

Audited Financial Statements of

School District No. 71 (Comox Valley)

June 30, 2018

School District No. 71 (Comox Valley)

June 30, 2018

Table of Contents

Management Report	1
Independent Auditors' Report	2-3
Statement of Financial Position - Statement 1	4
Statement of Operations - Statement 2	5
Statement of Changes in Net Financial Assets (Debt) - Statement 4	6
Statement of Cash Flows - Statement 5	7
Notes to the Financial Statements	8-27
Schedule of Changes in Accumulated Surplus (Deficit) by Fund - Schedule 1 (Unaudited)	28
Schedule of Operating Operations - Schedule 2 (Unaudited)	29
Schedule 2A - Schedule of Operating Revenue by Source (Unaudited)	30
Schedule 2B - Schedule of Operating Expense by Object (Unaudited)	31
Schedule 2C - Operating Expense by Function, Program and Object (Unaudited)	32
Schedule of Special Purpose Operations - Schedule 3 (Unaudited)	34
Schedule 3A - Changes in Special Purpose Funds and Expense by Object (Unaudited)	35
Schedule of Capital Operations - Schedule 4 (Unaudited)	37
Schedule 4A - Tangible Capital Assets (Unaudited)	38
Schedule 4B - Tangible Capital Assets - Work in Progress (Unaudited)	39
Schedule 4C - Deferred Capital Revenue (Unaudited)	40
Schedule 4D - Changes in Unspent Deferred Capital Revenue (Unaudited)	41

School District No. 71 (Comox Valley)

MANAGEMENT REPORT

Version: 1462-9716-7734

Management's Responsibility for the Financial Statements.

The accompanying financial statements of School District No. 71 (Comox Valley) have been prepared by management in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of British Columbia, supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's judgment particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and reliable financial information is produced.

The Board of Education of School District No. 71 (Comox Valley) (called the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and externally audited financial statements yearly.

The external auditors, Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of School District No. 71 (Comox Valley) and meet when required. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the School District's financial statements.

On behalf of School District No. 71 (Comox Valley)

Signature of the Chairperson of the Board of Education

September 25, 2018

Date Signed

Signature of the Superintendent

September 25, 2018

Date Signed

Signature of the Secretary Treasurer

September 25, 2018

Date Signed



INDEPENDENT AUDITOR'S REPORT

*To the Board of Education of School District No. 71 (Comox Valley), and
To the Minister of Education, Province of British Columbia*

I have audited the accompanying financial statements of School District No. 71 (Comox Valley) (“the entity”), which comprise the statement of financial position as at June 30, 2018, and the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

As described in Note 2a) to the financial statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In my opinion certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the entity's records indicate that the effects of this departure on the current year financial statements is an overstatement of the liability for deferred revenue of \$0.2 million and deferred capital revenue of \$66.4 million, an understatement of opening accumulated surplus of \$66.6 million, and a current year understatement of revenue of \$0.02 million. Accordingly, the current year surplus is understated by \$0.02 million and net debt is overstated by \$66.6 million.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of School District No. 71 (Comox Valley) as at June 30, 2018, and the results of its operations, changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Victoria, British Columbia
September 25, 2018



Russ Jones, FCPA, FCA
Deputy Auditor General



School District No. 71 (Comox Valley)

Statement 1

Statement of Financial Position

As at June 30, 2018

	2018 Actual	2017 Actual
	\$	\$
Financial Assets		
Cash and Cash Equivalents (Note 3)	26,217,748	20,680,860
Accounts Receivable		
Due from Province - Ministry of Education	1,964,977	1,350,673
Due from LEA/Direct Funding	-	24,284
Other (Note 4)	351,733	460,567
Total Financial Assets	28,534,458	22,516,384
Liabilities		
Accounts Payable and Accrued Liabilities		
Other (Note 5)	10,379,723	9,928,256
Unearned Revenue (Note 6)	2,288,672	2,612,502
Deferred Revenue (Note 7)	1,904,746	1,716,840
Deferred Capital Revenue (Note 8)	92,782,409	80,867,012
Employee Future Benefits (Note 9)	4,000,670	3,915,244
Capital Lease Obligations (Note 10)	155,537	348,476
Total Liabilities	111,511,757	99,388,330
Net Financial Assets (Debt)	(82,977,299)	(76,871,946)
Non-Financial Assets		
Tangible Capital Assets (Note 11)	121,041,654	109,044,289
Prepaid Expenses	692,989	772,853
Total Non-Financial Assets	121,734,643	109,817,142
Accumulated Surplus (Deficit) (Note 14)	38,757,344	32,945,196

Contractual Obligations (Note 16)

Approved by the Board

Signature of the Chairperson of the Board of Education

September 25, 2018
Date Signed

Signature of the Superintendent

September 25, 2018
Date Signed

Signature of the Secretary Treasurer

September 25, 2018
Date Signed

School District No. 71 (Comox Valley)

Statement 2

Statement of Operations

Year Ended June 30, 2018

	2018 Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Revenues			
Provincial Grants			
Ministry of Education	88,815,619	89,376,688	77,996,174
Tuition	2,692,520	3,177,311	2,576,687
Other Revenue	3,092,394	3,635,529	3,389,142
Rentals and Leases	150,000	144,558	146,028
Investment Income	170,000	306,524	165,797
Gain (Loss) on Disposal of Tangible Capital Assets (Note 12)			862,950
Amortization of Deferred Capital Revenue	3,641,807	3,433,018	4,570,935
Total Revenue	98,562,340	100,073,628	89,707,713
Expenses (Note 19)			
Instruction	79,780,585	75,574,541	67,303,299
District Administration	2,958,087	2,728,818	2,366,648
Operations and Maintenance	13,895,271	13,954,032	15,479,946
Transportation and Housing	1,993,298	1,992,185	1,845,010
Debt Services	11,904	11,904	20,400
Total Expense	98,639,145	94,261,480	87,015,303
Surplus (Deficit) for the year	(76,805)	5,812,148	2,692,410
Accumulated Surplus (Deficit) from Operations, beginning of year		32,945,196	30,252,786
Accumulated Surplus (Deficit) from Operations, end of year		38,757,344	32,945,196

