

This Financial Statement Discussion and Analysis for School District No.71 Comox Valley summarizes the financial performance for the fiscal year ended June 30, 2017. This report will discuss the budget challenges leading up to the 2016/17, the initiatives taken to address these challenges, unanticipated events, and status to the financial position at June 30, 2017.



School District No.71 (Comox Valley)
**Financial Statement Discussion
and Analysis**
For the Year Ended June 30, 2017

Prepared by the Finance Department for
School District No. 71 (Comox Valley)

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School District No. 71 (Comox Valley)

Financial Statement Discussion and Analysis

For the Year Ended June 30, 2017

1. Introduction

In the Spring of 2017, the FHWG (Financial Health Working Group) comprised of representatives from the BC School Trustee Association, BC School Superintendent Association, BC Association of School Business Officials, the Ministry of Education, the Ministry of Finance, and the Office of the Auditor General released a financial governance and accountability guideline for the Kindergarten – Grade 12 (K-12) Public Education Sector. The FHWG recommend school districts prepare a written report reviewing the financial and budgetary highlights for the completed 2016/17 fiscal year.

The Financial Statement Discussion and Analysis (FSDA) for School District No.71 Comox Valley (SD71) reviews the financial performances for the fiscal year ended June 30, 2017. This report is a summary of SD71's financial and budgetary activities based on currently know facts, decisions, or conditions. The results of 2016/17, are discussed in comparison with the prior year, with an emphasis placed on 2016/17 and the 2016/17 Amended Annual Budget. This FSDA report is only an introduction and should be read in conjunction with SD71's financial statements.

SD71 has also taken a proactive approach with answering various questions as outlined in the FGA (Financial Governance and Accountability) checklists put forward by the FHWG regarding the 2016/17 Financial Statement and 2016/17 Amended Annual Budget. These are recommended questions that could be asked by the Board or various Stakeholders regarding the 2016/17 Financial Statement and 2016/17 Amended Annual Budget. The recommendation by the FHWG was for school districts to respond to the FGA checklists of questions for the 2017/18 fiscal year, however SD71 has implemented the responses into this FSDA for the 2016/17 fiscal year.

Information to the FHWG documents can be found on the districts website at:

<http://www.sd71.bc.ca/About/publications/Pages/default.aspx>

2. The Comox Valley

School District No. 71 (Comox Valley) is located on the east coast of Vancouver Island approximately 100kms north of Nanaimo and is located on the traditional territory of the Komoks First Nation. Approximately 66,500 people call the Comox Valley home, and they reside in either the City of Courtenay, the Town of Comox, the Village of Cumberland, or in the Comox Valley Regional District. Each community provides their own unique services and community cultures to residence and visitors. The Comox Valley is known as a desirable place to live with golf, skiing, hiking, swimming and boating being only a few of the many outdoor activities available. In addition, the Comox Valley has many vibrant arts and cultural programs.

3. Overview of School District No.71 (Comox Valley)

SD71 is a positive and progressive school district whose mission is to work with all educational partners to develop responsible, compassionate citizens and successful lifelong learners. We provide a comprehensive educational program to 7,802fte (fulltime equivalent) students, of which 7,143fte are enrolled in a standard (K-12) educational programs, 125fte are in Alternate programs, and 534fte in Distributed Learning/Distance Learning programs (based on Sept 30, 2016 actual enrollment).

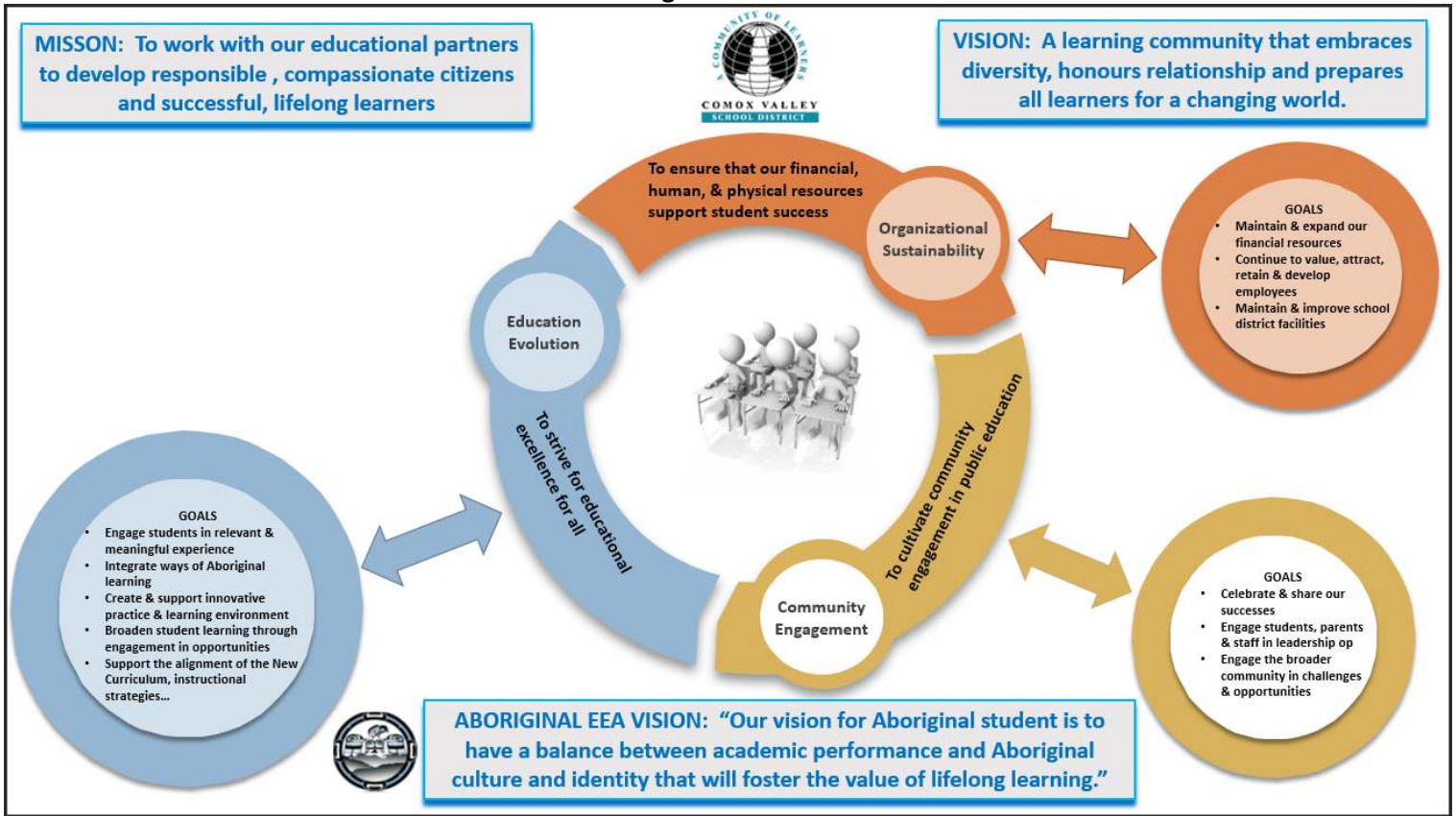
SD71 has 15 elementary schools, 2 middle/junior secondary schools, 3 secondary schools, 2 alternate schools, and a distance education school. The school district employs approximately 1,000 headcount employees, which calculates to approximately 746fte. Of the 746fte, 385fte are Teachers, 292fte are Support Staff, 46fte are Principals/Vice Principals, and 24fte are Exempt Staff (based on Sept 30, 2017, Form 1530).

The school district has an approximate Budget of \$86.4million, of which \$76.3million is for Operating expenses, \$5.2million Special Purpose Funds expenses, and \$4.9million Capital expenses. The school district also has a major annual capital plan with annual investment in school buildings of approximately \$12million this past year (based on 2016/17 Amended Annual Budget statements).

SD71 values are (refer also to Diagram 3):

1. *Mission Statement:* “To work with our educational partners to develop responsible, compassionate citizens and successful, lifelong learners.”
2. *Vision:* “A learning community that embraces diversity, honours relationships, and prepares all learners for a changing world.”
3. *2015 – 2018 Strategic Priorities:*
 - *Education Evolution:* To strive for education excellence for all.
 - *Organizational Sustainability:* To ensure that our financial, human, and physical resources support student success.
 - *Community Engagement:* Cultivate community engagement in public education.
4. *Aboriginal Education Enhancement Agreement:* “Our vision for Aboriginal Students is to have a balance between academic performance and Aboriginal culture and identity that will foster the value of lifelong learning.”
 - Goal 1: To increase every Aboriginal student’s sense of belonging, cultural identity and self-esteem.
 - Goal 2: To increase the academic success of all Aboriginal students through personalized learning.
 - Goal 3: To increase the awareness and understanding of First Nations, Metis, and Inuit history, traditions and culture for all students.
 - Goal 4: To increase every Aboriginal student’s skills, qualities and confidence in leadership.

Diagram 3



5. In reviewing the various student achievement data as provided by the Ministry of Education, SD71 is at or near the top, and in most cases well above provincial averages for Completion Rates and Provincially Required Examinations.

- *Six Year Completion Rate 2015/16 (at time of writing this FSDA in Sept2017, only the 2015/16 completion data is available)*

The six-year completion and grade 12 graduation rates showcase the success of B.C.'s school system (both public and independent combined). It is one of a number of indicators that demonstrates how well B.C.'s school system is serving its students. The six-year completion and grade 12 graduation rates are provided at the provincial and school district levels for all students, and available reports are further broken down by female, male, Aboriginal, English language learners, and students in special needs reporting group.

Information to the Provincial and School Data can be found on the following website link

<http://www.bced.gov.bc.ca/reporting/province.php>

- *For All Student;* the proportion of students who graduate, with a British Columbia Certificate of Graduation or British Columbia Adult Graduation Diploma, within six years from the first time they enrol in Grade 8, adjusted for migration in and out of British Columbia. Refer to chart 3.5A, comparison to other Vancouver Island School Districts, and chart 3.5B comparison to like size School Districts with enrollment from 6,000 fte to 8,000 fte.

- **Note**; for “All Students”, the data is misleading as this would also include students in non-standards schools such as Distributed Learning and Alternate Schools. These student may enter SD71 in either of these programs to take a couple of courses in grade 8, then leave after completion of these courses. These students would then be counted against SD71 with entering in at SD71 but not completing graduation when at another school district.

Chart 3.5A

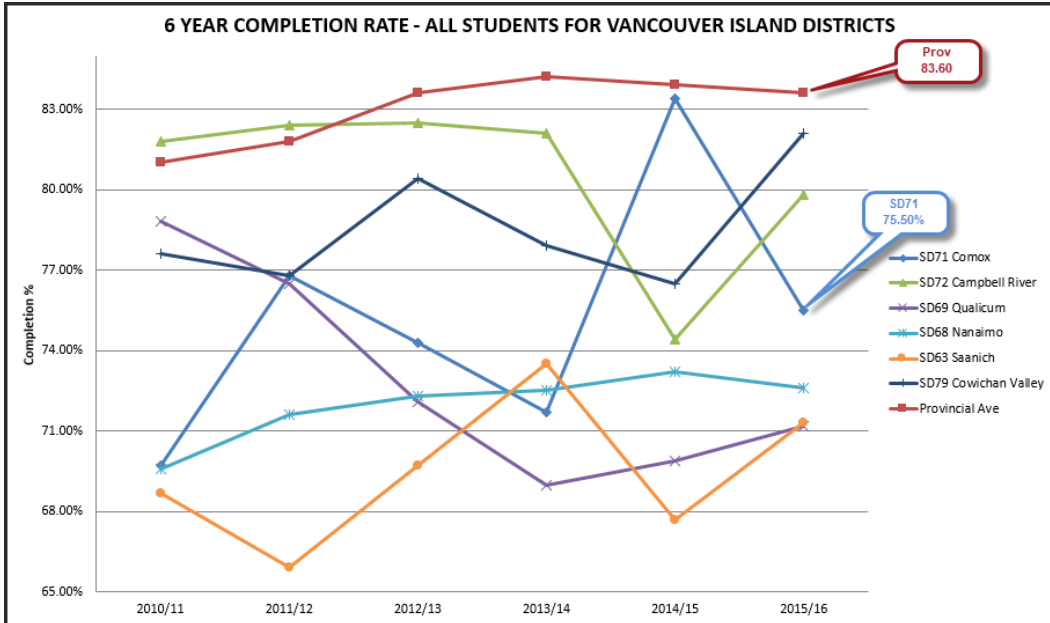
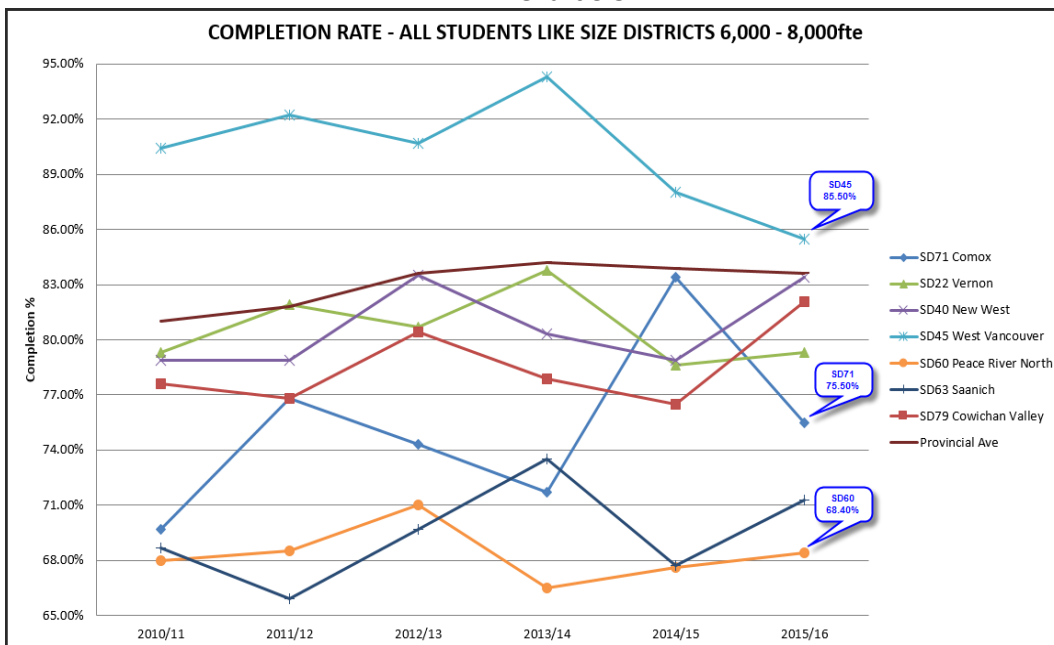


Chart 3.5B



- *Eligible Grade 12*; the proportion of eligible-to-graduate Grade 12 students who graduate in that school year. Students are eligible to graduate if they have enrolled in sufficient courses to meet the requirements to graduate during that school year. Refer to chart 3.5C, comparison to other Vancouver Island School Districts, and chart 3.5D comparison to like size School Districts with enrollment from 6,000 fte to 8,000 fte.

SD71 achieved the highest at 98.0% along with SD72 Campbell River in comparison to Vancouver Island school districts, which is 3.0% higher than provincial average. In comparison to like size school districts, SD71 achieved the highest rating at 98.0% with SD45 West Vancouver.

Chart 3.5C

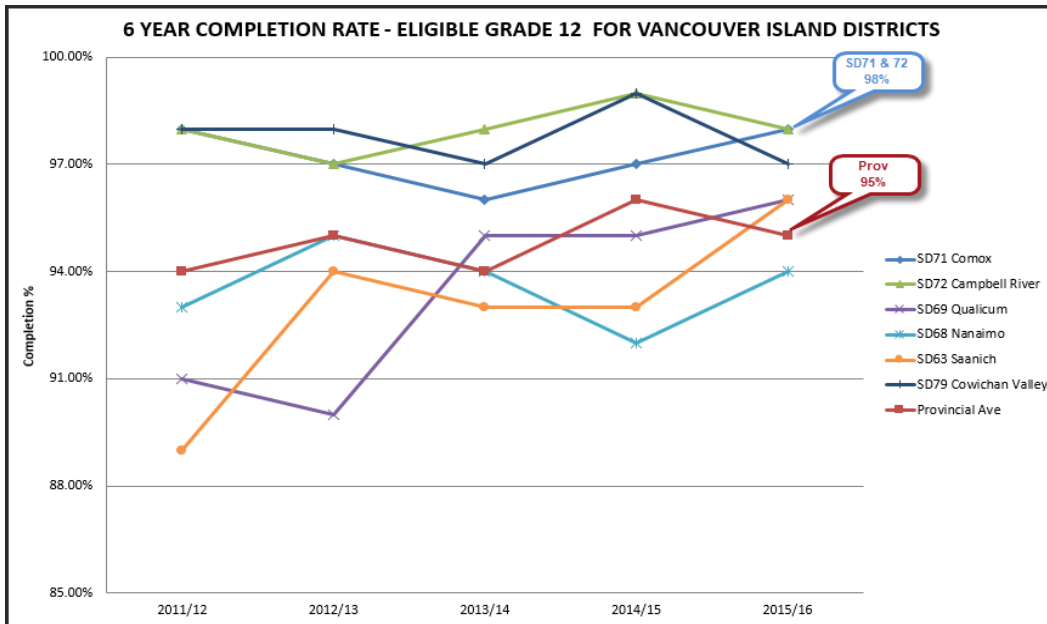
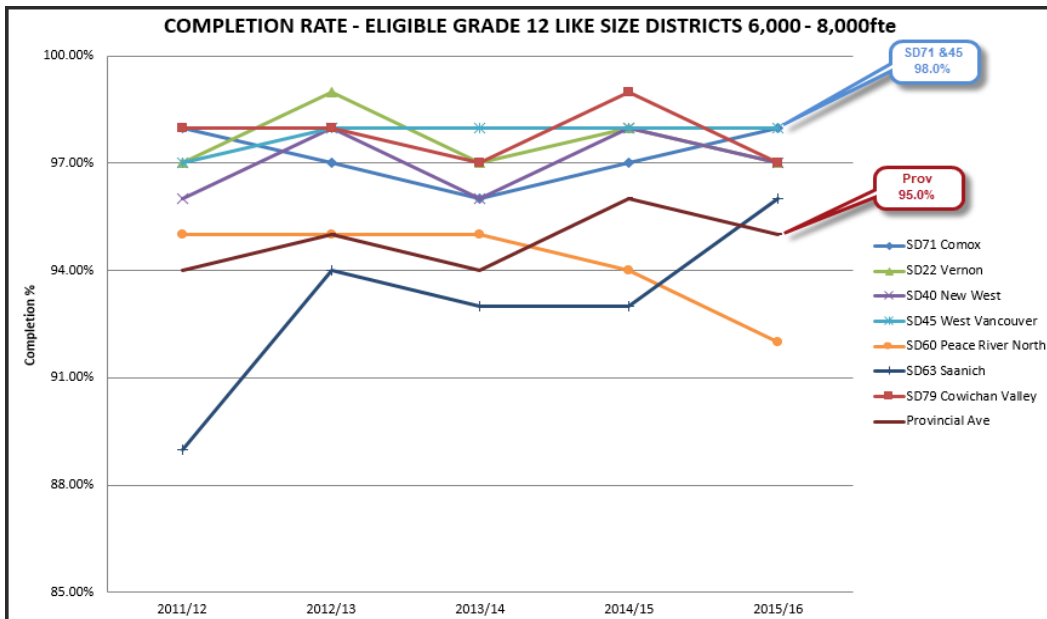


Chart 3.5D



- *First Time Grade 12*; A measure of students recorded as being in Grade 12 for the first time in September who then graduate in the same school year. Refer to chart 3.5E, comparison to other Vancouver Island School Districts, and chart 3.5F comparison to like size School Districts with enrollment from 6,000 fte to 8,000 fte.

