replaced by a Bank of Montreal GIC investment with a similar maturity date and an annual interest rate of 1.69%.

DISTRICT SCHOOL BOARD OF NIAGARA
REPORT TO THE FINANCE COMMITTEE
SCHEDULE OF ACCUMULATED SURPLUS

Background:

As part of the year-end Financial Statement process, the Schedule of Accumulated Surplus, along with explanatory notes describing each of the District School Board of Niagara's (DSBN) accumulated surplus funds is presented to the Board of Trustees for approval.

The attached Schedule of Accumulated Surplus shows the status of the Board's accumulated surplus as at August 31, 2016, and reflects transfers to and from accumulated surplus which have occurred during the 2015-16 year. The changes in accumulated surplus are reflected in the 2015-16 Financial Statements which will be presented to the Audit Committee on November 21, 2016.

The 2015-16 year end resulted in a use of the General Operating Accumulated Surplus of \$1,784,621 versus a budgeted use of \$3,688,155.

In the 2016-17 budget, \$3,224,117 of the General Operating accumulated surplus has been used to fund expenditures, leaving an available balance of \$6,523,770. This available balance represents approximately 1.5% of 2016-17 budgeted expenditures.

Recommendation:

“That the Schedule of Accumulated Surplus for the year ended August 31, 2016, be approved.”

Appended Data:

1. Schedule of Accumulated Surplus for the Year Ended August 31, 2016
2. Accumulated Surplus - Explanatory Notes

Respectfully submitted,

Rick Werezak, Chief Financial Officer
Stacy Veld, Superintendent of Business Services

November 21, 2016

For further information, please contact Stacy Veld, Superintendent of Business Services.

**DISTRICT SCHOOL BOARD OF NIAGARA
SCHEDULE OF ACCUMULATED SURPLUS
FOR THE YEAR ENDING AUGUST 31, 2016**

	Sept. 1, 2015 Balance	Transfers To	Transfers From	Aug. 31, 2016 Balance	Committed	Net Available
	\$	\$	\$	\$	\$	\$
<u>INTERNALLY APPROPRIATED</u>						
Capital						
Board - Major Capital	2,349,944	-	594,878	1,755,066	-	1,755,066
Board - Fort Erie S.S. Theatre	3,000,000	-	-	3,000,000	3,000,000	-
Committed Capital Projects	11,373,075	594,878	574,433	11,393,520	11,393,520	-
Total Capital	16,723,019	594,878	1,169,311	16,148,586	14,393,520	1,755,066
Retirement Benefits	1,086,861	7,075	275,449	818,487	818,487	-
Workers' Compensation	4,319,599	37,663	-	4,357,262	4,357,262	-
Equipment Replacement						
Cafeteria Equipment	45,799	-	429	45,370	45,370	-
Data Centre	1,362,184	11,877	-	1,374,061	1,374,061	-
Network Infrastructure	-	1,443,507	-	1,443,507	1,443,507	-
Photocopier	2,035,152	241,267	-	2,276,419	2,276,419	-
Printing Services	232,393	2,025	-	234,418	234,418	-
VOIP/Unified Communications	588,892	116,094	-	704,986	704,986	-
Committed Equipment Projects	253,323	-	197,624	55,699	55,699	-
Total Equipment Replacement	4,517,743	1,814,770	198,053	6,134,460	6,134,460	-
Other						
Self-Insurance	244,684	2,134	-	246,818	246,818	-
Total Other	244,684	2,134	-	246,818	246,818	-
Year End Carry Forwards						
Schools	585,733	489,849	585,733	489,849	489,849	-
Board Contractual	290,875	365,149	290,875	365,149	365,149	-
Departmental	4,487,074	4,881,997	4,487,074	4,881,997	4,881,997	-
Total Year End Carry Forwards	5,363,682	5,736,995	5,363,682	5,736,995	5,736,995	-
<u>UNAPPROPRIATED</u>						
General Operating	11,532,508	-	1,784,621	9,747,887	3,224,117	6,523,770
Total General Operating	11,532,508	-	1,784,621	9,747,887	3,224,117	6,523,770
Total Accumulated Surplus	43,788,096	8,193,515	8,791,116	43,190,495	34,911,659	8,278,836

DISTRICT SCHOOL BOARD OF NIAGARA

ACCUMULATED SURPLUS - EXPLANATORY NOTES

DSBN Accumulated Surplus - Internally Appropriated

1. ***Capital***

Major Capital

The Major Capital accumulated surplus has been set aside to cover the cost of major capital projects (i.e. renovations, additions, school sites) which exceed the revenue received through Ministry grants.