School District No. 71 (Comox Valley)

Statement 4

Statement of Changes in Net Financial Assets (Debt)

Year Ended June 30, 2018

	2018 Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Surplus (Deficit) for the year	<u>(76,805)</u>	<u>5,812,148</u>	<u>2,692,410</u>
Effect of change in Tangible Capital Assets			
Acquisition of Tangible Capital Assets	(12,593,116)	(16,632,539)	(14,314,447)
Amortization of Tangible Capital Assets	4,730,574	4,635,174	5,796,620
Net carrying value of Tangible Capital Assets disposed of			2,050
Total Effect of change in Tangible Capital Assets	<u>(7,862,542)</u>	<u>(11,997,365)</u>	<u>(8,515,777)</u>
Acquisition of Prepaid Expenses		(692,989)	(772,853)
Use of Prepaid Expenses		772,853	813,274
Total Effect of change in Other Non-Financial Assets	<u>-</u>	<u>79,864</u>	<u>40,421</u>
(Increase) Decrease in Net Financial Assets (Debt), before Net Remeasurement Gains (Losses)	<u>(7,939,347)</u>	<u>(6,105,353)</u>	<u>(5,782,946)</u>
Net Remeasurement Gains (Losses)			
(Increase) Decrease in Net Financial Assets (Debt)		<u>(6,105,353)</u>	<u>(5,782,946)</u>
Net Financial Assets (Debt), beginning of year		<u>(76,871,946)</u>	<u>(71,089,000)</u>
Net Financial Assets (Debt), end of year		<u><u>(82,977,299)</u></u>	<u><u>(76,871,946)</u></u>

School District No. 71 (Comox Valley)

Statement 5

Statement of Cash Flows
Year Ended June 30, 2018

	2018 Actual	2017 Actual
	\$	\$
Operating Transactions		
Surplus (Deficit) for the year	5,812,148	2,692,410
Changes in Non-Cash Working Capital		
Decrease (Increase)		
Accounts Receivable	(481,186)	(700,029)
Prepaid Expenses	79,864	40,421
Increase (Decrease)		
Accounts Payable and Accrued Liabilities	451,467	2,076,807
Unearned Revenue	(323,830)	592,506
Deferred Revenue	187,906	196,245
Employee Future Benefits	85,426	34,660
Loss (Gain) on Disposal of Tangible Capital Assets	-	(862,950)
Amortization of Tangible Capital Assets	4,635,174	5,796,620
Amortization of Deferred Capital Revenue	(3,433,018)	(4,570,935)
Total Operating Transactions	7,013,951	5,295,755
Capital Transactions		
Tangible Capital Assets Purchased	(4,259,112)	(2,021,913)
Tangible Capital Assets - WIP Purchased	(12,373,427)	(12,292,534)
District Portion of Proceeds on Disposal	-	600,000
Principal Payment on Capital Lease Obligation	(192,939)	(202,024)
Prepaid Rent Consideration Received on Disposal of Land (Note 12)	-	265,000
Total Capital Transactions	(16,825,478)	(13,651,471)
Financing Transactions		
Capital Revenue Received	15,348,415	14,094,746
Total Financing Transactions	15,348,415	14,094,746
Net Increase (Decrease) in Cash and Cash Equivalents	5,536,888	5,739,030
Cash and Cash Equivalents, beginning of year	20,680,860	14,941,830
Cash and Cash Equivalents, end of year	26,217,748	20,680,860
Cash and Cash Equivalents, end of year, is made up of:		
Cash	26,217,748	20,680,860
	26,217,748	20,680,860
Supplementary Cash Flow Information (Note 23)		

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1 AUTHORITY AND PURPOSE

The School District, established in 1946, operates under authority of the *School Act* of British Columbia as a corporation under the name of "The Board of Education of School District No. 71 (Comox Valley)", and operates as "School District No. 71 (Comox Valley)." A board of education ("Board") elected for a four-year term governs the School District. The School District provides educational programs to students enrolled in schools in the district, and is principally funded by the Province of British Columbia through the Ministry of Education. School District No. 71 (Comox Valley) is exempt from federal and provincial corporate income taxes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the School District are as follows:

a) Basis of Accounting

These financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia. This Section requires that the financial statements be prepared in accordance with Canadian public sector accounting standards except in regard to the accounting for government transfers as set out in Notes 2(e) and 2(l).

In November 2011, Treasury Board provided a directive through Restricted Contributions Regulation 198/2011 providing direction for the reporting of restricted contributions whether they are received or receivable by the School District before or after this regulation was in effect.

As noted in notes 2(e) and 2(l), Section 23.1 of the *Budget Transparency and Accountability Act* and its related regulations require the School District to recognize non-capital restricted contributions into revenue in the fiscal period in which the restriction that the contribution is subject to is met and require the School District to recognize government transfers for the acquisition of capital assets into revenue on the same basis as the related amortization expense. Canadian public sector accounting standards would require these contributions, if they are government transfers, to be recognized into revenue immediately when received unless they contain a stipulation that meets the definition of a liability.

The impact of these differences on the financial statements of the School District are as follows:

Year-ended June 30, 2018 – increase in annual surplus by \$17,777.