SD71 achieved the highest at 87.0% in comparison to other Vancouver Island school districts, which is 8.0% higher than provincial average. In comparison to like size school districts, SD71 achieved the second highest rating at 92.0% below only to SD45 West Vancouver.

Chart 3.5E

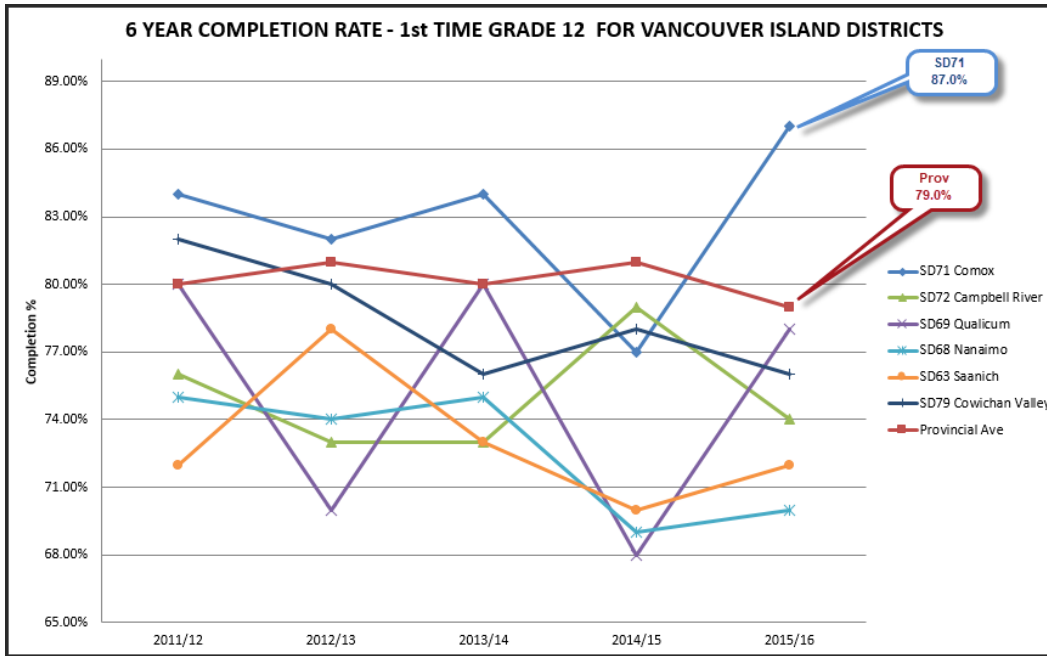
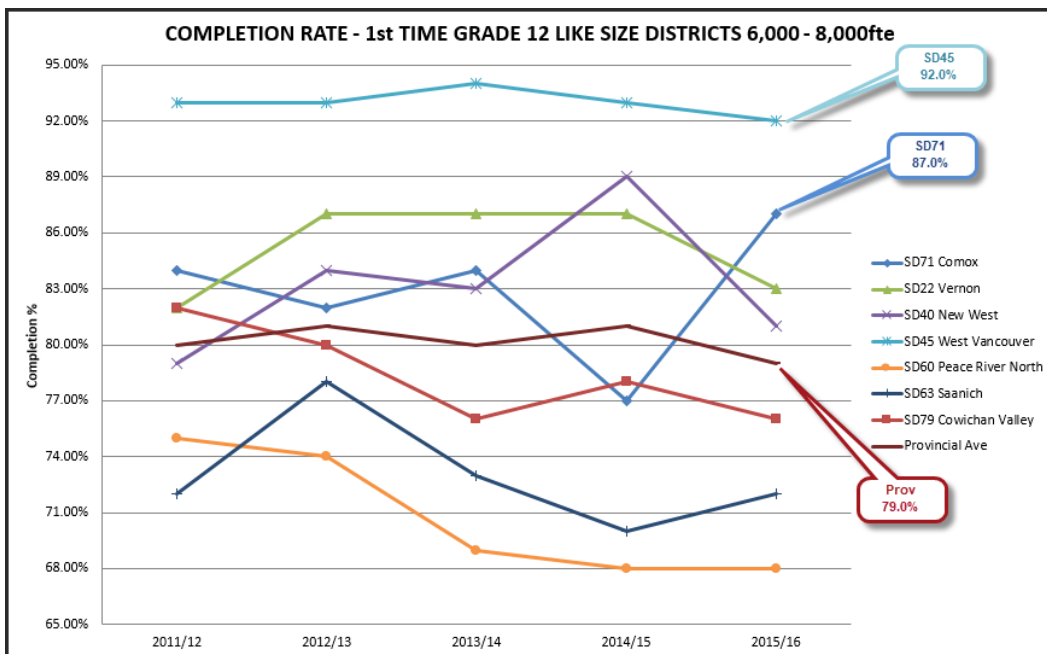


Chart 3.5F



- For Aboriginal Student only; refer to chart 3.5G, comparison to other Vancouver Island School Districts, and chart 3.5H comparison to like size School Districts with enrollment from 6,000 fte to 8,000 fte.
- SD71 achieved the highest at 75.7% along with SD69 Qualicum in comparison to Vancouver Island school districts, which is 12.0% higher than provincial average. In comparison to like size school districts, SD71 achieved the highest rating.

Chart 3.5G

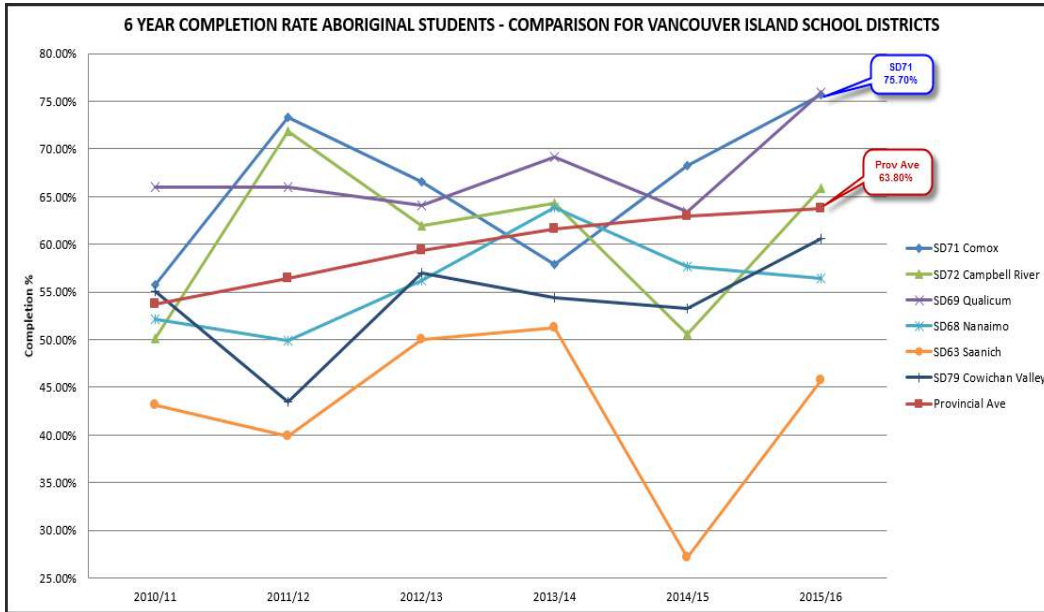
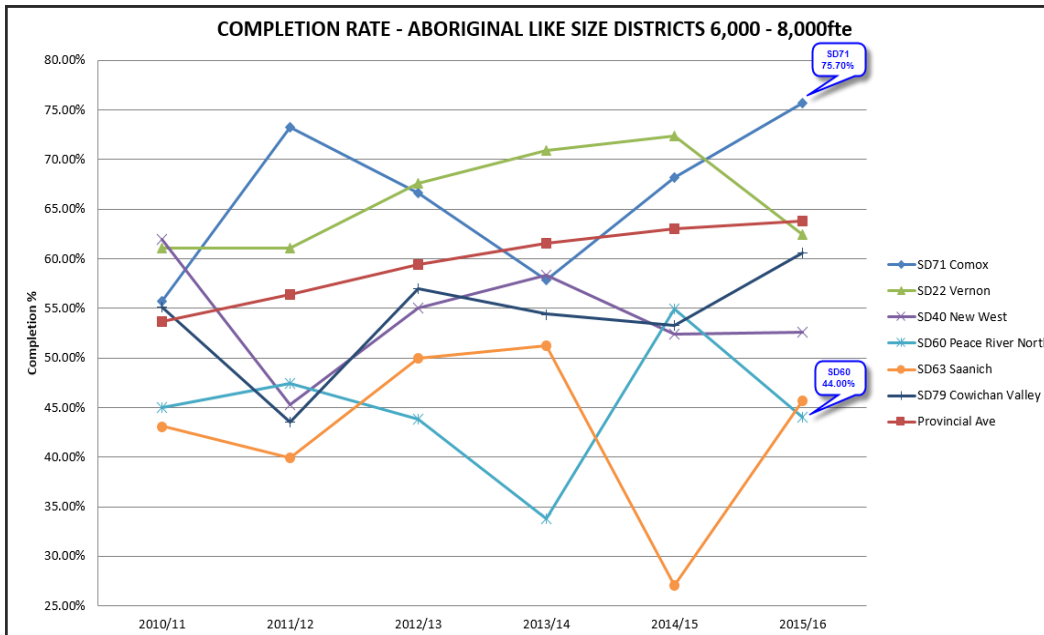


Chart 3.5H



- *Aboriginal Students Eligible Grade 12*; SD71 achieved the highest rating at 98.0% in comparison to other Vancouver Island school districts, which is 8.0% higher than provincial average (refer to chart 3.5I). In comparison to like size school districts, SD71 achieved the second highest rating behind SD40 New Westminster at 100.0% (refer to chart 3.5J).

Chart 3.5I

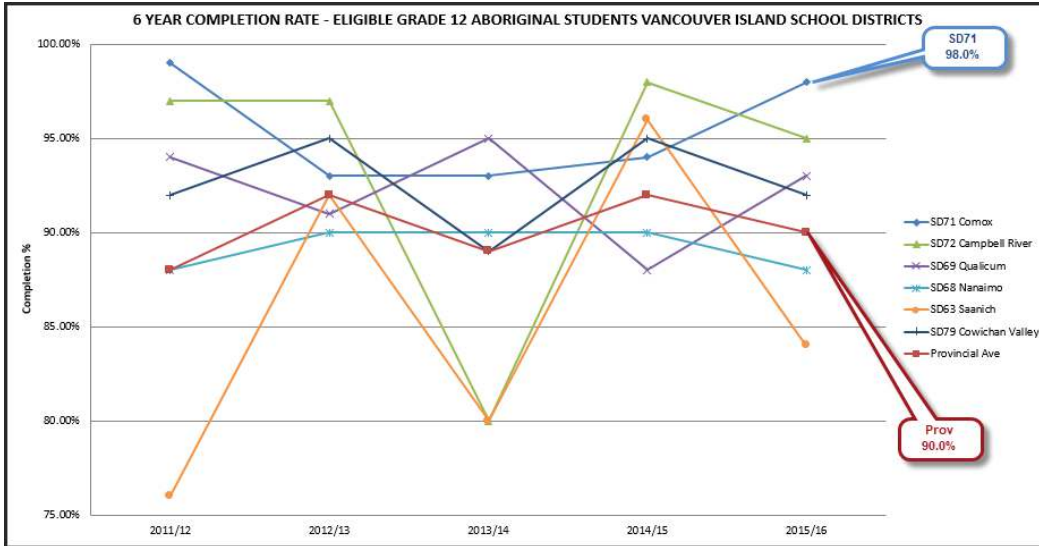
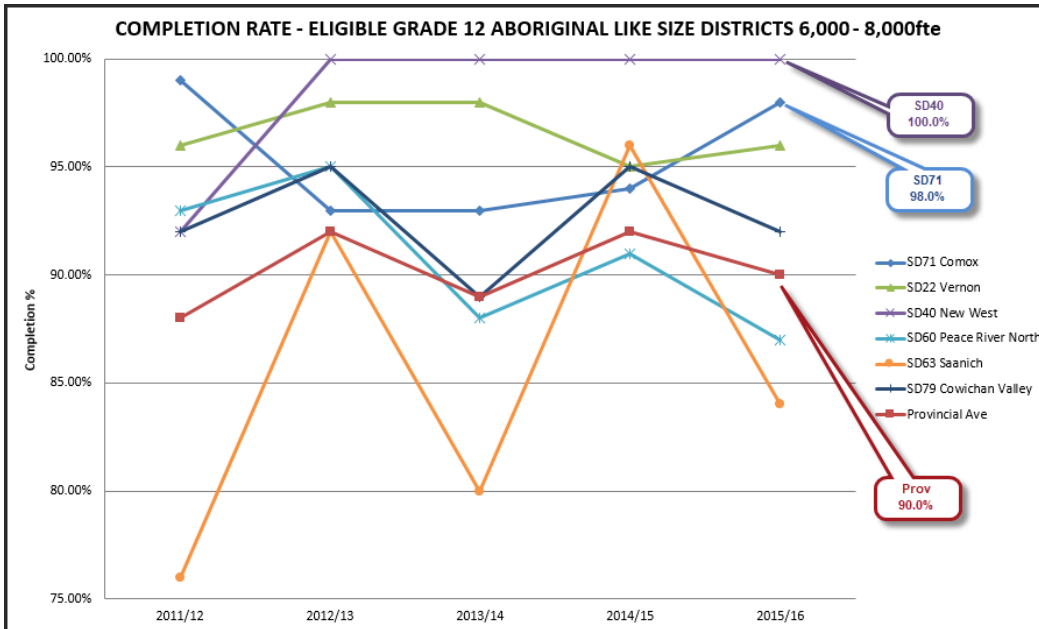


Chart 3.5J



- *Aboriginal Students First-Time Grade 12*; SD71 achieved the highest rating at 76.0% in comparison to other Vancouver Island school districts, which is 17.0% higher than provincial average (refer to chart 3.5K). In comparison to like size school districts, SD71 achieved the highest rating (refer to chart 3.5L).

Chart 3.5K

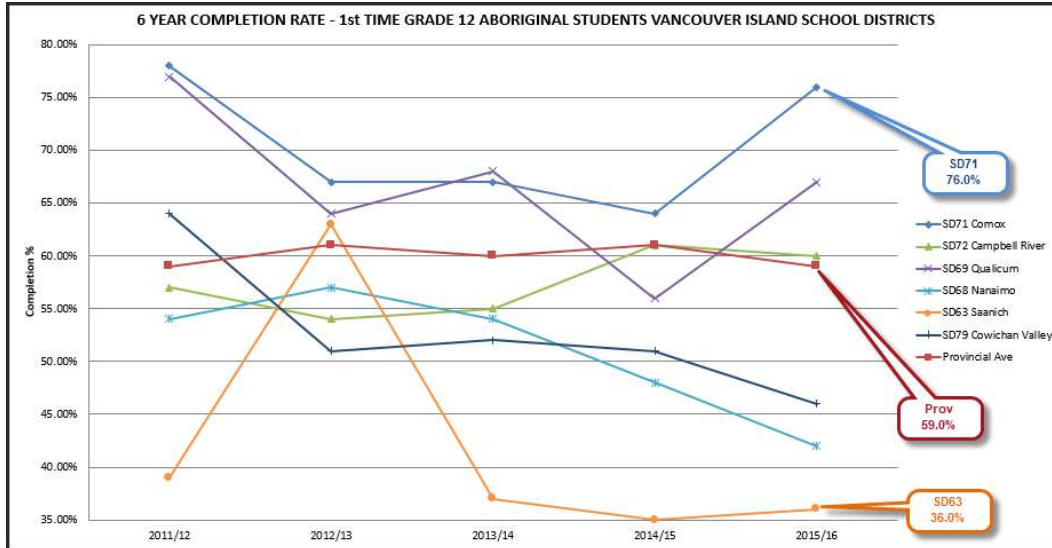
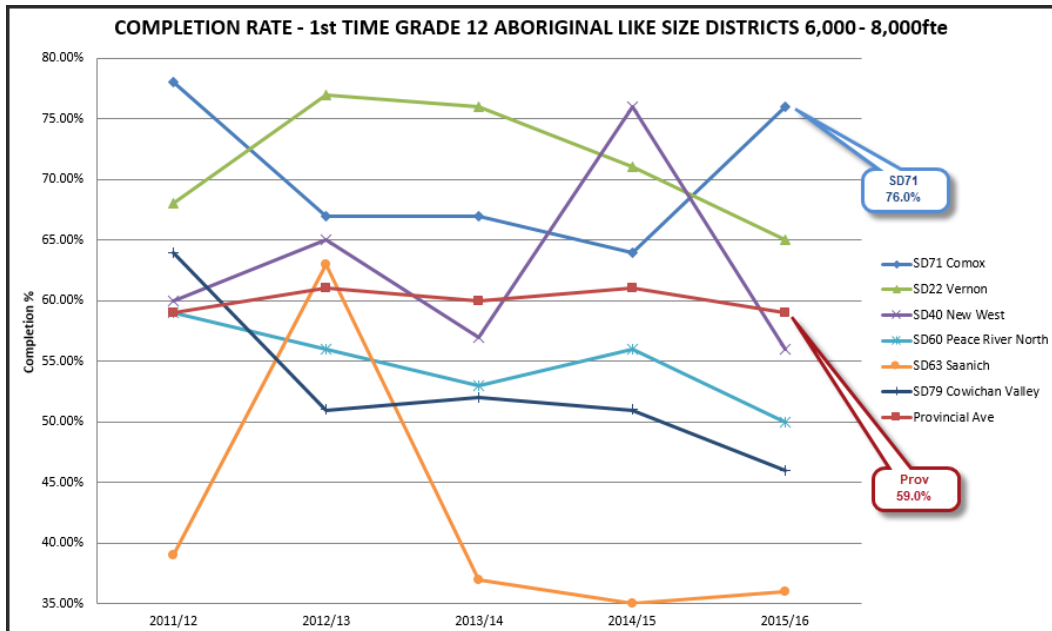


Chart 3.5L



6. *Provincial Required Examinations 2015/16 (at time of writing in September 2017, only 2015/16 data is available)*

The British Columbia provincial examinations provide a consistent measure of student performance across school districts, and are one of a number of indicators of student readiness to graduate. Completion of provincial examinations is required to graduate with a B.C. Dogwood Certificate. The examinations are developed by British Columbia teachers and are based on the provincial curricula for select Grade 10, 11 and 12 academic courses.