Committed Capital Projects

With the implementation of new accounting standards in 2010-11, a Committed Capital Projects accumulated surplus is required to fund the future years amortization expense for capital projects funded from the Major Capital accumulated surplus.

2. ***Retirement Benefits***

This accumulated surplus is being used to partially fund the retirement gratuity liability which, effective in 2012-13, is being phased into budget compliance over 6.7 years, which is the Estimated Average Remaining Service Life (EARSL) of eligible employees.

3. ***Workers' Compensation***

DSBN is a Schedule 2 employer and funds its own Workers' Compensation claims. This accumulated surplus has been set aside to fund potential future costs of existing claims. An analysis is done annually to ensure the accumulated surplus is adequate to cover the Boards' actuarial liability.

4. ***Equipment Replacement***

Cafeteria Equipment

This accumulated surplus provides for unexpected and not otherwise budgeted repairs to cafeteria equipment. It is generated by a small portion of the commission received from annual sales.

Data Centre

This accumulated surplus provides for the replacement and/or upgrading of the Board's central (on premise) data centre. The components of the data centre include equipment, building infrastructure and the systems for power, security and cooling. An annual budget amount is transferred to this accumulated surplus.

Network Infrastructure

This accumulated surplus provides for the replacement and/or upgrading of the infrastructure that enables network connectivity, operations and management of the Board's network and Wi-Fi systems. The components of the network infrastructure include network switches, Wi-Fi Access Points, and Data Cabling. An annual budget amount is transferred to this accumulated surplus.

Photocopier

This accumulated surplus provides for the replacement of photocopier machines throughout the system as required. The per-copy charge includes an amount to provide for the replacement of the machines by the end of their expected life.

Printing Services

Printing Services operates on a cost-recovery basis. All operating and equipment costs incurred to produce printed materials are recovered through charges to the users - schools, other departments. Any annual surplus generated by Printing Services is transferred to accumulated surplus to provide funds for upgraded or replacement equipment. This surplus may also be used to offset annual costs if expenditures exceed revenue generated.

Voice Over Internet Protocol (VOIP)/Unified Communications

This accumulated surplus provides for the replacement and/or upgrading of the systems for the delivery of voice communication and multi-media technologies. An annual budget amount is transferred to this accumulated surplus.

Committed Equipment Projects

With the implementation of new accounting standards effective in 2010-11, a Committed Equipment Projects accumulated surplus was required to fund future year's amortization expense for capital equipment purchases funded from various Equipment Replacement accumulated surpluses.

5. **Self-Insurance**

This accumulated surplus covers the deductible portion of property insurance claims in excess of the annual budget amount. In the event claims are lower than budget, the unspent amount is transferred to accumulated surplus.

6. **Year End Carry Forwards**

These funds represent annual school surpluses or deficits, and surpluses in specific departmental and Board contractual budgets. The amounts are set up at year end and subsequently reversed in the following year. This allows school administrators and central staff to more effectively plan the timing of approved expenditures and initiatives.

DSBN Accumulated Surplus - Unappropriated

1. **General Operating**

The accumulated surplus for general operating requirements has been built up over the years from year-end operating surpluses. Any year-end surplus or deficit arising from operations is transferred to or from this accumulated surplus.

In 2005, the Board approved a motion to set aside \$2,000,000 of the General Operating surplus to cover unexpected or unbudgeted expenditures, which may arise during a particular year, or to provide limited funding for other approved one-time expenditures. The motion also approved the transfer of 20% of the remaining balance in the General Operating accumulated surplus to be allocated to the subsequent year's budget.