June 30, 2018 - increase in accumulated surplus by \$66,606,385, a decrease in deferred revenue by \$247,267 and a decrease in deferred capital revenue by \$66,376,895.

Year-ended June 30, 2017 – decrease in annual surplus by \$2,183,935.

June 30, 2017 – increase in accumulated surplus by \$68,790,319, a decrease in deferred revenue by \$286,258 and a decrease in deferred capital revenue by \$66,320,127.

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid securities that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These cash equivalents generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

c) Accounts Receivable

Accounts receivable are measured at historical cost and shown net of allowance for doubtful accounts.

d) Unearned Revenue

Unearned revenue includes tuition fees received for courses to be delivered in future periods and receipt of proceeds for services or products to be delivered in a future period. Revenue will be recognized in that future period when the courses, services, or products are provided.

e) Deferred Revenue and Deferred Capital Revenue

Deferred revenue includes contributions received with stipulations that meet the description of restricted contributions in the Restricted Contributions Regulation 198/2011 issued by Treasury Board. When restrictions are met, deferred revenue is recognized as revenue in the fiscal year in a manner consistent with the circumstances and evidence used to support the initial recognition of the contributions received as a liability as detailed in Note 2 (l).

Funding received for the acquisition of depreciable tangible capital assets is recorded as deferred capital revenue and amortized over the life of the asset acquired as revenue in the Statement of Operations. This accounting treatment is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria are met unless the transfer contains a stipulation that creates a liability in which case the transfer is recognized as revenue over the period that the liability is extinguished. See note 2 (a) for the impact of this policy on these financial statements.

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

f) Employee Future Benefits

The School District provides post-employment benefits including vested and non-vested benefits for certain employees pursuant to certain contracts and union agreements.

The School District accrues its obligations and related costs including both vested and non-vested benefits under employee future benefit plans. Benefits include vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance, vacation, overtime and death benefits. The benefits cost is actuarially determined using the projected unit credit method prorated on service and using management's best estimate of expected salary escalation, termination rates, retirement rates and mortality. The discount rate used to measure obligations is based on the cost of borrowing.

The cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime (EARS�) of active employees covered under the plan.

The most recent valuation of the obligation was performed at March 31, 2016 and projected to March 31, 2019. The next valuation will be performed at March 31, 2019 for use at June 30, 2019. For the purposes of determining the financial position of the plans and the employee future benefit costs, a measurement date of March 31 was adopted for all periods subsequent to July 1, 2004.

The School District and its employees make contributions to the Teachers' Pension Plan and Municipal Pension Plan. The plans are multi-employer plans where assets and obligations are not separated. The costs are expensed as incurred.

g) Asset Retirement Obligations

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Statement of Operations.

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) Tangible Capital Assets

The following criteria apply:

- Tangible capital assets acquired or constructed are recorded at cost which includes amounts directly related to acquisition, design, construction, development, improvement or betterment of the assets. Cost also includes overhead directly attributable to construction as well as interest costs that are directly attributable to the acquisition or construction of the asset.
- Donated tangible capital assets are recorded at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.
- Work-in-progress is recorded as an acquisition to the applicable asset when it is available for productive use.
- Tangible capital assets are written down to residual value when conditions indicate they no longer contribute to the ability of the School District to provide services or when the value of future economic benefits associated with the sites and buildings are less than their net book value. The write-downs are accounted for as expenses in the Statement of Operations.
- Buildings that are demolished or destroyed are written-off.
- Works of art, historic assets and intangible assets are not recorded as assets in these financial statements.
- The cost, less residual value, of tangible capital assets (excluding sites), is amortized on a straight-line basis over the estimated useful life of the asset. It is management's responsibility to determine the appropriate useful lives for tangible capital assets. These useful lives are reviewed on a regular basis or if significant events initiate the need to revise. Estimated useful life is as follows:

Buildings	40 years
Furniture & Equipment	10 years
Vehicles	10 years
Computer Software	5 years
Computer Hardware	5 years

i) Prepaid Expenses

Amounts for insurance and other services are included as a prepaid expense and stated at acquisition cost and are charged to expense over the periods expected to benefit from it.

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

j) Capital Leases

Leases that, from the point of view of the lessee, transfer substantially all the benefits and risks incidental to ownership of the property to the School District are considered capital leases.

These are accounted for as an asset and an obligation. Capital lease obligations are recorded at the present value of the minimum lease payments excluding executor costs, e.g., insurance, maintenance costs, etc. The discount rate used to determine the present value of the lease payments is the lower of the School District's rate for incremental borrowing or the interest rate implicit in the lease. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

k) Funds and Reserves

Certain amounts, as approved by the Board are set aside in accumulated surplus for future operating and capital purposes. Transfers to and from funds and reserves are an adjustment to the respective fund when approved (see Note 14).

l) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Contributions received or where eligibility criteria have been met are recognized as revenue except where the contribution meets the criteria for deferral as described below. Eligibility criteria are the criteria that the School District has to meet in order to receive the contributions including authorization by the transferring government.

For contributions subject to a legislative or contractual stipulation or restriction as to their use, revenue is recognized as follows:

- Non-capital contributions for specific purposes are recorded as deferred revenue and recognized as revenue in the year related expenses are incurred,
- Contributions restricted for site acquisitions are recorded as revenue when the sites are purchased, and
- Contributions restricted for tangible capital assets acquisitions other than sites are recorded as deferred capital revenue and amortized over the useful life of the related assets.

Donated tangible capital assets other than sites are recorded at fair market value and amortized over the useful life of the assets. Donated sites are recorded as revenue at fair market value when received or receivable.