The annual Provincial Required Examinations Report summarizes student results for courses that were completed up to the June 2016 exam session. The tables below provides the percent of students by letter grade for course marks, exam marks and final marks of each examinable course.

In reviewing the 2015/16 Provincial Required Examination, SD71 students did exceptionally well and exceeded provincial exam marks in five of the eight subjects tested in the district (refer to Table 3.6A & 3.6B, and indicated in ***Bold Italic Blue***). In many subjects, SD71 students achieved the highest or near highest scores in comparison to other Vancouver Island school districts analyzed.

Table 3.6A

Exam Marks	English 10		Math 10 Pre Calculus		Math 10 Apprentice		Science 10	
	C- (pass) or Better	C+ (good) or Better	C- (pass) or Better	C+ (good) or Better	C- (pass) or Better	C+ (good) or Better	C- (pass) or Better	C+ (good) or Better
2015/16								
71 Comox Valley	91%	61%	96%	64%	96%	15%	91%	48%
72 Campbell River	84%	52%	88%	60%	57%	14%	86%	49%
69 Qualicum	88%	65%	75%	45%	59%	3%	88%	47%
68 Nanaimo	87%	56%	77%	49%	55%	8%	87%	47%
63 Saanich	88%	63%	89%	65%	83%	26%	95%	66%
79 Cowichan Valley	88%	54%	75%	43%	66%	17%	88%	45%
Provincial	90%	60%	84%	60%	66%	15%	92%	60%

Table 3.6B

Exam Marks	Social Studies 11		BC 1 st Nations 12		English 12		Communications 12	
	C- (pass) or Better	C+ (good) or Better	C- (pass) or Better	C+ (good) or Better	C- (pass) or Better	C+ (good) or Better	C- (pass) or Better	C+ (good) or Better
2015/16								
71 Comox Valley	92%	61%	93%	47%	92%	62%	83%	55%
72 Campbell River	87%	56%	100%	82%	94%	65%	87%	46%
69 Qualicum	95%	69%	92%	53%	92%	60%	88%	63%
68 Nanaimo	89%	51%	91%	51%	89%	55%	76%	34%
63 Saanich	96%	72%	94%	50%	90%	60%	76%	33%
79 Cowichan Valley	91%	56%	74%	11%	90%	56%	75%	38%
Provincial	93%	64%	89%	39%	91%	61%	85%	45%

Bold Italic Blue, indicates SD71 achieved higher exam marks than the provincial average)

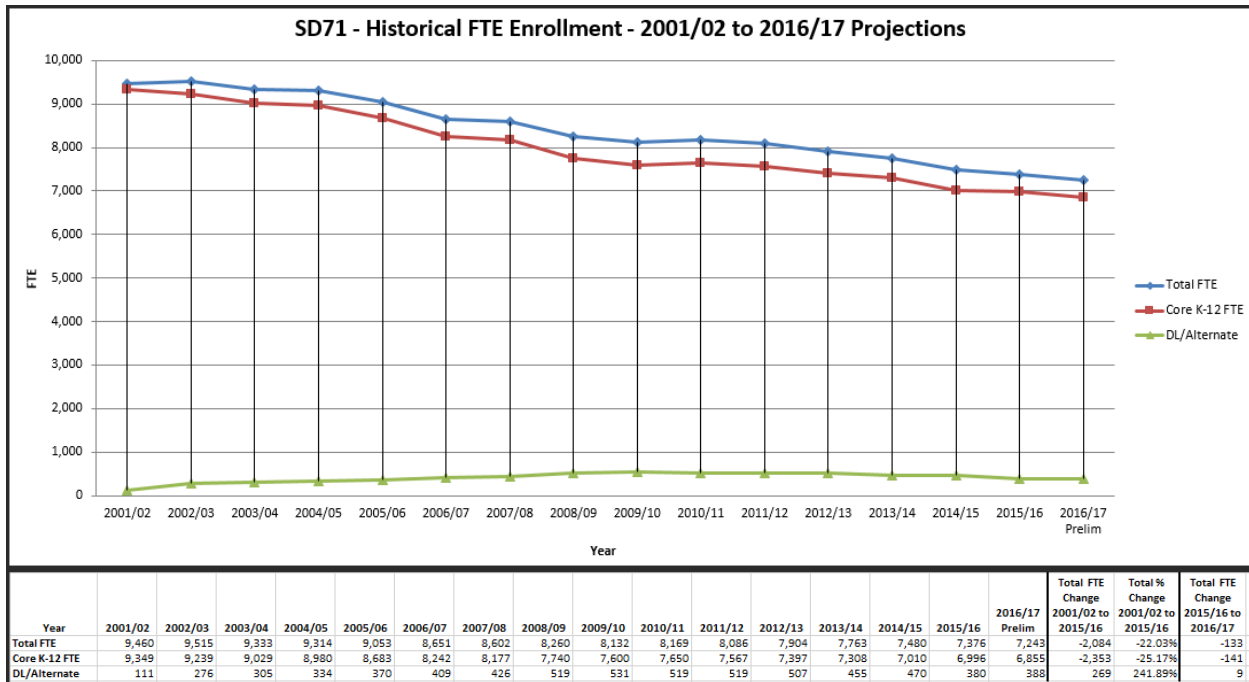
4. Challenges Leading Up to 2016/17

SD71 was faced with major challenges leading up to the 2016/17 fiscal year. These were:

1. Declining Enrollment
2. Funding Protection
3. Declining Operating Surplus and Local Capital Reserve
4. Cost and Funding Pressures

1. *Declining Enrollment*; from 2001/02 (9,214 fte) to 2015/16 (6,996 fte) the standard K-12 student enrollment declined by 2,353 fte or 25.2% students during this 15 year period (refer to chart 4.1). The average enrollment decline was approximately 150 fte students per year. Based on the historical trend, when developing the 2016/17 estimated enrollment in the fall 2015, it was anticipated that the standard K-12 enrollment would decline by a further 141fte students, which calculates to approximately a \$1.0million reduction in Ministry Grant funding.

Chart 4.1

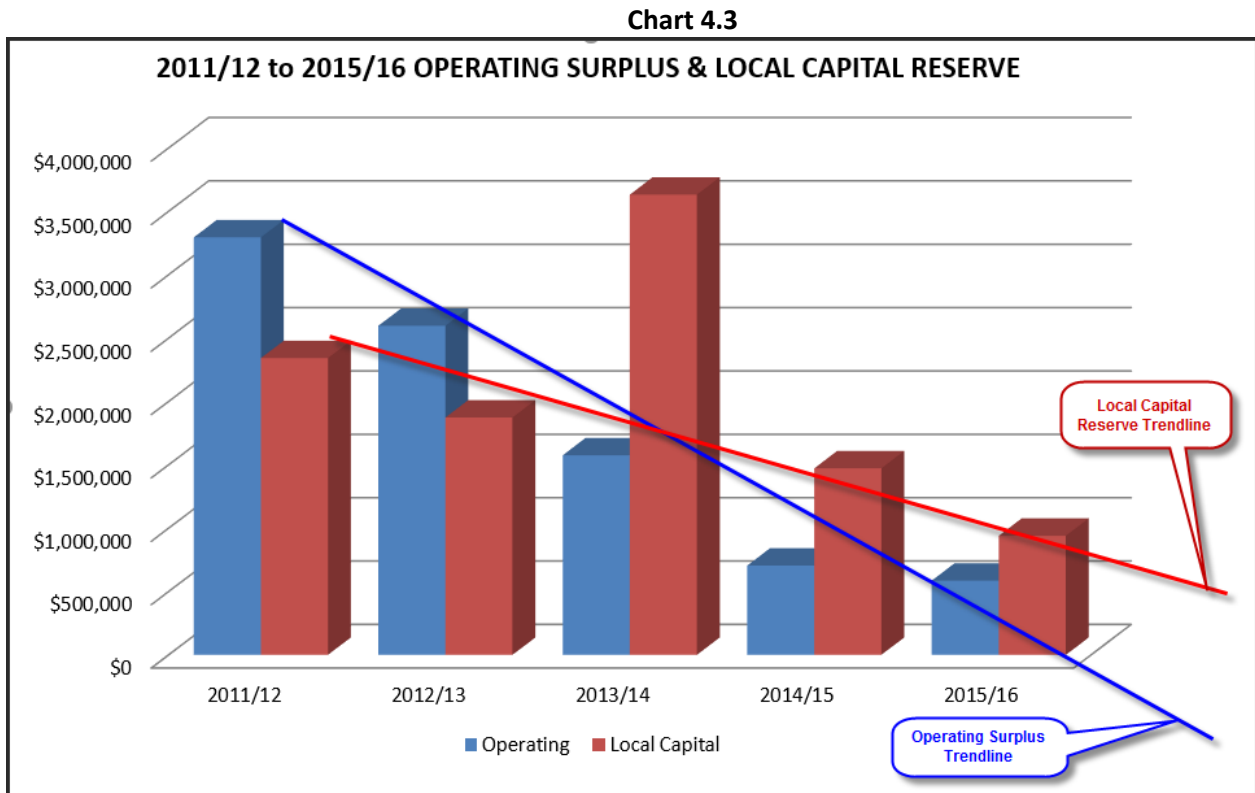


2. *Funding Protection*; (definition; “Funding Protection is an additional amount provided to eligible school districts to ensure that districts are protected against any funding decline larger than 1.5% when compared to the previous autumn. Funding Protection is determined by comparing the total recalculated operating grants from the autumn of the previous school year to total autumn operating grants for the current year. For districts where declines exceed 1.5%, Funding Protection will provide additional funding in an amount that ensures the year-to-year decline is no greater than 1.5%.”

The challenge for a school district in “Funding Protection”, if enrollment increases slightly, then the net impact on operating grant to the school district is \$0, as the enrollment grant would increase and the Funding Protection grant would decrease by the same amount. The associated cost with providing services for the additional student enrollment in theory isn’t funded. For the

year 2015/16, SD71 was in Funding Protection for the amount of \$1.6million. For the 2016/17 as estimated in the spring of 2016, SD71 would be \$1.0million in Funding Protection.

3. *Declining Operating Surplus and Local Capital Reserve*; SD71 was also dealing with the challenge of depleting Operating Fund Surplus and Local Capital Reserve.
 - *Operating Surplus*; In 2011/12 the Operating Surplus was approximately \$3.3million, and declined to a \$705,000 balance in 2014/15. The average depletion of the Operating Surplus during this three year period is approximately \$865,000 per year. Based on the trend line, if fiscal expenditure behaviours did not change, it was anticipated that SD71 would be in a deficit of approximately <\$300,000> by the end of the 2016/17 fiscal year (refer to Chart 4.3).



- *Local Capital Reserve*; is self funded by SD71 and used to continually replace and upgrade the technology infrastructure, maintenance vehicle fleet, multi-function machines, and other small capital items. In 2011/12 the Local Capital Reserve had a balance of approximately \$1.3million, and it declined to a \$940,000 balance in 2015/16. Based on the trend, and commitments, it was estimated that the Local Capital Reserve would be fully depleted to a zero balance by the end of the 2017/18 school year (refer to Chart 4.3). (Note, in the 2013/14 fiscal year, the school district disposed of surplus properties for \$2.4million. The proceeds from this disposition was utilized to renovate a school library in the 2014/15 fiscal year.)
4. *Cost and Funding Pressures*; like other school districts in the province, SD71 was dealing with inflationary cost pressures for services and supplies expenses that were not funded. When developing the 2016/17 budget in the spring 2016, it was estimated that SD71 was faced with a cost and funding pressures shortfall of about \$2.4million.

5. Major Decisions Made for the 2016/17 Annual Budget

Faced with the \$2.4million Cost and Funding pressure challenge, SD71 undertook two major initiatives to address the challenge in it's 2016/17 Annual Budget as presented in the spring 2017.

1. *Alternate Calendar*; SD71 is one of a few school districts in the province that does not have "Teachers' Preparation Time" language written into the CBA (Collective Bargaining Agreement) contract with the local teachers union CDTA (Comox District Teachers Association). As an example, for a school district that have "Teachers' Preparation Time" in their CBA, a secondary teacher would teach seven blocks, then would be given a teachers' preparation block for a total eight paid blocks. Hired "Preparation Time Teachers" would then be assigned to cover that teacher's preparation block.

In the absence of "Teachers' Preparation Time" language in the CBA with the CDTA, SD71 implemented an Alternate Calendar for the 2016/17 school year. This would require a secondary teachers to teach eight blocks, and their "Teachers' Preparation Time" will be backend loaded to the end of the working week. This would facilitate all secondary teachers preparation time being taken at approximately the same time on the Friday.

As such, the need for additional "Preparation Time Teachers" was not required to fill in for the secondary teachers while on their preparation time on the Friday. The estimated savings to the school district for this initiative was approximately \$1.7million. The remaining savings was realized by a reductions of approximately 3.0fte Principals and Vice Principals for \$375,000, 3.0fte School Board staff for \$200,000, and reduction in Education Assistance work day for \$125,000.

Refer to "Section 11, Alternate Calendar and Supreme Court of Canada" with further discussion to the Alternate Calendar impact from the Supreme Court of Canada ruling.

2. *Distributed Learning (DL)*; the second major initiative that SD71 undertook was to expand the DL program to other BC students residing in other school districts in the province. The risk and challenge to the school district is the ability to enroll these out of district students into SD71 DL programs.

In 2015/16 SD71 had 246fte DL students enrolled in September 2015, which generated approximately \$1.5million in Ministry enrollment grants. The hope was to increase the 2016/17 September 2016 DL enrollment by 200 fte students, as this would generate approximately \$1.2million in grants. The main goal of increase \$1.2million grant was to enable the district to work its way out of the \$1.0million Funding Protection grant anticipated for 2016/17.

This initiative was not budgeted in the 2016/17 Annual Budget as prepared in the spring 2016 as there was NO assurance that the DL program could increase enrollment. The risk with assuming an estimated DL enrollment increase for the 2016/17 Annual Budget, "What happens if the enrollment increases doesn't materialize, and the expenditure with hiring staff has been committed?"

6. 2016/17 Financial Highlights

SD71 ended the 2016/17 fiscal year with an Operating Surplus of \$2.66million for the year end June 30, 2017 (refer to Chart 6A, and Financial Statement Schedule 2). \$1.17million is Internally Restricted and \$1.49million is Unrestricted. The \$1.49million in Unrestricted Surplus is approximately 1.9% of the Operating Budget (refer to Chart 6B).

Local Capital ended the 2016/17 fiscal year with a reserve of \$2.26million (refer to Chart 6A and Financial Statement Schedule 4). The main contribution to the increase to the reserve was due to:

- The sale of surplus land to the Comox Valley Regional District (CVRD) for \$865,000
- Approximately \$450,000 was also transferred from Operating Fund to Local Capital reserve to meet the future technology infrastructure, and equipment needs for the district.

Total Surplus and Local Capital Reserve incrementally changed from a 2015/16 \$1.53million to 2016/17 \$4.05million was \$2.52million (note the \$865,000 sale of surplus land to the CVRD was removed from this incremental change calculation). In summary, the main contributor to the incremental Operating Surplus and Local Capital Reserve was due mainly to:

- a. Increased enrollment in core K-12 students, approximately \$0.38million net (revenue minus expenditures)
- b. Increased enrollment in Distributed Learning, approximately \$1.00million net
- c. Unanticipated additional funding announcements, approximately \$1.14million net