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) Revenue Recognition (continued)

The accounting treatment for restricted contributions is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that meets the criteria for liability recognition in which case the transfer is recognized as revenue over the period that the liability is extinguished. See note 2(a) for the impact of this policy on these financial statements.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

Investment income is reported in the period earned. When required by the funding party or related Act, investment income earned on deferred revenue is added to the deferred revenue balance.

m) Expenditures

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Categories of Salaries

- Principals, Vice-Principals, and Directors of Instruction employed under an administrative officer contract are categorized as Principals and Vice-Principals.
- Superintendents, Assistant Superintendents, Secretary-Treasurers, Trustees and other employees excluded from union contracts are categorized as Other Professionals.

Allocation of Costs

- Operating expenses are reported by function, program, and object. Whenever possible, expenditures are determined by actual identification. Additional costs pertaining to specific instructional programs, such as special and aboriginal education, are allocated to these programs. All other costs are allocated to related programs.
- Actual salaries of personnel assigned to two or more functions or programs are allocated based on the time spent in each function and program. School-based clerical salaries are allocated to school administration and partially to other programs to which they may be assigned. Principals' and Vice-Principals' salaries are allocated to school administration and may be partially allocated to other programs to recognize their other responsibilities.
- Employee benefits and allowances are allocated to the same programs, and in the same proportions, as the individual's salary.
- Supplies and services are allocated based on actual program identification.

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) Financial Instruments

A contract establishing a financial instrument creates, at its inception, rights and obligations to receive or deliver economic benefits. The financial assets and financial liabilities portray these rights and obligations in the financial statements. The School District recognizes a financial instrument when it becomes a party to a financial instrument contract. Financial instruments consist of cash and cash equivalents, accounts receivable, portfolio investments, accounts payable and accrued liabilities and debt.

Except for portfolio investments in equity instruments quoted in an active market that are recorded at fair value, all financial assets and liabilities are recorded at cost or amortized cost and the associated transaction costs are added to the carrying value of these investments upon initial recognition and amortized using the effective interest rate method. Transaction costs are incremental costs directly attributable to the acquisition of a financial asset or a financial liability.

Unrealized gains and losses from changes in the fair value of financial instruments recorded at fair value are recognized in the Statement of Remeasurement Gains and Losses. Upon settlement, the cumulative gain or loss is reclassified from the Statement of Remeasurement Gains and Losses and recognized in the Statement of Operations. Interest and dividends attributable to financial instruments are reported in the Statement of Operations.

All financial assets except derivatives are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

o) Measurement Uncertainty

Preparation of financial statements in accordance with the basis of accounting described in note 2 a) requires management to make estimates and assumptions that impact reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the potential impairment of assets, liabilities for contingencies, rates for amortization and estimated employee future benefits. Actual results could differ from those estimates.

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 3 CASH AND CASH EQUIVALENTS

	2018	2017
School Generated Funds	\$ 828,589	\$ 803,421
District Funds	18,812,110	13,360,290
Funds Restricted for the Teacher Salary Deferral Program	118,528	202,661
BC Ministry of Finance Central Deposit Program	6,458,521	6,314,488
Total Cash and Cash Equivalents	<u>\$26,217,748</u>	<u>\$20,680,860</u>

NOTE 4 ACCOUNTS RECEIVABLE – OTHER RECEIVABLES

	2018	2017
Due from Federal Government	\$175,763	\$291,912
Other	175,970	168,655
	<u>\$351,733</u>	<u>\$460,567</u>

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES – OTHER

	2018	2017
Trade Payables	\$2,891,815	\$2,437,145
Salaries and Benefits Payable	1,774,721	2,185,970
Accrued Vacation Payable	402,403	370,841
Other	5,310,784	4,934,300
	<u>\$10,379,723</u>	<u>\$9,928,256</u>

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 6 UNEARNED REVENUE

	2018	2017
Balance, beginning of year	\$2,612,502	\$2,019,996
Changes for the year:		
Increase:		
Tuition fees collected	5,585,594	5,211,568
Decrease:		
Tuition fees recognized	(5,909,424)	(4,619,062)
Net Changes for the Year	(323,830)	592,506
Balance, end of year	<u>\$2,288,672</u>	<u>\$2,612,502</u>

NOTE 7 DEFERRED REVENUE

Deferred revenue includes unspent grants and contributions received that meet the description of a restricted contribution in the Restricted Contributions Regulation 198/2011 issued by Treasury Board, i.e., the stipulations associated with those grants and contributions have not yet been fulfilled.

	2018	2017
Balance, beginning of year	\$1,716,840	\$1,520,595
Increases:		
Provincial Grants - Ministry of Education	10,829,509	3,613,063
School Generated Funds	2,635,671	2,584,185
Other	446,610	128,664
	13,911,790	6,325,912
Decreases:		
Transfer to Revenue	13,723,884	6,129,667
Net change for the year	187,906	196,245
Balance, end of year	<u>\$1,904,746</u>	<u>\$1,716,840</u>

NOTE 8 DEFERRED CAPITAL REVENUE

Deferred capital revenue includes grants and contributions received that are restricted by the contributor for the acquisition of tangible capital assets that meet the description of a restricted contribution in the Restricted Contributions Regulation 198/2011 issued by Treasury Board. Once spent, the contributions are amortized into revenue over the life of the asset acquired.

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 8 DEFERRED CAPITAL REVENUE (Continued)

	2018	2017
Deferred capital revenue subject to amortization		
Balance, beginning of year	\$66,320,127	\$68,618,147
Increases:		
Provincial Grants for Capital additions	3,137,085	1,713,491
Transferred from Work in Progress (WIP)	352,701	559,424
Decreases:		
Amortization & Deemed Disposals	(3,433,018)	(4,570,935)
Net change for the year	56,768	(2,298,020)
Balance, end of year	\$66,376,895	\$66,320,127
Work in Progress		
Balance, beginning of year	\$14,349,809	\$2,632,215
Increases:		
Transferred from deferred revenue – WIP	12,339,025	12,277,018
Decreases:		
Transferred to deferred capital revenue	(352,701)	(559,424)
Net Changes for the year	11,986,324	11,717,594
Balance, end of year	\$26,336,133	\$14,349,809
Deferred capital revenue – Unspent		
Balance, beginning of year	\$197,076	\$92,839
Increases:		
Provincial Grants – Ministry of Education	15,348,415	14,094,746
Decrease:		
Transfer to deferred capital revenue subject to amortization	(3,137,085)	(1,713,491)
Transfer to deferred capital revenue – WIP	(12,339,025)	(12,277,018)
Net change for the year	(127,695)	104,237
Balance, end of year	\$69,381	\$197,076
Total deferred capital revenue balance, end of year	\$92,782,409	\$80,867,012

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 9 EMPLOYEE FUTURE BENEFITS

Benefits include vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance, vacation, overtime and death benefits. Funding is provided when the benefits are paid and accordingly, there are no plan assets. Although no plan assets are uniquely identified, the School District has provided for the payment of these benefits.

	2018	2017
Reconciliation of Accrued Benefit Obligation		
Accrued Benefit Obligation – April 1	\$3,230,972	\$3,389,202
Service Cost	267,037	266,479
Interest Cost	91,124	85,624
Benefit Payments	(182,674)	(249,299)
Actuarial Loss (Gain)	(179,521)	(261,034)
Accrued Benefit Obligation – March 31	<u>\$3,226,938</u>	<u>\$3,230,972</u>

Reconciliation of Funded Status at End of Fiscal Year		
Accrued Benefit Obligation – March 31	\$3,226,938	\$3,230,972
Funded Status – Deficit	3,226,938	3,230,972
Employer Contributions After Measurement Date	(24,393)	(25,418)
Benefits Expense After Measurement Date	92,975	89,540
Unamortized Net Actuarial Loss	705,150	620,150
Accrued Benefit Liability – June 30	<u>\$4,000,670</u>	<u>\$3,915,244</u>

Reconciliation of Change in Accrued Benefit Liability		
Accrued Benefit Liability – July 1	\$3,915,244	\$3,880,584
Net expense for year	267,075	289,807
Employer Contributions	(181,649)	(255,147)
Accrued Benefit Liability – June 30	<u>\$4,000,670</u>	<u>\$3,915,244</u>

	2018	2017
Components of Net Benefit Expense		
Service Cost	\$270,396	\$266,619
Interest Cost	91,200	86,999
Amortization of Net Actuarial Gain	(94,521)	(63,811)
Net Benefit Expense	<u>\$267,075</u>	<u>\$289,807</u>

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 9 EMPLOYEE FUTURE BENEFITS *(Continued)*

The significant actuarial assumptions adopted for measuring the School District's accrued benefit obligations are:

	2018	2017
Discount Rate – April 1	2.75%	2.50%
Discount Rate – March 31	2.75%	2.75%
Long Term Salary Growth – April 1	2.50% + seniority	2.50% + seniority
Long Term Salary Growth – March 31	2.50% + seniority	2.50% + seniority
EARSL – March 31	8.5	8.5

NOTE 10 CAPITAL LEASE OBLIGATIONS

	Present Value 2018
Capital Leases for the purchase of Computer Hardware:	
MacQuarie Equipment Finance, expires June 30, 2019, interest at 3.88%	32,251
MacQuarie Equipment Finance, expires June 30, 2019, interest at 4.07%	20,984
MacQuarie Equipment Finance, expires September 30, 2019, interest at 5.14%	34,775
MacQuarie Equipment Finance, expires December 31, 2018, interest at 4.70%	38,153
MacQuarie Equipment Finance, expires June 30, 2020, interest at 3.85%	29,374
	<u>\$155,537</u>
Repayments are due as follows:	
2019 137,470	
2020 <u>22,557</u>	
	160,027
Less: Interest <u>(4,490)</u>	
Present Value <u>\$155,537</u>	

Total interest expense for the year was \$11,904 (2017 - \$20,400).

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 11 TANGIBLE CAPITAL ASSETS

June 30, 2018

Cost:	Balance at July 1, 2017	Additions	Disposals	Transfers (WIP)	Balance at June 30, 2018
Sites	\$14,151,889	\$-	\$-	\$-	\$14,151,889
Buildings	171,939,502	3,234,310	-	12,153,879	187,327,691
Furniture & Equipment	318,721	608,106	-	(133,153)	793,674
Vehicles	706,244	227,391	72,789	-	860,846
Computer Hardware	4,476,692	542,006	-	-	5,018,698
Total	\$191,593,048	\$4,611,813	\$72,789	\$12,020,726	\$208,152,798

Accumulated Amortization:	Balance at July 1, 2017	Additions	Disposals	Balance at June 30, 2018
Sites	\$ -	\$ -	\$ -	\$ -
Buildings	79,669,188	3,558,318	-	83,227,506
Furniture & Equipment	89,807	48,962	-	138,769
Vehicles	275,700	78,355	72,789	281,266
Computer Hardware	2,514,064	949,539	-	3,463,603
Total	\$82,548,759	\$4,635,174	\$72,789	\$87,111,144