Chart 6A

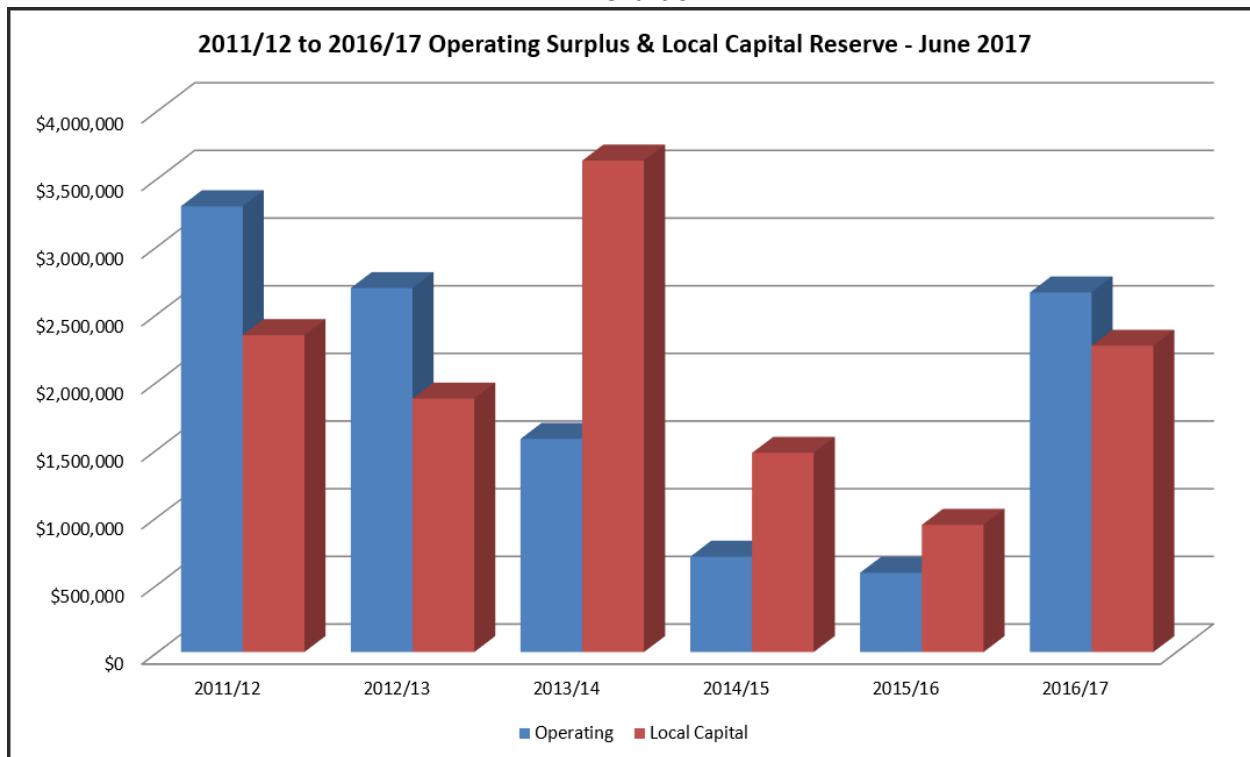
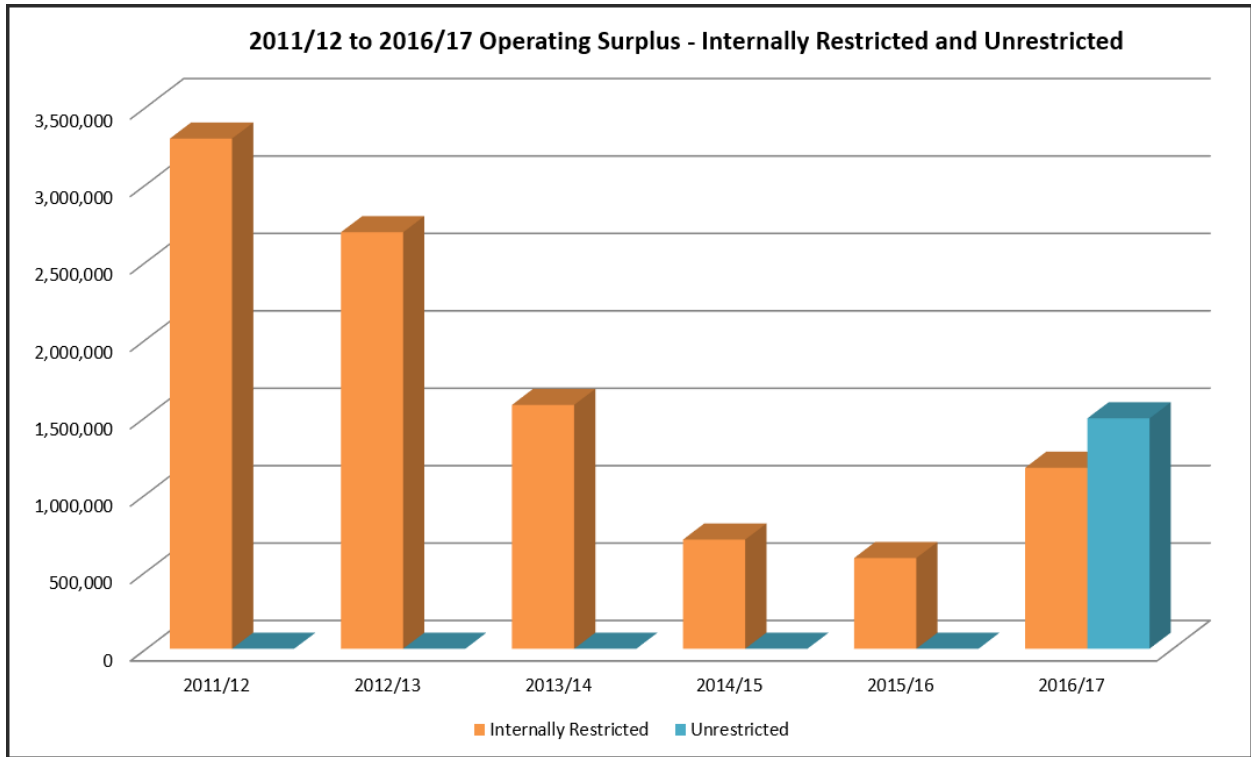


Chart 6B



- Internally Restricted and Unrestricted Surplus; the total combined surplus of \$2.66million allocation from 2016/17 to be carried forward for the 2017/18 fiscal year is shown in the following table:

School Supplies Accounts		\$78,000	
Student Learning Grant		\$364,000	
Aboriginal Education		\$124,000	
Student Services	\$90,000		
21 st Century Learning	\$100,000		
Various School Grant Carry Forward	\$118,000		
Exempt Staff General Salary Increase	\$82,000		
Wage and Benefit Cost Pressures	\$213,000		
		\$603,000	
Total Internally Restricted Surplus		\$1,169,000	
Total Unrestricted Surplus		\$1,488,000	
Total Internally Restricted & Unrestricted Surplus			\$2,657,000

- Local Capital Reserve Commitments; the allocation of Local Capital reserve for the 2017/18, 2018/19, and 2019/20 fiscal year is shown in the following table:

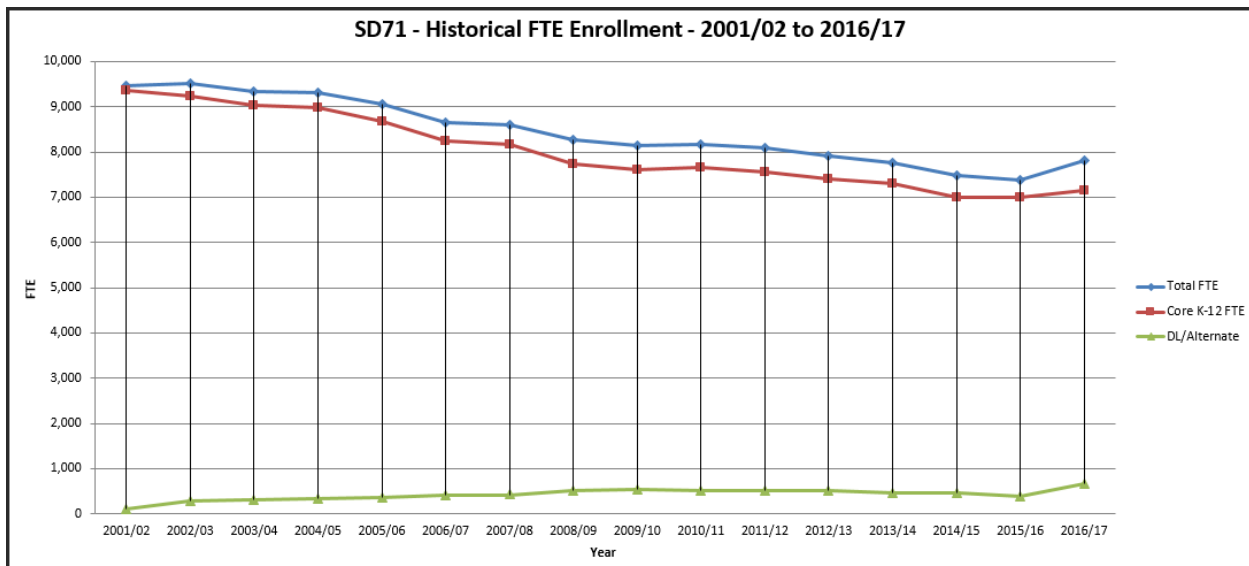
Table 6.2	2017/18	2018/19	2019/20	Total
GP Vanier Seismic	\$350,000			\$350,000
Technology Infrastructure	\$257,527	\$250,000		\$507,527
Extra Curricular Bus	\$80,000			\$80,000
Maintenance Vehicles	\$115,000	\$115,000		\$230,000
Career Education Equipment	\$30,000	\$30,000		\$60,000
Multi-Function Devices/Copiers	\$60,000	\$60,000		\$120,000
Board Office Upgrades and Prepaid Rent			\$915,000	\$915,000
Grand Totals Local Capital Commitments	\$892,527	\$455,000	\$915,000	\$2,262,527

- a. *Enrollment Increase Standard K-12*; SD71 standard K-12 enrollment increased by 147 fte from 2015/16 to 2016/17 (refer to Chart 6.3). The major contributor to this enrollment increase came from outside of the school district. The two major factors that we believe attributed to this external enrollment increase were:

- Due to the housing affordability crisis in the Metro Vancouver and Victoria area, families are relocating to the Comox Valley where housing is still reasonably affordable.
- With the Fort McMurray wildfire occurring in May 2016, and the state of the Alberta economy, families are relocating from Alberta to the Comox Valley.

The additional standard K-12 enrollment increase of 147 fte, calculated into an increase in September 30, 2016 enrollment based funding of \$1.48million (refer to table 6.3). The additional funding was offset by no increase in additional administration expenses, and minimal additional teaching staff as the majority of students were accommodated in classrooms with available space.

Chart 6.3



Year	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Total FTE Change 2015/16 to 2016/17	Total % Change 2015/16 to 2016/17
Total FTE	9,460	9,515	9,333	9,314	9,053	8,651	8,602	8,260	8,132	8,169	8,086	7,904	7,763	7,480	7,376	7,802	427	5.78%
Core K-12 FTE	9,349	9,239	9,029	8,980	8,683	8,242	8,177	7,740	7,600	7,650	7,567	7,397	7,308	7,010	6,996	7,143	147	2.10%
DL/Alternate	111	276	305	334	370	409	426	519	531	519	519	507	455	470	380	659	280	73.65%

- Chart 6.3A show the 2016/17 enrollment by each school district in British Columbia as provided by the Ministry of Education. SD71 grew by 5.5% in 2016/17

Chart 6.3A

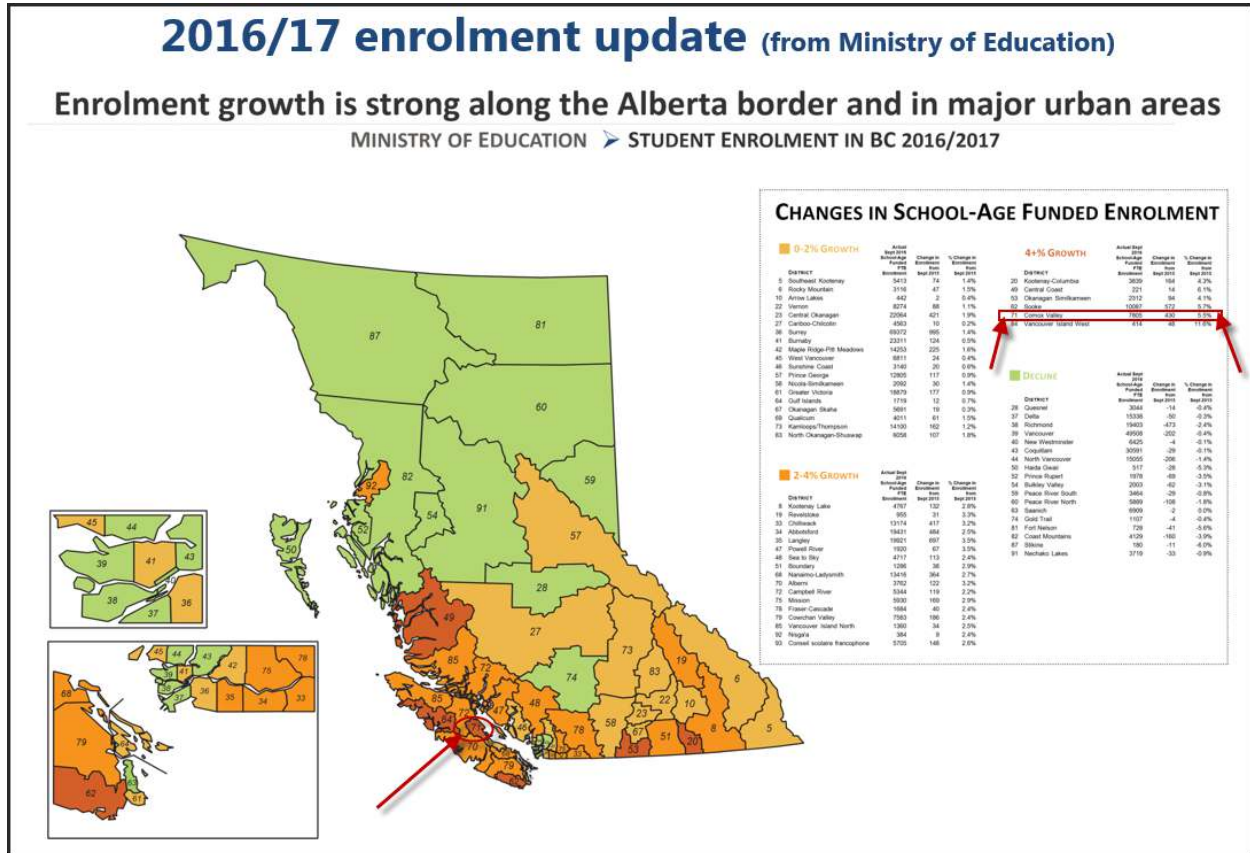


Table 6.3

	2015/16 Actual		2016/17 Actual		Difference	
	FTE	Funding	FTE	Funding	FTE	Funding
Sept Enrollment	6,996.0	\$50,078,000	7,143.3	\$51,560,000	147.3	\$1,482,000

	2016/17 Annual Budget (May 2016)		2016/17 Actual		Difference	
	FTE	Funding	FTE	Funding	FTE	Funding
Sept Estimated Enrollment	6,855.0	\$49,123,000	7,143.3	\$51,560,000	288.3	\$2,437,000

	2016/17 Amended Annual Budget (Jan 2017)		2016/17 Actual		Difference	
	FTE	Funding	FTE	Funding	FTE	Funding
Sept Actual Enrollment	7,143.3	\$49,123,000	7,143.3	\$51,560,000	0.0	\$0

- b. *Distributed Learning*; as commented in 5.2 above, SD71 took a risk with expanding its DL program. The hope was to expand by approximately 200fte, which would allow the school district to move out of Funding Protection. This initiative proved successful, as the DL program September 30, 2016 enrollment grew by 287.50 fte. Overall in 2016/17, the DL contributed an additional 363.25 fte students compared to 2015/16, for a total increase in enrollment funding of \$2.13million from the previous 2015/16 (refer to table 6.4).

In comparison to the 2016/17 Annual Budget developed in the spring 2016, the DL program contributed an additional 416 fte student, and an enrollment funding increase of \$2.52million.

Table 6.4

	2015/16 Actual		2016/17 Actual		Difference	
	FTE	Funding	FTE	Funding	FTE	Funding
Sept Enrollment	246.5	\$1,486,000	534.0	\$3,220,000	287.5	\$1,734,000
Feb Enrollment	193.9	\$1,075,000	211.0	\$1,162,000	17.1	\$87,000
May Enrollment	137.5	\$783,000	196.1	\$1,091,000	58.6	\$308,000
Total	577.9	\$3,344,000	941.1	\$5,473,000	363.2	\$2,129,000

	2016/17 Annual Budget (May 2016)		2016/17 Actual		Difference	
	FTE	Funding	FTE	Funding	FTE	Funding
Sept Enrollment	254.0	\$1,532,000	534.0	\$3,220,000	280.0	\$1,688,000
Feb Enrollment	180.0	\$966,000	211.0	\$1,162,000	31.0	\$196,000
May Enrollment	91.0	\$452,000	196.1	\$1,091,000	105.1	\$639,000
Total	525.0	\$2,950,000	941.1	\$5,473,000	416.1	\$2,523,000

	2016/17 Amended Annual Budget (Jan 2017)		2016/17 Actual		Difference	
	FTE	Funding	FTE	Funding	FTE	Funding
Sept Enrollment	534.0	\$3,220,000	534.0	\$3,220,000	0.0	\$0
Feb Enrollment	180.0	\$966,000	211.0	\$1,162,000	31.0	\$196,000
May Enrollment	91.0	\$452,000	196.1	\$1,091,000	105.1	\$639,000
Total	805.0	\$4,638,000	941.1	\$5,473,000	136.1	\$835,000

- c. *Unanticipated Funding Announcements*; during the 2016/17 fiscal year, there were numerous unanticipated funding announcements that were not planned during the development of the 2016/17 Annual Budget. The total unanticipated funding was approximately \$2.0million. \$1.2million was funded through the Operating Funds, and \$.8million was funded through SPF (Special Purpose Funds). The majority of the SPF allocation was due to \$732,000 received as "Priority Measures" for transition to comply with the Supreme Court of Canada ruling in 2016/17.

None of these unanticipated grants were recognized in the Annual Budget (AB) as passed on May 23, 2016, and some grants were recognized in the Amended Annual Budget (AAB) as passed on January 24, 2017. The summary of the unanticipated funding allocation and the budget reporting recognitions is as follows:

Table 6.5	Actual	Annual Budget (AB)	Difference AB vs Act		Amended Annual Budget (AAB)	Difference AAB vs Actual
Transportation Supplement	\$421,000	\$0	\$421,000		\$421,000	\$0
Administrative Savings	\$355,000	\$0	\$355,000		\$355,000	\$0
Student Learning Grant	\$404,000	\$0	\$404,000		\$0	\$404,000
Sub Total Operating Fund	\$1,180,000	\$0	\$1,180,000		\$776,000	\$404,000
Coding (Special Purpose Funds)	\$83,000	\$0	\$83,000		\$83,000	\$0
Priority Measures SCC (SPF)	\$732,000	\$0	\$732,000		\$0	\$732,000
Sub Total Special Purpose Funds	\$815,000	\$0	\$815,000		\$83,000	\$732,000
Grand Total Unanticipated Funding	\$1,995,000	\$0	\$1,995,000		\$859,000	\$1,136,000