June 30, 2017

Cost:	Balance at July 1, 2016	Additions	Disposals	Transfers (WIP)	Balance at June 30, 2017
Sites	\$14,153,939	\$-	\$2,050	\$-	\$14,151,889
Buildings	158,043,351	2,272,915	-	11,623,236	171,939,502
Furniture & Equipment	625,834	49,095	466,082	109,874	318,721
Vehicles	698,610	67,937	60,303	-	706,244
Computer Hardware	4,285,302	191,390	-	-	4,476,692
Total	\$177,807,036	\$2,581,337	\$528,435	\$11,733,110	\$191,593,048

Accumulated Amortization:	Balance at July 1, 2016	Additions	Disposals	Balance at June 30, 2017
Sites	\$ -	\$ -	\$ -	\$ -
Buildings	74,815,283	4,853,905	-	79,669,188
Furniture & Equipment	516,434	39,455	466,082	89,807
Vehicles	265,759	70,244	60,303	275,700
Computer Hardware	1,681,048	833,016	-	2,514,064
Total	\$77,278,524	\$5,796,620	\$526,385	\$82,548,759

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 11 TANGIBLE CAPITAL ASSETS *(Continued)*

Net Book Value:

	June 30, 2018	June 30, 2017
Sites	\$14,151,889	\$14,151,889
Buildings	104,100,185	92,270,314
Furniture & Equipment	654,905	228,914
Vehicles	579,580	430,544
Computer Hardware	1,555,095	1,962,628
Total	\$121,041,654	\$109,044,289

NOTE 12 DISPOSAL OF SITES AND BUILDINGS

During the 2016/17 school year land legally described as Lot 2, Plan VIP81287 was exchanged with the Corporation of the City of Courtenay and concurrently sold to the Comox Valley Regional District. Proceeds were allocated 100% to Local Capital and recorded as \$600,000 Cash and \$265,000 Prepaid Rent, resulting in a Gain on Disposal. The Prepaid Rent will not be utilized until the sale of a second parcel of land to the Comox Valley Regional District completes which is expected to occur by June 30, 2021.

Cash Proceeds on Land Disposal	\$ 600,000
Prepaid Rent Consideration Received on Land Disposal	265,000
Total Proceeds on Land Disposal	865,000
Cost of Land	- 2,050
Total Gain on Disposal of Land	\$ 862,950

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 13 EMPLOYEE PENSION PLANS

The school district and its employees contribute to the Teachers' Pension Plan and Municipal Pension Plan (jointly trustee pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at December 31, 2016, the Teachers' Pension Plan has about 45,000 active members and approximately 37,000 retired members. As of December 31, 2016, the Municipal Pension Plan has about 193,000 active members, including approximately 24,000 from school districts.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation of the Teachers' Pension Plan as at December 31, 2014, indicated a \$449 million surplus for basic pension benefits on a going concern basis. As a result of the 2014 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, the employer basic contribution rate decreased.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rate remained unchanged.

The school district paid \$7,240,584 for employer contributions to the plans for the year ended June 30, 2018 (2017: \$6,527,591).

The next valuation for the Teachers' Pension Plan will be as at December 31, 2017, with results available in 2018. The next valuation for the Municipal Pension Plan will be as at December 31, 2018, with results available in 2019.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 14 ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2018	2017
Invested in tangible capital assets	\$28,173,092	\$ 28,025,880
Operating surplus	6,007,764	2,656,789
Local capital surplus	4,576,488	2,262,527
	<u>\$38,757,344</u>	<u>\$ 32,945,196</u>

Interfund transfers between the operating, special purpose and capital funds for the year ended June 30, 2018, were as follows:

- Operating Funds of \$3,385,000 were transferred to Local Capital

The operating surplus has been internally restricted (appropriated) by the Board for:

School Supply Accounts	\$48,533
District and School Programs/Initiatives	113,164
Board Operating Reserve Fund	1,601,899
Aboriginal Education	91,817
Unallocated – Future Years Budgets	4,152,351
Total operating surplus restricted for future operations	<u>\$6,007,764</u>

The local capital surplus has been internally restricted by the Board for:

Future Information Technology Reserve	\$810,679
Vehicles and Extra-Curricular Fleet	262,608
Multi-Function Devices and Other Equipment Initiatives	297,603
GP Vanier Seismic Project Contribution Agreement	600,000
Lake Trail Seismic Project Contribution Agreement	1,000,000
Lake Trail Playground Equipment	75,000
Future Modular Requirements	400,000
Board Office Prepaid Rent and Updates	1,130,598
Total local capital surplus restricted for future operations	<u>\$4,576,488</u>

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 15 BUDGET FIGURES

Budget figures included in the Financial Statements are the amended budget approved by the Board through adoption of an amended annual budget on January 23, 2018. While Public Sector Accounting Standards require the presentation of the originally planned budget, an amended budget based on more accurate enrolment numbers was approved by the Board and filed with the Ministry of Education on January 23, 2018. Significant changes between the original and amended budget are as follows:

	Original Budget	Amended Budget	
Revenue	2017/18	2017/18	Change
Provincial Grants Ministry of Education	\$ 84,171,331	\$ 88,815,619	\$ (4,644,288)
Tuition	2,692,500	2,692,520	(20)
Other Revenue	2,577,428	3,092,394	(514,966)
Rentals and Leases	150,000	150,000	-
Investment Income	87,000	170,000	(83,000)
Amortization of Deferred Capital Revenue	3,641,807	3,641,807	-
Total Revenue	\$ 93,320,066	\$ 98,562,340	\$ (5,242,274)
Expenses			
Instruction	\$ 75,522,701	\$ 79,780,585	\$ (4,257,884)
District Administration	2,780,587	2,958,087	(177,500)
Operations and Maintenance	13,925,794	13,895,271	30,523
Transportation and Housing	1,993,298	1,993,298	-
Debt Services	11,904	11,904	-
Total expense	\$ 94,234,284	\$ 98,639,145	\$ (4,404,861)
Surplus (Deficit) for the year	\$ (914,218)	\$ (76,805)	\$ 837,413
Budgeted Retirement of Deficit	323,547	536,134	212,587
Budgeted Surplus (Deficit) for the year	\$ (590,671)	\$ 459,329	\$ 1,050,000

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 16 CONTRACTUAL OBLIGATIONS

The School District has entered into multiple-year contracts for the construction of tangible capital assets, specifically the structural seismic mitigation to G.P. Vanier Secondary and Lake Trail Middle School. These contractual obligations will become liabilities in the future when the terms of the contracts are met. The G.P. Vanier Secondary capital project funding agreement estimates the maximum potential project funding to be \$33,812,305. As of June 30, 2018 \$25,806,204 has been spent and recorded as work in progress with an expected project completion date of August 31, 2018. The Lake Trail Middle School capital funding agreement estimates the maximum potential project funding to be \$25,672,196. As of June 30, 2018 \$132,916 has been spent and recorded as work in progress with an expected completion date of July 1, 2021.

On May 23, 2017 the School District entered into a multiple-year contract for transportation services. This contract commenced September 1, 2017 for a minimum duration of five years. Assuming that factors relating directly to pricing remain consistent with the 2017/18 school year, contractual costs can be estimated and incrementally increased by at least 2.5% annually based on the contract terms.

Contractual Obligations	2019	2020	2021	2022
Transportation Contract	\$1,916,223	\$1,964,129	\$2,013,232	\$2,063,563
	<u>\$1,916,223</u>	<u>\$1,964,129</u>	<u>\$2,013,232</u>	<u>\$2,063,563</u>

NOTE 17 CONTINGENCIES

The School District, in conducting its usual business activities, is involved in legal claims and litigation. In the event any unsettled claims are successful, management believes that such claims are not expected to have a material effect on the School District's financial position.

NOTE 18 ASSET RETIREMENT OBLIGATION

Certain schools in the School District contain asbestos. No amount has been recorded in these financial statements with regard to this potential liability since the fair value of future removal costs cannot be reasonably estimated due to unknown timelines.

NOTE 19 EXPENSE BY OBJECT

	2018	2017
Salaries and benefits	\$73,620,848	\$67,340,023
Services and supplies	16,005,458	13,878,660
Amortization	4,635,174	5,796,620
	<u>\$94,261,480</u>	<u>\$87,015,303</u>

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 20 ECONOMIC DEPENDENCE

The operations of the School District are dependent on continued funding from the Ministry of Education and various governmental agencies to carry out its programs. These financial statements have been prepared on a going concern basis.

NOTE 21 RISK MANAGEMENT

The School District has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

The Board ensures that the School District has identified its risks and ensures that management monitors and controls them.

a) Credit risk:

Credit risk is the risk of financial loss to an institution if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held consisting of cash and cash equivalents, amounts receivable and investments.

The School District is exposed to credit risk in the event of non-performance by a borrower. This risk is mitigated as most amounts receivable are due from the Province and the Federal Government.

It is management's opinion that the School District is not exposed to significant credit risk associated with its cash deposits and investments as they are placed in recognized British Columbia institutions.

b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. It is management's opinion that the School District is not exposed to significant currency risk, as amounts held and purchases made in foreign currency are insignificant.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The School District is exposed to interest rate risk through its investments. It is management's opinion that the School District is not exposed to significant interest rate risk.

c) Liquidity risk:

Liquidity risk is the risk that the School District will not be able to meet its financial obligations as they become due.

SCHOOL DISTRICT NO. 71 (COMOX VALLEY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 21 RISK MANAGEMENT (continued)

The School District manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the School District's reputation.

Risk Management and insurance services for all School Districts in British Columbia are provided by the Risk Management Branch of the Ministry of Finance.

NOTE 22 RELATED PARTY TRANSACTIONS

The School District is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

NOTE 23 SUPPLEMENTAL CASH FLOW INFORMATION

Interest collected and paid during the year was as follows:

	2018	2017
Interest collected during the year	\$306,524	\$165,797
Interest paid during the year	\$11,904	\$20,400

NOTE 24 SUBSEQUENT EVENTS

On August 26, 2018 Hornby Island Community School was substantially damaged by fire leaving the school inoperable and unsafe to carry out classroom instruction. As a result of this event the District has secured temporary suitable and sufficient space for classroom instruction to continue. The District will continue to work with the Ministry of Education over the next several months towards a more permanent solution. This event does not affect the financial statements for the year ended June 30, 2018. As at the date these financial statements were signed, the future financial impact was unknown.

School District No. 71 (Comox Valley)

Schedule of Changes in Accumulated Surplus (Deficit) by Fund

Year Ended June 30, 2018

Schedule 1 (Unaudited)

	Operating Fund	Special Purpose Fund	Capital Fund	2018 Actual	2017 Actual
	\$	\$	\$	\$	\$
Accumulated Surplus (Deficit), beginning of year	2,656,789		30,288,407	32,945,196	30,252,786
Changes for the year					
Surplus (Deficit) for the year	7,026,208		(1,214,060)	5,812,148	2,692,410
Interfund Transfers					
Tangible Capital Assets Purchased	(290,233)		290,233	-	
Local Capital	(3,385,000)		3,385,000	-	
Net Changes for the year	3,350,975	-	2,461,173	5,812,148	2,692,410
Accumulated Surplus (Deficit), end of year - Statement 2	6,007,764	-	32,749,580	38,757,344	32,945,196

School District No. 71 (Comox Valley)