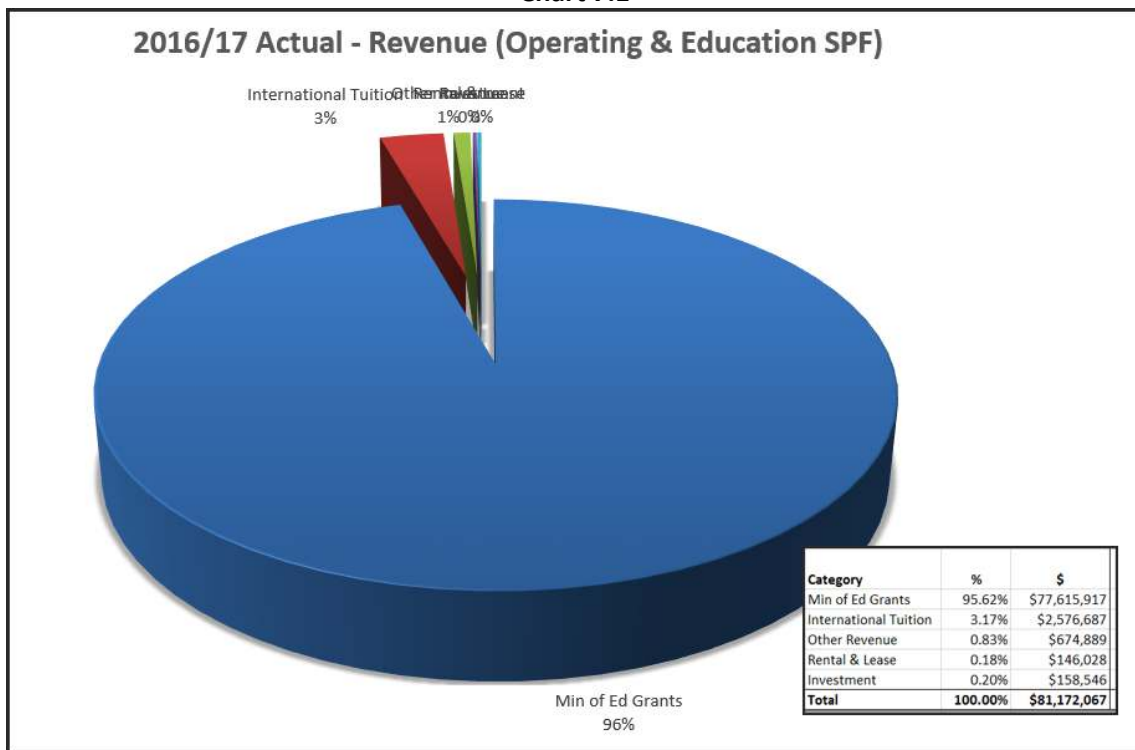
- c.1 *Transportation Supplement*; on August 10th, 2016, the Ministry of Education announced the Transportation Supplement grant, with SD71 allocation of \$421,000. The purpose of the grant was for school districts to offset student rider's fees, and to relieve pressures due to student bussing challenges. SD71 utilized the grant as follows:
- o Allocated \$80,000 for the purchase of a new Extra Curricular Bus as this would relieve some of the schools dependence on contracted bussing service. (Refer to table 6.2 Local Capital Reserve allocation in 2017/18.)
 - o Allocated \$141,000 to offset years of Contracted Bussing service inflationary cost pressures not funded by the Ministry of Education.
 - o Allocated \$200,000 to general revenue, to eliminate the initiative with implementing a Student Riders Fee system. This was calculated at 2,000 student riders x \$10 per student per month for ten months.
- c.2 *Administrative Savings*; on June 2nd, 2016, the Ministry of Education announced the return of Administrative Savings back to school districts, with SD71s' allocation being \$355,000. The purpose of the grant was utilized by school districts to offset the cost for Next Generation Network and School Protection Plan costs as that would normally be recovered by the Ministry of Education as a reduction to General Operating Grant. SD71 had no additional expenditures planned for the return of this grant, as such the grant was realized in the surplus at the end of the 2016/17 fiscal year.
- c.3 *Student Learning Grant*; on February 19th, 2017, the Ministry of Education announced the Student Learning Grant, with SD71s' allocation being \$404,000. The grant was to support schools with the purchases of services and supplies at the school that would be purchased by fund raising activities by the school. Given the timing of the announcement and the planning for the funds, SD71 was unable to fully utilize the entire \$404,000 by June 30, 2017. (Refer to Table 6.1 Internally Restricted Surplus of \$364,000 to be used in 2017/18).
- c.4 *Coding and Curriculum Implementation Grant (Special Purpose Fund)*; on June 10th, 2016, the Ministry of Education announced the Coding and Curriculum Implementation Grant, with SD71s' allocation being \$83,000. As of June 30, 2017, SD71 expenditure was minimal and will carry forward approximately the full \$83,000 amount to be utilized in 2017/18 (refer also to Financial Statement Schedule 3A).

c.5 *Priority Measures for Supreme Court of Canada Ruling (Special Purpose Funds)*; on January 11th, 2017 the Ministry of Education release the Priority Measures allocation to school districts, with SD71s' allocation being \$732,000. The purpose of the funding is used as a bridge agreement between the Province of BC and BCTF to the Supreme Court of Canada ruling on Class Size and Class Composition language for the balance of 2016/17. School Districts are to utilize the funding to hire non-enrolling teachers such as Teacher Librarians, Counsellors, and Special Education Support Teachers. As of June 30, 2017, a balance of approximately \$20,000 remained (refer also to Financial Statement Schedule 3A).

7. 2016/17 Revenue and Expenditures Overview

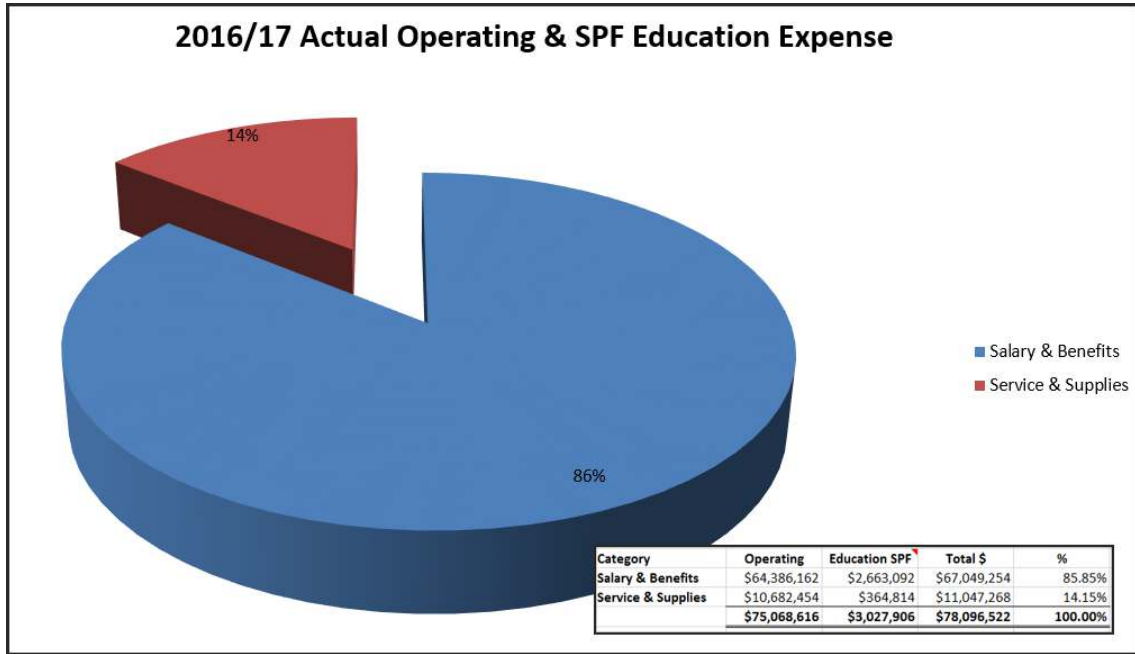
a. *Source of Revenue*; 96% of SD71's revenue comes in the form of Ministry of Educations Grants. For 2016/17, this would equate to \$77.6million of the total \$81.2million in revenue generated for Operating Funds and Special Purpose (SPF) Education programs (refer to chart 7.1). (SPF Education programs refers to; Learning Improvement Funds, Special Education Equipment, Strong Start, Ready Set Learn, French OLEP, Community Links, Coding, and Priority Measures).

Chart 7.1



- b. *Expenditures*; for Operating Funds and SPF Education combined for the 2016/17 fiscal year was approximately \$78million. 86%, or \$67million was for Salaries and Benefits, and 14% or \$11million was for service and supplies.

Chart 7.2



- As mentioned above, total Salaries and Benefits for 2016/17 was approximately \$67million. The allocations to various employee groups are as follows:

<i>Table 7.2a</i>	\$	% Total Salaries & Benefits \$67m	% Total Expenditures \$78m
Teachers	\$40,491,000	60.4%	51.9%
Principals & Vice Principals	5,562,000	8.3%	7.2%
Support Staff & Education Assistant	15,574,000	23.2%	19.9%
Exempt Staff	2,421,000	3.6%	3.1%
Substitute	3,001,000	4.5%	3.8%
Totals	\$67,049,000	100.0%	85.9%

- Total expenditure on Supplies and Services for 2016/17 was approximately \$11million. The allocations to various expense categories are as follows:

<i>Table 7.2b</i>	\$	% Total Supplies & Services \$11m	% Total Expenditures \$78m
Services (includes audit, legal, contractors, software, student transportation, communications, postage, etc...)	\$4,221,000	38.2%	5.4%
Professional Development & Travel	415,000	3.8%	0.5%
Dues and Fees	46,000	0.4%	0.1%
Insurance	196,000	1.8%	0.3%
Supplies	4,619,000	41.8%	5.9%
Utilities	1,550,000	14.0%	1.9%
Totals	\$11,047,000	100.0%	14.1%

Chart 7.3

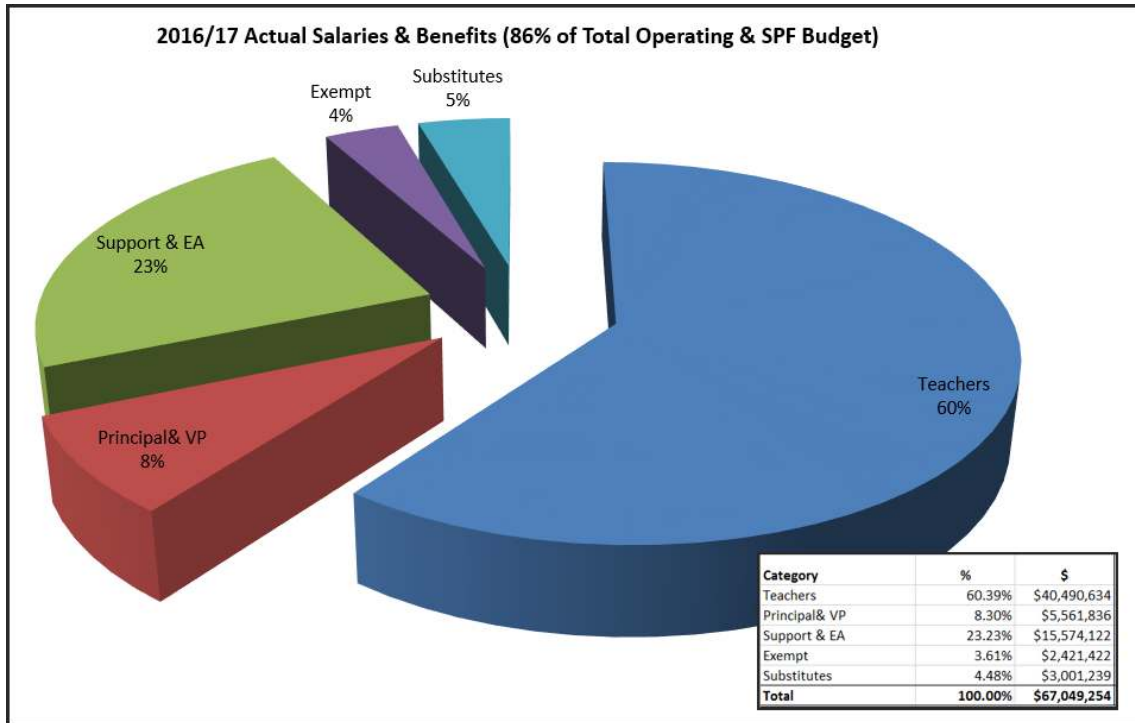
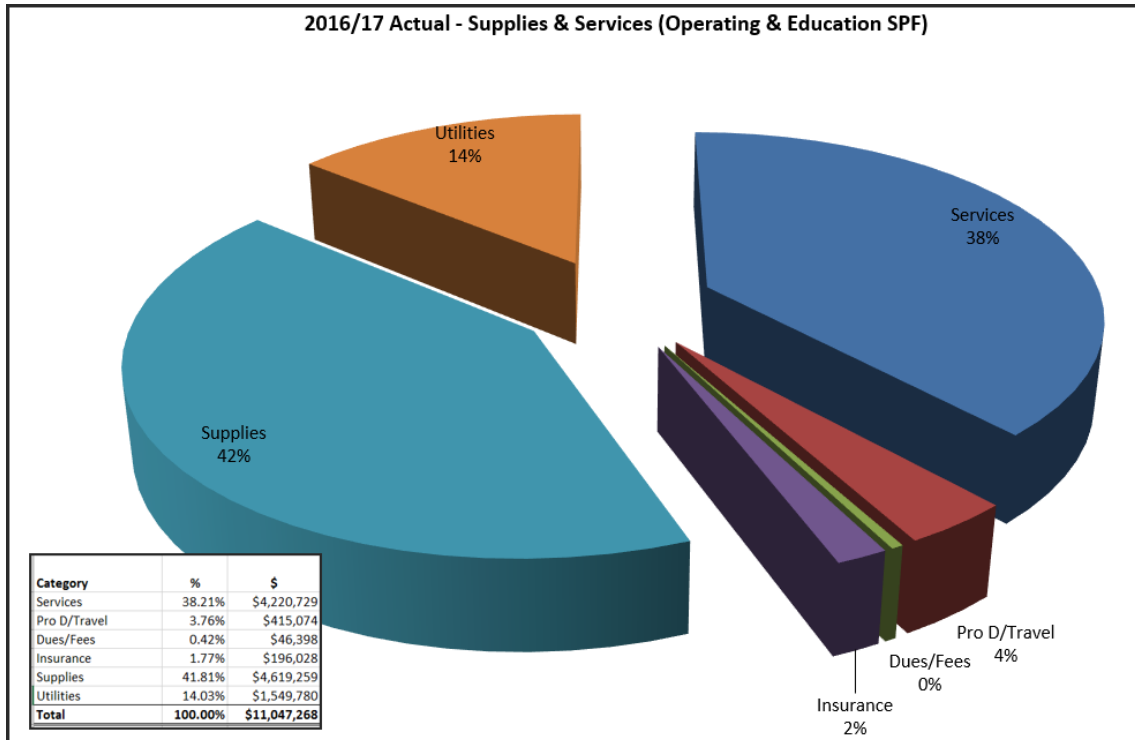


Chart 7.4



- c. *Administrative Expenditures*; was \$2.3million in the 2016/17 fiscal year, which was 3.15% of total Operating expenditures.

Table 7.5	\$	% Total Operating \$75m
Total District Administration (refer to Financial Statement – Schedule 2C, Function 4)	\$2,337,000	3.15%

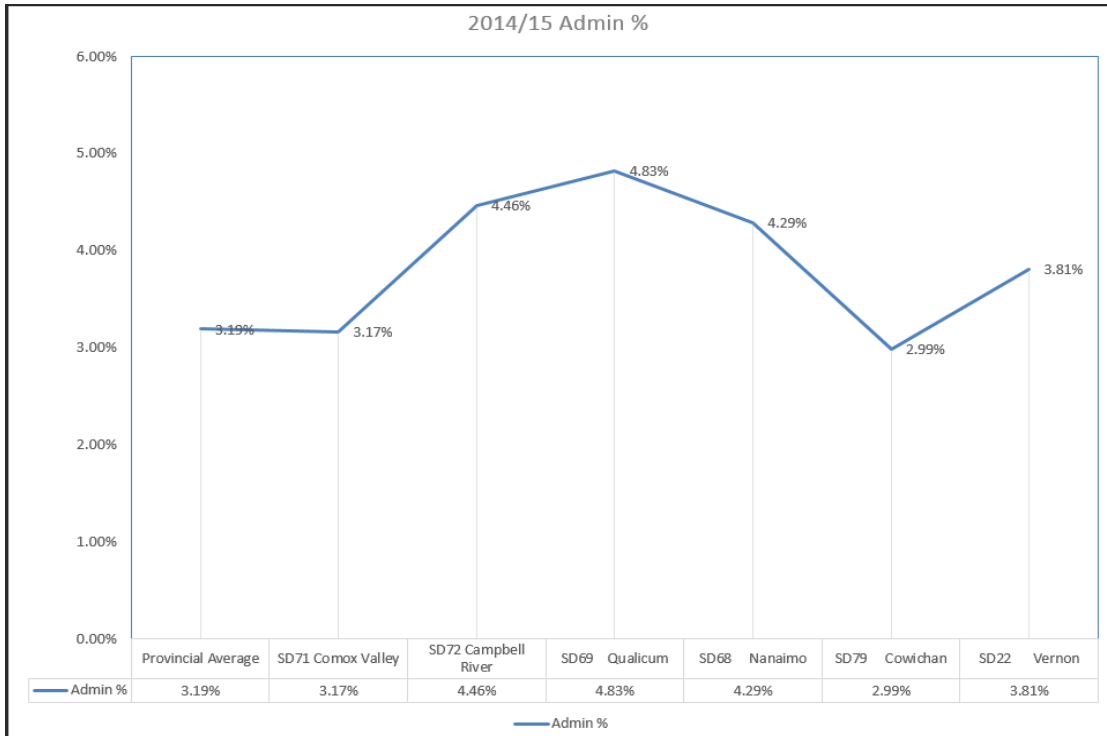
In comparison to other jurisdiction, SD71’s 3.15% expenditure on Administration is below the 2014/15 provincial average of 3.19% (refer to chart 7.5). In comparison to other school districts on Vancouver Island, SD71 is near the bottom (refer to chart 7.6).

Chart 7.5 Comparison to other Jurisdictions *

District Administration Spending as a Percentage of Total Operational Spending	
School District Average:	
2014/15	3.19%
2013/14	3.29%
2009/10	3.07%
2003/04	2.80%
Douglas College	7.69%
University of Victoria	3.55%
Fraser Valley Health Authority	4.89%
Okanagan College	5.11%
Manitoba School Districts	3.49%
Alberta School Districts	3.74%

*Information provided by BCASBO Feb 2016 “Review of the Administration Costs and Operating Reserves for BC Public Schools”

Chart 7.6



8. Summary to Variance Analysis

- a. *Revenue - 2017 Actual vs 2016 Actual*; total revenue for the 2016/17 fiscal year was \$89.7million in comparison to 2015/16 actual of \$84.2million for an increase of \$5.5million or 6.55% (refer also to Financial Statement – Statement 2).

Table 8.1	2017 Actual	2016 Actual	\$ Change	% Change
Revenue: 2017 Actual vs 2016 Actual	\$89,708,000	\$84,190,000	\$5,518,000	6.55%
<i>Variance Explained</i>				
Sept 30, K-12: Enrollment Increase 147fte = \$1,052,000 Per pupil funding increase of \$60/fte = \$431,000	\$51,560,000	\$50,077,000	\$1,483,000	2.96%
Distributed Learning: Enrollment Increase 363fte	\$5,473,000	\$3,344,000	2,129,000	63.67%
Funding Protection: not applicable for 2017	\$0	\$1,632,000	-1,632,000	-100.00%
Salary Differential Factor: due to higher variance to provincial average	\$2,060,000	\$1,715,000	345,000	20.12%
Transportation Supplement: not funded in 2016	421,000	0	421,000	100.00%
Return of Admin Savings: not funded in 2016	355,000	0	355,000	100.00%
Student Learning Grant: not funded in 2016	404,000	0	404,000	100.00%
Priority Measures (SPF): not funded in 2016	713,000	0	713,000	100.00%
Learning Improvement (SPF): due mainly to \$105,000 deferred revenue in 14/15 used in 15/16	1,420,000	1,577,000	-157,000	-9.96%
Community Links (SPF): due to lower expenditure \$146,000 in 2016/17 than anticipated	487,000	590,000	-103,000	-17.46%
Net Sale on Disposal of Asset – Local Capital: Sale of surplus land to Comox Valley Regional District	863,000	0	863,000	100.00%
Amortization of Deferred Capital Revenue	4,570,935	3,788,000	783,000	20.67%
Total Revenue Variance Explained			\$5,614,000	

- b. *Revenue - 2017 Actual vs 2017 AAB (Amended Annual Budget)*; total actual revenue for the 2016/17 fiscal year was \$89.7million in comparison to the AAB \$85.0million. This was an increase of \$4.7million or 5.57% in actual amount received than budgeted in 2016/17 (refer also to Financial Statement – Statement 2).

Table 8.2	2017 Actual	2017 AAB	\$ Change	% Change
Revenue: 2017 Actual vs 2017 Amended Annual Budget	\$89,708,000	\$84,972,000	\$4,736,000	5.57%
<i>Variance Explained</i>				
Special Education: Due to increased Feb 2017 enrollment	\$8,448,000	\$8,339,000	\$109,000	1.31%
Distributed Learning: Due to higher than anticipated Feb & May enrollment count	5,473,000	4,638,000	835,000	18.00%
Student Learning Grant: Not anticipated in AAB	404,000	0	404,000	100.00%
LEA Recovery: Due to lower enrollment recovery	-134,000	-175,000	41,000	23.43%
Tuition: Due to higher international student revenue	2,577,000	2,438,000	139,000	5.70%
Priority Measures (SPF): Not anticipated in AAB	713,000	0	713,000	100.00%
Community Links (SPF): Due to lower than anticipated revenue than budgeted in Service and Supplies	487,000	634,000	-147,000	-23.19%
School Generated Fund (SPF)	2,585,000	2,100,000	485,000	23.10%
Net Sale on Disposal of Asset – Local Capital: Sale of surplus land to Comox Valley Regional District	863,000	0	863,000	100.00%
Amortization of Deferred Capital Revenue	4,571,000	3,336,000	1,235,000	37.02%
Total Revenue Variance Explained			\$4,677,000	

- c. *Expense - 2017 Actual vs 2016 Actual*; total expenses for the 2016/17 fiscal year was \$87.0million in comparison to 2015/16 actual of \$85.9million for an increase of \$1.1million or 1.35% (refer also to Financial Statement – Statement 2).

Table 8.3	2017 Actual	2016 Actual	\$ Change	% Change
Expenses: 2017 Actual vs 2016 Actual	\$87,015,000	\$85,859,000	\$1,156,000	1.35%
<i>Variance Explained</i>				
Teachers Salaries: Due mainly to implementation of alternate calendar	\$30,596,000	\$31,037,000	-\$441,000	-1.42%
Substitute Salaries: Higher absences due mainly to implementation of alternate calendar	2,383,000	2,270,000	113,000	4.98%
Education Asst and Support Staff Salaries: Due to reduction in EA time and larger charge out to Capital	11,735,000	12,081,000	-346,000	-2.86%
Utilities	1,550,000	1,369,000	181,000	13.22%
Instructional Service and Supplies: Higher expenditure in Regular Instruction and Career Education	4,648,000	4,270,000	378,000	8.85%
Priority Measures (SPF): Expense not incurred 2016	713,000	0	713,000	100.00%
Learning Improvement (SPF): due to \$105,000 carry forward from 2015 recognized in 2016	1,420,000	1,577,000	-157,000	-9.96%
Community Links (SPF): Due to lower expenditure of service and supplies	487,000	591,000	-103,000	-17.43%
School Generated Funds (SPF)	2,585,000	2,239,000	351,000	15.68%
Amortization of Tangible Assets: Due to conversion to half year method with amortization of assets	5,797,000	5,331,000	466,000	8.74%
Total Expenses Variance Explained			\$1,155,000	

- d. *Expenses - 2017 Actual vs 2017 AAB (Amended Annual Budget)*; total actual expenses for the 2016/17 fiscal year was \$87.0million in comparison to the AAB \$86.0million, for an increase of approximately \$1.0million or 1.21%. (refer also to Financial Statement – Statement 2)

Table 8.4	2017 Actual	2017 AAB	\$ Change	% Change
Expenses: 2017 Actual vs 2017 Amended Annual Budget	\$87,015,000	\$85,976,000	\$1,039,000	1.21%
<i>Variance Explained</i>				
Teachers Salaries: Due mainly to lower than average teachers salary \$342,000 and two exempt positions budgeted within teachers \$153,000. Lower than required teachers to staff additional students fte also contributed and the positions were then position were covered by the Priority Measures Funding (Special Purpose Fund)\$713,000	\$30,596,000	\$31,804,000	-\$1,208,000	-3.80%
Education Asst Salaries	4,983,000	\$5,092,000	-109,000	-2.14%
Benefits	13,351,000	13,309,000	43,000	0.32%
Instructional Service and Supplies: Lower than budgeted expenses in Regular Instruction and Aboriginal Education	4,648,000	5,004,000	-356,000	-7.11%
Priority Measures (SPF): Not anticipated in AAB	713,000	0	713,000	100.00%
School Generated Funds (SPF)	2,585,000	2,100,000	485,000	23.10%
Amortization of Tangible Assets: Due to conversion to half year method with amortization of assets	5,797,000	4,435,000	1,362,000	30.71%
Total Expenses Variance Explained			\$930,000	

9. Capital Asset

Capital Assets increased by a net amount of \$8.52million during the 2016/17 fiscal year (refer also to Financial Statement – Schedule 4a, and Notes to FS#10). The major capital project that contributed to the increase is the GP Vanier Seismic, (total project budget of \$33.0million), with \$11.0million recorded in Work In Progress at June 30, 2017. The project is due for completion in the fall of 2018.

Table 9.0 Tangible Capital Asset (Net of Amortization)				
	Beginning	Ending	\$ Change	% Change
Site	\$14,154,000	\$14,152,000	-\$2,000	-0.01%
Buildings	83,228,000	92,270,000	9,042,000	10.86%
Furniture and Equipment	109,000	229,000	120,000	110.09%
Vehicles	433,000	430,000	-3,000	-0.69%
Computer Hardware	2,604,000	1,963,000	-641,000	-24.62%
Total	\$100,528,000	\$109,044,000	\$8,516,000	8.47%
Tangible Asset Changes				
GP Vanier Seismic project, Work In Progress			\$11,003,000	
Courtenay Elementary Cladding upgrade, Work in Progress			730,000	
Brooklyn Elementary Roof upgrade			400,000	
Lake Trail Boiler Upgrade			100,000	
Cumberland Mechanical and DCC upgrade			170,000	
Various school building upgrades			1,602,000	
Furniture & Equipment, Vehicle, and Computer additions			308,000	
Amortization of Capital Assets			-5,797,000	
Total Change Summarized			\$8,516,000	

For the 2016/17 fiscal year, enrollment had minimal impact with Capital Asset addition. Major capital infrastructure will occur in the 2017/18 school year due to increased enrollment and the Supreme Court of Canada ruling on Class Size and Class Composition.

10. Reserves – Operating, Special Purpose, and Capital Balances

At June 30, 2017, SD71’s total reserve was \$6.83million. This is summarized as follows:

- Operating Funds = \$2.65million
 - Special Purpose Funds = \$1.72million
 - Capital = \$2.46million
- a. *Operating Fund*; the June 30, 2017 Internally Restricted Surplus will be \$1.17million and Unrestricted Surplus will be \$1.48million, for a combined total surplus of \$2.65million allocation to be carried forward for the 2017/18 fiscal year (refer also to Financial Statement – Schedule 2 and section 6.1 above, presents a table with the allocations of the Operating Surplus).
- b. *Special Purpose Funds (SPF)*; had a reserve or unused deferred revenue of \$1.72million at June 30, 2017 (refer to Financial Statement – Schedule 3A). SPF are dedicated amounts of funds received from various sources that can only be utilized specifically for the purpose as stated for the SPF. A summary to the SPF balance at June 30, 2017 is as follows:

Special Purpose Fund	Description to the SPF	June 30, 2016 Balance	June 30, 2017 Balance	\$ Change
Special Education Equipment	Grant received from Ministry of Education; to be utilized for the purpose of purchasing Special Education Equipment	\$24,000	\$14,000	-\$10,000
Scholarship & Bursaries	Funds received from donors; to support graduating students with their post secondary tuition with scholarships and bursaries as set out by the donors.	642,000	622,000	-20,000
Service Delivery Transformation	Grant received from the Ministry of Education; to be utilized with supporting districts with shared service delivery initiatives	39,000	39,000	0
School Generated Funds	Funds generated by schools; to be utilized by the individual schools for various expenditures e.g. field trips, graduation, year book, etc.	707,000	706,000	-1,000
Community Links	Grants received from the Ministry of Education; to be utilized for the support of community based expenditures e.g. Community Schools, School meals, etc.	33,000	147,000	114,000
Coding and Curriculum Implementation	Grant received from Ministry of Education; to be utilized by the school district for coding related curriculum implementation and training.	0	82,000	82,000
Priority Measures	Grant received from Ministry of Education; to support the school district with implementing the Supreme Court of Canada ruling with reinstating Class Size and Class Composition languages	0	20,000	20,000
Professional Development	Funds provided by the school district; to support exempt staff, support staff, and Principals and Vice Principals professional development	75,000	87,000	12,000
	Total Special Purpose balance at June 30, 2017		\$1,717,000	

- c. *Capital*; had a reserve or unused deferred capital revenue of \$2.460million at June 30, 2017 (refer to Financial Statement – Schedule 4 and 4D). The funds are to be utilized by the school district for capital expenditures only. A summary to capital reserves at June 30, 2017 is as follows:

Capital Fund	Description	June 30, 2016 Balance	June 30, 2017 Balance	\$ Change
Local Capital	Funds generated by the school district to be utilized for localized capital expenditures as determined by the school district. (refer to section 6.2 for detail allocation of reserve)	\$1,323,000	\$2,263,000	\$940,000
Ministry of Education Restricted Capital	Funds are generated by the proceeds received from the disposal of capital assets that was funded by the Ministry. Utilization of these funds must seek Ministry approval. The funds will be utilized on the GP Vanier Seismic project.	84,000	84,000	0
Other Provincial Capital	Grant received from the Industry Training Authority; to be utilized to support the purchases of trades' capital equipment.	0	113,000	113,000
	Total Capital Reserve balance at June 30, 2017		\$2,460,000	

11. Statement of Financial Position

The net financial position for SD71 as stated on the “Financial Statement – Statement 1” is currently stated as a debt -\$76.9million. With the removal of the Deferred Capital Revenue -\$80.9, SD71 has a net financial asset of \$4.0million. The main contribution to net asset increased was cash balance that increased due to an increase in surplus contribution for the year.

Financial Asset	Description	June 30, 2016 Balance	June 30, 2017 Balance	\$ Change
Cash and Cash Equivalent	The change is due mainly to: <ul style="list-style-type: none"> Increase in Operating Surplus \$2,071,000 Increase in Local Capital \$1,323,000 Increase in Accounts Payable \$2,077,000 	\$14,942,000	\$20,681,000	\$5,739,000
Due from Province Ministry of Education	The amount due from the Province for this fiscal year and previous fiscal year is due to time of recording of capital expenditure, mainly the GP Vanier Seismic project, and recovering the funds from the Ministry at year end.	808,000	1,351,000	543,000
Liabilities				
Accounts Payable and Accrued Liabilities	The change is due mainly to: <ul style="list-style-type: none"> Capital Project Holdback values recorded for various Projects -\$1,100,000 Increases in Capital payments due to timing of invoices received at year end -\$668,000 Increase in various other liabilities and timing of invoices received at year end -\$309,000 	-\$7,851,000	-\$9,928,000	-\$2,077,000
Deferred Capital Revenue	The increase is due mainly to fund received for the GP Vanier Seismic project	-71,343,000	-80,867,000	-9,524,000
Tangible Asset	The increased change is due mainly to: <ul style="list-style-type: none"> Work in progress to the GP Vanier Seismic project \$11,733,00 Other Asset addition \$2,581,000 Minus amortization of asset -5,797,000 	100,529,000	109,044,000	8,515,000

12. Alternate Calendar and Impact From The Supreme Court of Canada Ruling

As stated in Section 5 above, SD71 implemented an Alternate Calendar schedule to address \$2.4million Cost and Funding pressure challenges. The Alternate Calendar back-end loaded Secondary Teachers' Preparation Time to the end of the working week, and essentially aligned all preparation time to be the same time on the Friday. This eliminated the need for SD71 to hire "Preparation Time Teachers" to cover for teachers during their preparation time. With the Supreme Court of Canada ruling, SD71 was able to reinstate a spare block to secondary teachers by utilizing the \$1.7million funded from the Supreme Court of Canada funding (refer also to 12-b for further details).

This section will discuss the other options SD71 explored before choosing the Alternate Calendar option. It will also discuss the subsequent impact from the Supreme Court of Canada ruling on Class Size and Composition language on the Alternate Calendar, and the possible impact if SD71 chose other options.

a. *Other Options* explored by SD71 to address the \$2.4million challenge were:

Options A: Total \$2.44million budget reduction (total of 32.15 fte positions), focused of the reductions was on Administration and Support Staff:

- Reduce 3.0 fte School Board office support staff \$105,000
- Reduce 4.25 fte School Principals 410,000
- Reduce 3.0 fte Maintenance Staff 170,000
- Reduce school supplies 50,000
- Implement student rider fees 200,000
- Reduce 11.0 fte various Ed Asst and Support Staff 450,000
- Increase Secondary pupil teaching ratio = 3.6 fte 346,000
- Reduce 3.6 fte elective course teachers 350,000
- Reduce 3.0 fte Curriculum teachers 289,000
- **Reduce 0.7 fte Library 71,000 ***

Option B: Total \$2.42million budget reductions (total of 26.4 fte positions), focused of the reductions of Student Support Teachers:

- Reduce 3.0 fte School Board office support staff \$105,000
- Reduce school supplies 50,000
- Increase Secondary pupil teaching ratio = 3.6 fte 346,000
- Reduce 4.6 fte elective course teachers 446,000
- Reduce 3.0 fte Curriculum teachers 289,000
- Reduce 1.6 fte Speech/Language, Psychologists, and Occupational Therapist 154,000
- **Reduce 0.7 fte Library 71,000 ***
- **Reduce 6.9 fte Learning Support teachers 666,000 ***
- **Reduce 3.0 fte School Counsellors 289,000 ***

- b. *Supreme Court of Canada (SCC) ruling*; on November 10, 2016 the SCC ruled the restoration of contract languages on Class Size, Class Composition, and Student Learning Conditions that was removed by government in 2002.

“What does this mean in the context to SD71 Alternate Calendar initiative?”

- SD71 has a unique contract language restored referring to “Total Teachers Load”, where a secondary teacher can only teach a maximum of 210 students in their workload. With the Alternate Calendar, a secondary teacher would be teaching 8 blocks of 30 students per blocks, for a total of 240 students in their workload. The restored language of 210 workload, translate that a teacher can only teach 7 blocks of 30 students per block. With this restored language, SD71 was required to offer a secondary teachers 7 blocks of teaching 30 students per block, and a spare block for a full compliment of 8 paid blocks.

The spare blocks required the hiring of additional teachers to cover the teachers while on a spare block. The \$1.7million funding for the hiring of these teachers would be fully funded by the SCC remedy funding “Classroom Enhancement Fund Staff”. As a result, SD71 was able to restore to secondary teachers 7 blocks of teaching with 1 block spare without utilizing Operating Fund Grants.

“What would have happened if SD71 chose either Option A or B as shown in Section 12-a?”

- Option A; if SD71 would have chosen this option, only \$71,000 of the proposed \$2.44million in budget reduction would have been eligible for reinstatement and funded from the SCC “Classroom Enhancement Fund Staff” (refer to ***bold italic and asterisk **** in section 12-a Option A). The remaining \$2.33million would need to be funded from Operating Funds, provided the resources were available.
- Option B; if SD71 would have chosen this option, only \$1.03million of the proposed \$2.42million in budget reduction would have been eligible for reinstatement and funded from the SCC “Classroom Enhancement Fund Staff” (refer to ***bold italic and asterisk **** in section 12-a Option B). The remaining \$1.37million would need to be funded from Operating Funds, provided the resources were available.

Another challenge with selecting Option B, given the demand for these specialist teachers, there would have been no guarantee that SD71 would have been able to rehire the positions that would have been cut and reinstated by the SCC “Classroom Enhancement Fund Staff”.

13. Future Outlook for School District No.71 (Comox Valley)

- a. *Enrollment*; SD71 endured 15 years of declining enrollment in its standard K-12 student population. For the 2016/17 school year, enrollment increased by a net 147fte students in the standard K-12. For the 2017/18 school year, it is anticipated enrollment will increase by a net 100fte students in the standard K-12. The major sources for the increase is the relocations of families from the Metro Vancouver and Victoria area due to housing affordability challenges in those areas and the BC teachers relocating to our area along with their families as we increased staffing as a result of the Supreme Court of Canada ruling. It is also anticipated that the Distributed Learning program will have a moderate growth rate of about 100fte for 2017/18.

For future years, the preliminary analysis indicate modest enrollment growth of about 50fte in SD71 for 2018/19 and 2019/20. The enrollment growth is being fueled by numerous new affordable housing subdivisions planned for the Comox Valley with an emphasis in the West Courtenay, Royston, and Cumberland area. A more accurate understanding of enrollment growth will be reported in the updated Long Range Facilities Plan which will be completed by early 2018.

- b. *Implementation of Supreme Court of Canada Ruling*; with the SCC ruling in November 2016, SD71 took a proactive approach and began analysing the impact the restored class size and class composition language would have in the district.
- *Physical Classroom Space*; using the current 2016/17 enrollment, and then adding the anticipated enrollment growth for 2017/18, it was estimated the school district would require approximately 40 additional classroom spaces for the start of the 2017/18 school year. Of the required 40 additional classrooms, 34 classrooms were recovered from existing spaces that was previously vacant, or utilized as secondary office/meeting space. The remaining 6 classroom space will be addressed with the purchase and installation of portable classrooms.
 - *Teacher Staffing*; SD71 began the process of posting and filling the anticipated vacant positions created by the SCC ruling several weeks before the preliminary funding announcement was made for the SCC “Classroom Enhancement Fund” in March 2017. This strategy proved prudent, as SD71 was able to hire approximately 60 new teachers before the end of June. One of the major contributing factors with attracting and recruiting these teachers was the desirable community, active lifestyle, and affordable housing in the Comox Valley.
- c. *Capital Projects*; for 2017/18, SD71 will have numerous capital projects currently “Work In Progress”.
- *GP Vanier Seismic Project*; this is a \$33million project that began construction in June 2016. The anticipated completion for the project is expected to be September 2018. The project is done in five phases, where an old phase is demolished, then it is rebuilt.
 - *Portable Classrooms*; as noted above in section 12.2 above, SD71 requires 6 additional portable classrooms to comply with the SCC ruling. A delay with funding approval from the Ministry of Education for these portables, has delayed the delivery and installation for 3 portables to mid September 2017, and 3 portables to about November 2017.

- *Long Range Facilities Plan (LRFP)*; SD71 had intended to complete a new LRFP by February 2017. With the SCC ruling in November 2016, the LRFP was deferred for completion by early 2018. The LRFP will analyze the need to expand existing schools due to enrollment growth, compliance to the SCC ruling and elimination of portable classrooms, replacing aging schools, and upgrading seismically sensitive schools. These identified capital projects will be funded by the Ministry of Education.
- *School Board Office*; in the spring 2017, SD71 completed the land sale of surplus property to the Comox Valley Regional District (CVRD) for \$600,000 cash and \$265,000 in prepaid rent. A second closing date is expected for February 2021, where SD71 will sell the existing School Board Office and the land it resides on to the CVRD for another \$600,000 cash and \$100,000 in prepaid rent.

The total \$365,000 in prepaid rent will allow SD71 to stay in the existing building, leasing it back from the CVRD for 99 years by utilizing the prepaid rent over the 99 year period. Given the age and condition of the current School Board Office, SD71 is exploring options, to either invest funds to extend the useful life of the existing office or building a new office.

- d. *Organizational Capacity*; as identified in the Enterprise Risk Management (ERM) review this was ranked as the top risk for SD71. The ERM is described as “*The risk that SD71 may not have the organizational capacity (people and expertise) to manage all the current and planned initiatives and projects, while ensuring that regular operations are effective.*” To address this risk, SD71 is undertaking a detail educational program review in 2017/18 of all educational programs to determine the sustainability, viability, and effectiveness of these programs.

(The ERM was conducted by KMPG in the spring 2017. The ERM report can be located in the following link)

<http://www.sd71.bc.ca/About/publications/Documents/Financial%20Information/SD71%20Enterprise%20Risk%20Management%20Summary%20Report.pdf>

- e. *Succession Planning for Key Roles*; as identified in the ERM as the third highest risk “*The risk that SD71 is unable to adequately plan for and replace potential vacancies in key management, teaching and administrative positions*”. In congruent with the educational program review, SD71 will be examining a plan to address pending retirement for numerous senior management positions, and administrative positions in the next few years.
- f. *Funding Continuity/Stability*; as identified as the fifth highest ranking risk in the ERM, “*The risk that shifts in the political landscape may lead to changes in budgeting/funding, resulting in staffing and/or programing cuts*”. For school districts a major concern is uncertainty of sustainable funding from year to year. Will government fund all increased cost pressures, and negotiated settlements?
- g. *Contract Negotiation*; the current contract between the BCTF and Province, is set to expire by June 30, 2019. Questions of concerns for school districts will be:
- How will these contract negotiation impact on the SCC restored Class Size and Class Composition languages?
 - Will all agree to languages be funded?

- Will government impose a settlement on either the School District, BCTF, or both parties?
- Will labour disruption occur? As identified in the ERM as the second highest risk *“The risk that an agreement cannot be reached with the BCTF Union which may lead to a strike or labour stoppage.”*

14. Acknowledgements

- Board of Education for School District No.71 (Comox Valley)
- Finance & Audit Committee
- Office of the Auditor General
- School Administrators and Admin Assistance
- Finance, Payroll, and Human Resource Department, and
- Senior Leadership Team

15. Contacting the School District’s Financial Management

This financial report is designed to provide the School District’s stakeholders with a general overview of the School District’s finances and to demonstrate the School District’s accountability for the funds it receives, and utilization of the these funds. If you have questions about this report or need additional financial information, please contact the Office of the Secretary Treasurer:

Sheldon Lee, CPA/CMA, Acting Secretary Treasurer

Email: Sheldon.Lee@sd71.bc.ca

Phone: 250-334-5521

APPENDIX A

20 QUESTIONS FOR SCHOOL BOARDS TO ASK ABOUT BUDGET DEVELOPMENT AND EXPENDITURE MONITORING

(From the Office of Auditor General of BC May 2016 report on “Improving Budgeting and Expenditure Management in the Public Education System”)

1. Is our school district effectively monitoring the needs of the community and changes in our environment?

- Yes. SD71 is continually communicating and monitoring the community needs with respect to education.
- A “Community Engagement” session was held on January 30, 2017 with various community stakeholders
(Information to the “Community Engagement” session can be found on the district’s website)

<http://www.sd71.bc.ca/About/CommunityEngagement/Pages/default.aspx>

2. How well have we identified our opportunities and challenges in delivering on our mission?

- The school district completed an Enterprise Risk Management (ERM) in March 2017. The ERM was a useful exercise as it identified the risks that can impede the district with achieving its mission. The top rank risk identified is “Organizational Capacity; The risk that SD71 may not have the organizational capacity (people and expertise) to manage all the current and planned initiatives and projects, while ensuring that regular operations are effective.”

To address this risk, SD71 is undertaking a detailed educational program review in 2017/18 of all educational programs to determine the sustainability, viability, and effectiveness of these programs.

(The ERM report can be located in the following link)

<http://www.sd71.bc.ca/About/publications/Documents/Financial%20Information/SD71%20Enterprise%20Risk%20Management%20Summary%20Report.pdf>

3. Have we developed the right blend of goals and strategies to be successful?

- Yes. The current strategic plan was updated in 2015 and expires in October 2018. This timeframe aligns with the current Board of Education for SD71 elected term to the end of October 2018.

<http://www.sd71.bc.ca/About/publications/Documents/Strategic%20Plan/Strategic%20Plan%202015-2018.pdf>

4. Are we engaging our stakeholders effectively in our strategic planning efforts?

- Yes. Refer to response to question #1 above.

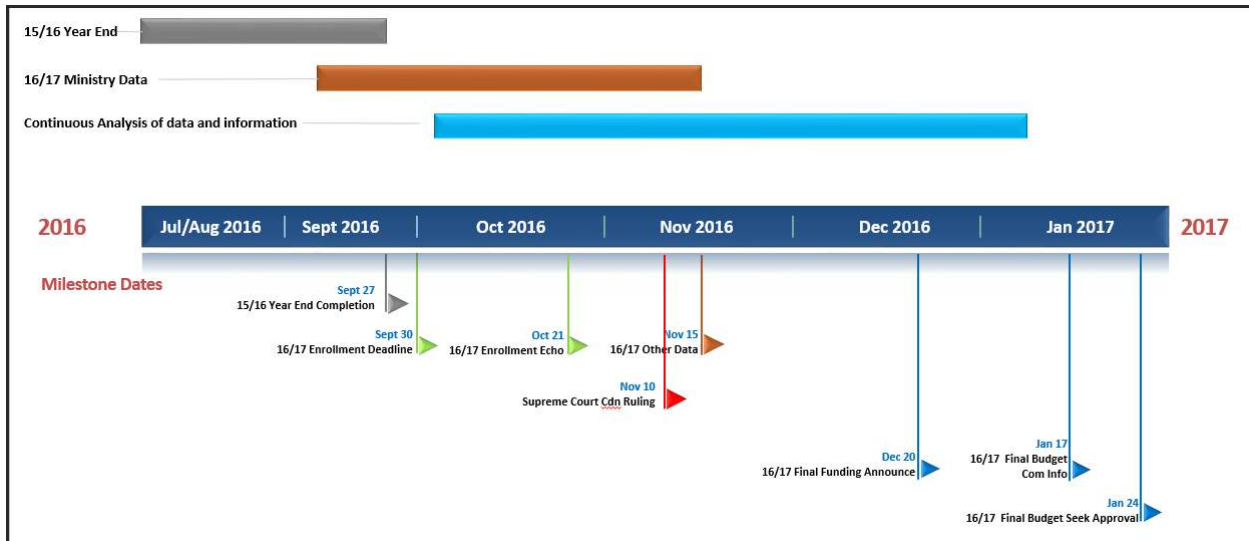
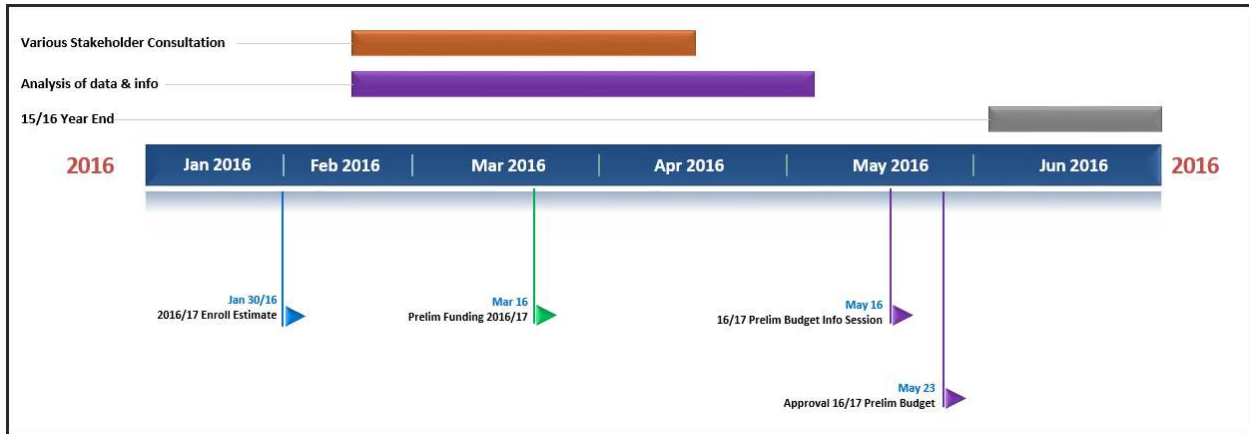
5. Have we properly approved, communicated and adopted our Strategic Plan?

- Yes. Refer to response to question #3 above.
- Work in progress; In 2017/18, SD71 will be implementing the “Envisio Strategic Planning” software to track achievements to the Strategic Plan. Information on “Envisio Strategic Planning” software can be located at:

<http://www.envisio.com/>

6. Do we have a sound process for preparing and adopting our annual budget, including stakeholder consultation?

- Yes. With preparing both the 2016/17 Annual Budget (AB) and Amended Annual Budget (AAB), SD71 utilizes the following steps:
 - Prepare a “Timeline” with chronological sequences of events. These timelines are communicated at various stakeholders meetings, and Board meetings.



- We meet with our educational stakeholders; DPAC (District Parent Advisory Committee, CDTA (Comox District Teachers Association) CUPE 439, and Principals/Vice Principals Association, several times with development of the AB during the Spring 2016, and as required for the AAB during the Fall 2016.
- Community Engagements sessions were held to discuss the Budget Challenges and the Alternate Calendar proposal.
- The Finance Committee is updated to the budget process on a monthly basis.
- The Board of Education is updated at the Regular Board meetings on a monthly basis.
- A “Committee as a Whole for the Board” is called a few weeks before the passing of the AB and AAB with updates.
- A public “Budget Information” session is held prior to the passing of AB and AAB budgets.

7. Have we developed detailed operation plans and evaluated our financial risks and options?

- Work in Progress; From the ERM as stated in #2 above, in the 2017/18 school year SD71 will be undertaking a detail review of all Educational Programs to determine:
 - Does the program align to the district’s strategic goals, directions and outcomes?
 - Are the required human resources available to deliver the program? and
 - Is the program financially and cost sustainable?

- 8. Have we made and communicated our required budget decisions?**
- *Yes. Refer to question #6 above.*
- 9. Has management demonstrated that our budget is a consolidation of all approved responsibility center budgets?**
- *Work in progress. Will need to expand additional communications and documentations.*
- 10. Are we clear about the roles and responsibilities for the budgeting process?**
- *Yes. Need to document responsibilities and budgeting process to formalize. Documentations for school admin assistance has been updated in 2016/17 with regards to school financial information access.*
- 11. Can we demonstrate that management and finance staff have received adequate training, are competent, and set up to succeed? Is their performance appropriately monitored?**
- *Work in progress. Need to formally update processes and training on financial and budgetary documents.*
 - *As stated in question #5, SD71 will be implementing the Envisio Strategic Planning software to track success and achievements.*
 - *SD71 is also offering a "Leadership Series" to foster Staff and School Administrators on various skills to becoming a successful manager.*
- 12. Are we getting timely, reliable information on spending compared to plans?**
- *Yes. Budget managers and schools have real-time access to financial and budget information to their departments or schools.*
 - *For the Finance Committee, the financial analysis reports and information will be approximately seven to ten days old as the information needs to be submitted in advance for the agenda package. This same report is then added to the Board agenda from the Finance Committee, but will make the information about three weeks old.*
- 13. Are we getting timely and reliable information on actual and forecasted costs, including spending pressure points?**
- *Yes. Financial analysis reporting with forecasting is provided to the Finance Committee on a monthly basis. Refer also to question #12.*
- 14. Are we getting budget reports in advance of meetings that help us monitor management's financial performance?**
- *Yes. The Annual Budget and the Amended Annual Budget are reports and information are shared with the Finance Committee in advance of the scheduled monthly committee meeting.*
 - *They are then shared with the Committee as a Whole in advance to that meeting.*
 - *The information is then disclosed to the community at a Community Information session.*
 - *They are finally published in the Board Agenda in advance of the Board In-Camera and Regular Board Meeting.*
 - *Refer also to question #6 and #5 implementation of "Envisio Strategic Planning" software to monitor the financial performance matrix's.*
- 15. Are we set up to make timely decisions to adjust operational and capital spending plans as required?**
- *Yes. Monitoring and analysis of student enrollment trends, expenditures trends (with emphasis on Teacher Teaching on Call, Casual, and Long-term Absences), and revenue trends are completed continuously throughout the year.*

- 16. Are we effectively engaging and communicating with our stakeholders about our budget performance and rationale for changes?**
- *Yes. Any major budget challenges are communicated with the community and stakeholders in advance, and community consultation sessions are setup to discuss options to address any budget challenges.*
 - *Refer also to question #6.*
- 17. Can management demonstrate that the information provided on actual costs is accurate and reflects the most recent transactions?**
- *Yes. Budget managers have real-time access to the financial system to analyze actual costs versus budget.*
 - *For the Finance Committee and the Board, keep in mind the information that is reported at these meetings will be about one to three weeks old.*
- 18. Do we have confidence that the controls over expenditures, especially areas with the highest budgetary impact, such as salaries, are adequate and effective?**
- *Yes. SD71 is confident that controls for expenditures are in place, as the Office of the Auditor General for BC is our auditor and they do a comprehensive review of controls.*
 - *With respect to monitoring of salaries; SD71 continually monitors salaries and benefits actual versus budget. Actual staffing fte is continuously analyzed and actual fte is compared to the budgeted fte.*
 - *Average salaries/benefits costs for all positions types are done twice a year.*
- 19. Are we comfortable with the current checks and balances to limit expenditure authorities, with the right balance of control and flexibility?**
- *Yes. SD71 is confident that current checks and balances are in place, as the Office of the Auditor General for BC is our auditor and they do a comprehensive review of controls.*
 - *As noted by the Office of the Auditor General for BC; to improve in this area, SD71 will be moving forward with the hiring of a Controller or Manager of Finance/Business Operations with implementing an "Internal Control and Review" process.*
- 20. Can management demonstrate to us that there is adequate segregation of duties in the district to reduce the chance of fraud and errors?**
- *Work in Progress. As noted by the Office of the Auditor General for BC; SD71 is a risk for potential fraud and error due to inadequate segregation of duties with respect to the inputting of Accounts Payable information and payment generation by the same position. SD71 will be addressing this segregation issue with the hiring of a Controller or Manager of Finance/Business Operations for the fall 2017.*

APPENDIX B

QUESTIONS TO ASK ABOUT FINANCIAL INFORMATION

(From the Financial Health Working Group (FHWG) reporting published in April 2017. The FHWG comprised of BC School Trustees Association, BC School Superintendents Association, and BC Association of School Business Official, working together with the Ministry of Education, Ministry of Finance, and Office of Auditor General of BC to develop financial governance and accountability guidance material and procedures for the K-12 Public Education Sector.)

A. YEAR-END FINANCIAL STATEMENTS: Statement of Financial Position

1. Why is there a significant increase <decrease> in the school district's cash position from the previous year?

- *The increase in cash of approximately \$5.7million from the previous year was due mainly to:*
 - *Increased change in Operating Surplus* *\$2.0million*
 - *Increased change to Local Capital reserve* *\$1.3million*
 - *Increased change in Special Purposed Deferred Revenue* *\$0.2million*
 - *Increase in Accounts Payable invoices accrued at June 30, 2017* *\$2.1million*

2. Is the restricted surplus fully supported by financial assets?

- *Yes. The total Restricted Surplus of \$6.83million can be supported by a Cash balance of \$20.68million.*
- *Total Restricted Surplus is \$6.83million = (\$2.66million is Operating + \$1.72million Special Purpose Fund \$2.26million is Local Capital + .19million is Restricted Capital).*

3. Why is there an accumulated operating deficit? Is there a plan to extinguish the deficit within one year? What is the plan?

- *For SD71, there is NO accumulated Operating Deficit, the accumulated Operating Surplus is \$2.66million.*

4. Why does the school district have a Net Debt? Is there a long-term concern to the operation of the school district?

- *SD71 doesn't have a long-term concern to the operation. The Net Financial Debt as shown on Statement 1, <\$76.87million> is not a fair representation as <\$80.87million> is from Deferred Capital Revenue (refer to Note 7 in audited Financial Statements).*
- *Removing the <\$80.87million> will restate SD71 Net Financial Asset at \$4.0million.*

5. Are there adequate operating, special purpose and capital funds for future project and services, or will borrowing be required (either short term or long term)?

- *Yes. SD71 has adequate funds in its Operating, Special Purpose, and Capital Funds for the next couple of years (refer to sections 6 in the FSDA report). Any significant decline in enrollment or reduction in funding, can lead SD71 to budget challenges.*

6. What is included in Local Capital? What plans are in place for these funds?

- *The Local Capital Balance of \$2.26million can be summarized as allocations to (refer also to table 6.2 in the FSDA report):*
 - *GP Vanier Seismic Project* *\$350,000*
 - *Future School Board Office replacement* *\$915,000*
 - *Technology Infrastructure and Equipment replacements for the next two fiscal years* *\$998,000*

7. Are there sufficient resources to replace tangible capital assets nearing the end of their useful life?

- *SD71 has the required resources to continue with the Technology Infrastructure and replacement of equipment for the next two years (refer to question #6, and table 6.2 in the FSDA report).*
- *For schools, SD71 is planning to have the revised Long Range Facilities Plan completed in early 2018, at which time, schools will be identified for replacements or upgrades, and if approved, will be funded by the Ministry of Education.*

8. Why is Deferred Revenue such a large dollar value? What does Deferred Revenue consist of?

- *Total Deferred Revenue at June 30, 2017 was \$1.72million. This is an increase of \$200,000 from June 30, 2016 balance of \$1.52million. The total amount related to Deferred Revenue is attributed to the ending balance for Special Purpose Funds (refer also to Financial Statements – Statement 1 and Schedule 3A).*

9. Why is Unearned Revenue such a large dollar value? What does Unearned Revenue consist of? How does Unearned Revenue differ from Deferred Revenue?

- *Total Unearned Revenue at June 30, 2017 was \$2.61million. This is an increase of \$590,000 from June 30, 2016 balance of \$2.02million. The total amount related to Unearned Revenue is attributed to International Student fees collected in the 2016/17 school year, but will not be recognized until the 2017/18 school year.*
- *The difference between Deferred Revenue and Unearned Revenue;*
 - *Deferred Revenue is revenue that has been received, and are earmarked for a specific purpose, hence the recording in Special Purpose Funds.*
 - *Unearned Revenue are funds that has been received, but not year earned or recognized.*

10. What is in the Accumulated Surplus, and what portion of the surplus is “Unrestricted”?

- *The Accumulated Surplus as presented is \$32.95million. Of which, \$30.29million is related to Capital, and \$2.66million to Operating (refer to Financial Statement – Statement 1, Schedule 1, Schedule 2,*
- *The Unrestricted portion is \$1.49million for Operating Funds (refer also to FSDA section 6).*

11. Why does the Statement of Financial Position not balance?

- *It is assumed the question is referring to the “Net Financial Debt” of <\$76.81million> as stated on the Statement of Financial Position. With omitting the <\$80.87million> for Deferred Capital Revenue, the “Net Financial Asset” can be restated at \$4.0million (refer also to question #4 above).*

12. Are there any investments that may be at risk of losing their value? Are our investments invested in accordance with our investment policy?

- *No. SD71 invest in low risk investments, such as GIC and the Ministries Central Deposit System.*
- *SD71 does not have any policy regarding investment.*

13. What is included in Accounts Receivable? Are there significant amounts owed to the school district that may be at risk?

- *There is \$1.84million Accounts Receivable at June 30, 2017. Of which:*
 - *\$1.35million is due the Ministry of Education for Capital expenditures not drawn from the Ministry Certificate of Approval funding.*
 - *\$490,000 for miscellaneous receivables, with \$290,000 due from Gov’t Canada for GST rebate.*
- *No amount of the receivable is at risk.*

14. Is the school district involved in any litigation or potential litigation that may have an impact on future operations?

- *No.*

B. STATEMENT OF OPERATIONS

1. Why is there a significant variance to budget in revenues and/or expenditures for this year?

- *Revenue; had a favorable variance of approximately \$4.7million. This was due mainly to:*
 - *Higher Distributed Learning enrollment = \$835,000*
 - *Student Learning Grant not anticipated = \$404,000*
 - *Priority Measures Grant for transition of the Supreme Court of Canada ruling = \$713,000*
 - *School Generated Funds = \$485,000*
 - *Net sales on disposal of surplus land = \$863,000*
 - *Amortization of Deferred Capital Revenue = \$1.2million*
- *Expenditures; had a favorable variance of approximately \$1.0million. The amount due mainly:*
 - *Amortization of Tangible Asset = \$1.3million*

(refer also to FSDA section 8).

2. What is Other Revenue and rentals and leases revenue comprised of?

- *Other Revenue reported on the 2016/17 Financial Statement is \$2.75million. This is comprised mainly of:*
 - *\$2.58million School Generated Funds as reported in Special Purpose Funds.*

3. Is spending on Administration reasonable given the nature of the school district, and how does spending compare to other school districts?

- *The total Administration, Function 4 expenditure, is approximately 3.15% of total Operating Expenditures. This is slightly lower than the 2014/15 provincial average of 3.19% (refer also to FSDA section 7.c).*

4. Are there any contractual obligations that may impact future operations?

- *The future contractual obligations is approximately \$350,000 for technology hardware (refer to Notes to Financial Statements Note #9).*

5. What is the amount of School Generated Funds (SGF)? How has the reporting of SGF changed and why?

- *The current balance of SFG at June 30, 2017 is approximately \$706,000, in comparison to the previous year balance of \$707,000. The net change was decrease of \$1,000.*

C. QUARTERLY UPDATES

1. What is the explanation of significant variances?

- *Monthly financial variance analysis are given to the Finance Committee on a monthly basis. An update will be given to the Board of Trustees at the subsequent Regular Public Board meeting approximately one week after the Finance Committee meeting.*
- *The major variance that was reported for the 2016/17 fiscal year dealt with unanticipated revenue announcements by the Ministry of Education that was not planned by SD71 (refer to section 6).*

2. Are there variances that are beyond the school district's control? (E.g. in year funding adjustments?)

- *No.*

3. Is there need for action related to the school district's operations to address any variances or projections to year-end?

- *No.*

4. What budget information is being used for comparative purposes and why?

- *From July to December, all comparatives are reviewed against the Annual Budget as approved in the Spring of the previous year.*
- *From January to the end of June, and for the audited financial statement, all comparatives and variance analysis are done against Amended Annual Budget as approved in January of that fiscal year. Comparative to the Amended Annual Budget reflects the actual September 30th enrollment of the school district.*

5. What is the status of capital projects?

- **Are these projects on time and within budget?**
 - *The major capital project that SD71 is undertaking is the GP Vanier Seismic project which has a capital envelope of approximately \$33million. Construction of the project began in June 2016, with expected completion by September 2018.*
 - *At June 30, 2017, the project was approximately 45% complete, which is on time and on budget.*
- **Are there unsupported costs that the school district needs to cover and if so from what source of funds?**
 - *As of June 30, 2017, No.*

D. FINANCIAL HEALTH INDICATORS

1. Does our Statement of Operations metrics indicate a decline in financial health that needs to be addressed?

- *At the end of the previous 2015/16 fiscal year SD71 was trending towards a depletion of its Operating Surplus and reporting a deficit in the 2016/17 fiscal year. Based on the trend from 2011/12 \$3.3million surplus to 2015/16 \$586,000 surplus, the Operating Surplus was depleting at a rate of approximately \$800,000/year. If drastic actions was not implemented for the 2016/17 fiscal year, it was estimated that SD71 would have been in a deficit of about <\$300,000> (refer also to FSDA section 4.3).*
- *At the end of the 2016/17 fiscal year, SD71 is reporting an Operating Surplus of \$2.66million. Of which, \$1.17million is restricted and \$1.49million unrestricted (refer also to FSDA section 6).*
- *The \$1.49million unrestricted surplus represents approximately 1.9%, which is slightly lower than the*

recommend 2.0% to 3.0% range.

2. Do we have a plan in place to improve the financial health of the school district?

- *The plan is to try to maintain the financial health from 2016/17 to future years.*

3. How are we planning for the capital assets?

- *SD71 will be completing a new Long Range Facilities Plan (LRFP) with the intention of having that completed by the beginning of the 2018 calendar year. This LRFP will guide SD71 with address major capital plan for future years.*
- *For minor capital (roof repairs, boiler & HVAC upgrades) and local capital projects (technology infrastructure, vehicles, copiers, and small equipment), SD71 has a short term plan in place.*
 - *Minor capital is submitted to the Ministry of Education for approval and funded by the Ministry.*
 - *Local Capital; SD71 has a funded two year plan to meet the needs for these capital expenditures.*

4. What is the status of our capital reserves?

- *At June 30, 2017, SD71 has the following capital reserve balances:*
 - *Local Capital; \$2.26million (refer also to FSDA section 6, table 6.2 for expenditure plan).*
 - *Ministry of Ed Restricted Capital; \$84,000 to be utilized for the GP Vanier Seismic project*
 - *Other Provincial Capital; \$113,000 to be utilized for small equipment replacement for the Apprenticeship and Trades program.*

5. Is there a concern with continuous declining trend in Accumulated Surplus from Operations?

- *At the end of the 2015/16 there was a concern with the Operating Surplus (refer also to question #1, and FSDA section 4.3).*
- *At the conclusion of 2016/17 the concerns have subsided (refer also to question #1, and FSDA section 6).*

6. If we have a continuous increasing trend in Accumulated Surplus from Operations, is there a plan in place to utilize these funds?

- *For the 2017/18 fiscal year, SD71 has plan with utilizing the operating surplus (refer also to FSDA table 6.1).*
- *SD71 plans to develop an Operating Surplus policy in 2017/18. Once the policy has been developed then a formal plan will be put in place with utilizing future surplus funds.*

7. How does our district compare to financial health of other similar districts?

- *At the conclusion of the 2015/16 fiscal year, SD71 was in relatively poor financial health. There was only a \$586,000 operating surplus which is equivalent to 0.7% of the total operating budget, which was all allocated to 2016/17. SD71 did not have any unrestricted surplus at the end of the 2015/16 fiscal year. And there was \$254,000 adjusted Net Financial Asset (Net Financial Debt <\$71.09million> minus Deferred Capital Revenue \$71.34million).*
- *At the conclusion of the 2016/17 fiscal year, SD71 is in fairly good financial health. There is now a total of \$2.66million operating surplus, of which \$1.49million is unrestricted surplus which is approximately 1.9% of the total operating surplus. The Net Financial Asset is at \$4.0million as adjusted for Deferred Capital Revenue (Net Financial Debt <\$76.87million> minus Deferred Capital Revenue \$80.87million).*

APPENDIX C

RECOMMENDED QUESTIONS OR COMMENTS FROM VARIOUS FHWG DOCUMENTS FINANCIAL GOVERNANCE & ACCOUNTABILITY

(From the Financial Health Working Group (FHWG) reporting published in April 2017. The FHWG comprised of BC School Trustees Association, BC School Superintendents Association, and BC Association of School Business Officials, working together with the Ministry of Education, Ministry of Finance, and Office of Auditor General of BC to develop financial governance and accountability guidance material and procedures for the K-12 Public Education Sector.)

1. Budgeting Monitoring and Expenditure Management

1.1. Development of policies during 2017/18 school year, and approved by June 30, 2018.

- *For the 2017/18 school year, SD71 will be developing an “Unrestricted Operating Surplus” policy.*

1.2. What are the school district’s policies and procedures for developing annual budgets?

- *SD71 does not have a formal policy with developing the annual budget. It utilizes instructional documents as provided by the Ministry of Education.*
 - *Annual Budget must be completed and submitted to the Ministry of Education no later than June 30th of the previous school year. E.g. for the 2016/17 Annual Budget, must be completed by June 30th, 2016.*
 - *Amended Annual Budget must be completed and submitted to the Ministry of Education no later than February 28th of that school year. E.g. for the 2016/17 Amended Annual Budget, must be completed by February 28th, 2017.*
- *For process and timelines with developing the budget, please refer to Appendix A, question #6.*

1.3. How does the school district document and communicate actual results achieved compared to the budget and to goals that align with the strategic plan with how priorities identified for both operational strategies and budget decisions?

- *Financial analysis comparing actuals against budget is prepared on a monthly basis and shared with the Finance Committee, then at the subsequent Regular Public Board Meeting.*
- *Regular ongoing financial analysis is done on a daily and weekly basis by the Finance Department.*
- *With alignment to SD71’s strategic plan, in the 2017/18 school year SD71 will be implementing the “Envisio Strategic Planning” software to track achievements to the Strategic Plan. Information on “Envisio Strategic Planning” software can be located at:*

<http://www.envisio.com/>

1.4. Has the school district develop a Long Range Facilities Plan (LRFP)?

- *During the 2016/17 school year, SD71 began working on a new LRFP with the intention of having it completed by early 2017. Due to the Supreme Court of Canada ruling in November 2016, regarding the reinstatement of 2002 contract languages on Class Size and Class Composition, the LRFP was deferred, with intended completion by early 2018.*

1.5. Does the school district document milestone dates and key deliverable in budget?

- *Yes, refer to Appendix A, question #6.*

1.6. How does the school district document the authorities and key responsibilities for managing and monitoring budgets?

- *SD71 has a Policy 2-3 regarding Financial Management as a guideline*
- [http://www.sd71.bc.ca/Board/Policies/Documents/\(200\)%20Management%20Relationship/2-3,%20Financial%20Management,%20October%2028,%202014.pdf](http://www.sd71.bc.ca/Board/Policies/Documents/(200)%20Management%20Relationship/2-3,%20Financial%20Management,%20October%2028,%202014.pdf)
- *SD71 has a purchasing Administrative Procedure 3003 & 3003 MR, with authorities for appropriateness for purchases. SD71 has formal documents and instructions for User with access the financial system to reviewing various data and reports to their budgets against actual.*
<http://www.sd71.bc.ca/Board/AdminProcedures/Documents/Section%203%20-%20General%20Business/3003%20--%20Purchasing,%20March%201,%202011.pdf>
<http://www.sd71.bc.ca/Board/AdminProcedures/Documents/Section%203%20-%20General%20Business/3003%20MR1--%20Purchasing,%20September%2027,%202011.pdf>
- *Work in progress; SD71 will preparing a formal document on authorities and responsibilities and presenting to SD71 Leadership Training series.*

1.7. How does the school district document and report forecasted results compared with actual budget results and key risks (at a minimum on a quarterly basis)?

- *Financial Analysis with actual compared to budget and forecast analysis to the end of the fiscal year is prepared on a monthly basis and shared with Finance Committee which meets monthly, subsequent to the Regular Public Board Meeting.*
- *Regular ongoing analysis is done daily and weekly by the Finance Department.*

1.8. How does the school district regularly reported Capital expenditure progress?

- *Financial reports for Capital expenditures is prepared on a monthly basis and reviewed by Finance with the Director of Operations.*
- *Quarterly updates are provided to the Facilities Committee then to the In-Camera Board Meeting. Regular updates will be made to the Regular Public Board meeting as appropriate.*

1.9. How does the school district prevent the initiation of unbudgeted purchases?

- *Refer to 1.6 above.*

1.10. Can we answer “20 Questions for School Boards to ask about budget development and expenditure monitoring” (refer to Appendix A & B)?

- *Yes, refer to Appendix A and B above.*

1.11. Can we answer “Questions to ask about Financial Information” (refer to Appendix B section D Quarterly Update section E Financial Health Indicators)?

- *Yes, refer to Appendix A and B above.*

2. Fiscal Year End

2.1. Does the school district document milestone dates, checklists, and key deliverable in the year end process?

- *Yes. Through the office of Director of Finance, SD71 has a checklist pertaining to:*
 - *Required tasks and owner*
 - *Deadline dates, and*
 - *Required completion dates.*

2.2. Management's Comments to Accumulated Surplus

- SD71 to establish an Accumulated Operating Surplus Policy by June 30, 2018
- Internally Restricted Surplus; refer to FSDA Section 6, and Table 6.1
- SD71 Unrestricted Surplus is at 1.9% to total Operating Budget (provincial average = 1.0%)

2.3. Management's Comments to Local Capital plans

- There is sufficient funds available for Local Capital expenditure plans for the next two fiscal years.
- Refer to FSDA Section 6, and Table 6.2

2.4. Can we answer "Questions to ask about Financial Information" (refer to Appendix B section A Year-End Financial Statements, section B Statement of Operations, and section E Financial Health Indicators)?

- *Yes, refer to Appendix B above.*

3. Management's Comments to an Audit Committee

3.1. School Districts are to implement an Audit Committee by June 30, 2018

- *SD71 has an Audit Committee that was established in the 2014/15 school year.*
- *It comprises of the members of the Finance Committee, two members of the public, and the external Auditors.*
- *The Audit Committee meets twice a year:*
 - *Once in June prior to the start of year-end, and*
 - *In September, once the year-end audit is completed, and prior to the presentation of the Audited Financial Statements to the Board at the Regular Public Board Meeting.*

4. Management's Comments to Financial Literacy Capacity Building for School Board Trustees

4.1. As recommended by the FHWC with implementation by June 30, 2018

- *SD71 Management Team strives to communicate as best they can the understanding of Financial Literacy to the Board of Education for SD71. This is done through:*
 - *Monthly Finance Committee meetings,*
 - *Information from the Finance Committee is then shared to the Board at the Regular Public Board Meeting,*
 - *Bi-annual Audit Committee meetings,*
 - *Committee as a Whole as required,*
 - *Presentations at the Regular Public Board Meetings regarding the Annual Budget, Amended Annual Budget, and Audited Financial Statements, and*
 - *One on one meetings between Trustees and Management as requested.*

4.2. Governance – understanding roles and responsibilities of key stakeholders

- *Governance sessions are held with the Board and Senior Leadership Team to clarify as required.*

4.3. Financial Monitoring – understanding how to verify information received from senior administration

- *SD71 Senior Leadership Team tries its best to communicate at various sessions as stated in 4.1:*
 - *How Financial Statements and Annual Budget Statements are prepared*
 - *Understanding statement of financial position, operations, net financial assets, and cash flow*
 - *How budgeting complements and supports financial reporting*

4.4. Can we answer “Questions to ask about Financial Information” (refer to Appendix B section E Financial Health Indicators)?

- *Yes, refer to Appendix B.*

5. Management's Comment to Financial Statement Discussion and Analysis (FSD&A), and implement by June 30, 2018 as recommended by the FHWC

- *SD71 has taken a proactive approach and has implemented for this 2016/17 fiscal year*
- *SD71 has prepared this written FSD&A*

6. Management's Comments to Strategic Planning

- *SD71 has an active current Strategic Plan that was developed in 2015, and will expire in November 2018 at the conclusion of the current Boards elected term.*
- *A revised Strategic Plan will be developed shortly after the new Board is elected in November 2018.*
- *Work in progress; In 2017/18, SD71 will be implementing the "Envisio Strategic Planning" software to track achievements to the Strategic Plan. Information on "Envisio Strategic Planning" software can be located at:*

<http://www.envisio.com/>
- *The "Envisio Strategic Planning" software will be utilized to monitor and measure of strategic priorities to goals and actions, and should link budget to the district's strategies.*

7. Management's Comments to Enterprise Risk Management (ERM), with recommended implementation by June 30, 2018

- *SD71 completed the ERM in March 2017.*
- *It is currently developing mitigations plans to address the top five risks identified.*
- *SD71 will be utilizing the "Envisio Strategic Planning" software to monitor progress to the mitigation plans.*
- *Intention is to refresh the ERM in 2019/2020 school year*
- *Information to SD71's ERM report can be located in the following link*

<http://www.sd71.bc.ca/About/publications/Documents/Financial%20Information/SD71%20Enterprise%20Risk%20Management%20Summary%20Report.pdf>