Schedule 2 (Unaudited)

Schedule of Operating Operations

Year Ended June 30, 2018

	2018 Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Revenues			
Provincial Grants			
Ministry of Education	77,638,951	78,527,024	74,588,011
Tuition	2,692,520	3,177,311	2,576,687
Other Revenue	467,394	771,234	674,889
Rentals and Leases	150,000	144,558	146,028
Investment Income	170,000	296,599	158,546
Total Revenue	81,118,865	82,916,726	78,144,161
Expenses			
Instruction	66,329,345	62,201,085	61,553,889
District Administration	2,958,087	2,728,818	2,366,648
Operations and Maintenance	8,814,269	8,968,430	9,303,069
Transportation and Housing	1,993,298	1,992,185	1,845,010
Total Expense	80,094,999	75,890,518	75,068,616
Operating Surplus (Deficit) for the year	1,023,866	7,026,208	3,075,545
Budgeted Appropriation (Retirement) of Surplus (Deficit)	536,134		
Net Transfers (to) from other funds			
Tangible Capital Assets Purchased		(290,233)	
Local Capital	(1,560,000)	(3,385,000)	(1,004,338)
Total Net Transfers	(1,560,000)	(3,675,233)	(1,004,338)
Total Operating Surplus (Deficit), for the year	-	3,350,975	2,071,207
Operating Surplus (Deficit), beginning of year		2,656,789	585,582
Operating Surplus (Deficit), end of year		6,007,764	2,656,789
Operating Surplus (Deficit), end of year			
Internally Restricted		1,855,413	1,168,623
Unrestricted		4,152,351	1,488,166
Total Operating Surplus (Deficit), end of year		6,007,764	2,656,789

School District No. 71 (Comox Valley)

Schedule 2A (Unaudited)

Schedule of Operating Revenue by Source

Year Ended June 30, 2018

	2018 Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Provincial Grants - Ministry of Education			
Operating Grant, Ministry of Education	76,374,409	77,093,853	72,941,075
DISC/LEA Recovery	(134,428)	(154,728)	(134,428)
Other Ministry of Education Grants			
Pay Equity	451,831	451,831	451,831
Funding for Graduated Adults		55,705	9,702
Transportation Supplement	421,375	421,375	421,375
Economic Stability Dividend	29,000	51,843	43,559
Return of Administrative Savings	354,941	354,941	354,941
Carbon Tax Grant	50,000	63,481	58,058
Student Learning Grant			404,434
FSA Exam Marking	12,964	12,964	
Access Grant	5,000	5,000	
Shoulder Tappers Grant	17,079	17,079	17,500
Support Staff Benefits	56,780	56,780	
Other Ministry of Education Grants		96,900	19,964
Total Provincial Grants - Ministry of Education	77,638,951	78,527,024	74,588,011
Tuition			
International and Out of Province Students	2,692,520	3,177,311	2,576,687
Total Tuition	2,692,520	3,177,311	2,576,687
Other Revenues			
LEA/Direct Funding from First Nations	134,428	154,728	134,428
Miscellaneous			
Instructional Cafeteria	120,000	126,295	113,349
Other Miscellaneous	212,966	490,211	427,112
Total Other Revenue	467,394	771,234	674,889
Rentals and Leases	150,000	144,558	146,028
Investment Income	170,000	296,599	158,546
Total Operating Revenue	81,118,865	82,916,726	78,144,161

School District No. 71 (Comox Valley)

Schedule 2B (Unaudited)

Schedule of Operating Expense by Object

Year Ended June 30, 2018

	2018 Budget (Note 15)	2018 Actual	2017 Actual
	\$	\$	\$
Salaries			
Teachers	32,190,180	31,642,214	30,595,561
Principals and Vice Principals	4,289,192	4,529,238	4,397,603
Educational Assistants	4,695,827	4,841,120	4,983,160
Support Staff	7,027,276	7,079,711	6,751,786
Other Professionals	2,244,062	2,257,059	1,923,267
Substitutes	3,085,034	1,896,719	2,383,454
Total Salaries	53,531,571	52,246,061	51,034,831
Employee Benefits	13,627,903	11,829,070	13,351,331
Total Salaries and Benefits	67,159,474	64,075,131	64,386,162
Services and Supplies			
Services	2,748,078	2,195,758	2,240,724
Student Transportation	2,116,166	2,162,201	1,980,005
Professional Development and Travel	366,704	351,936	415,074
Dues and Fees	63,537	51,024	46,398
Insurance	203,500	180,609	196,028
Supplies	5,909,040	5,578,092	4,254,445
Utilities	1,528,500	1,295,767	1,549,780
Total Services and Supplies	12,935,525	11,815,387	10,682,454
Total Operating Expense	80,094,999	75,890,518	75,068,616

School District No. 71 (Comox Valley)

Operating Expense by Function, Program and Object

Year Ended June 30, 2018

Schedule 2C (Unaudited)

	Teachers Salaries	Principals and Vice Principals Salaries	Educational Assistants Salaries	Support Staff Salaries	Other Professionals Salaries	Substitutes Salaries	Total Salaries
	\$	\$	\$	\$	\$	\$	\$
1 Instruction							
1.02 Regular Instruction	24,952,000	803,790	20,274		124,495	1,313,864	27,214,423
1.03 Career Programs	421,567		130,545	9,894		57,150	619,156
1.07 Library Services	171,010			644,565		22,595	838,170
1.08 Counselling	1,386,896					2,317	1,389,213
1.10 Special Education	3,590,415	116,908	4,039,940	69,411		388,754	8,205,428
1.30 English Language Learning	81,499					286	81,785
1.31 Aboriginal Education	263,753	120,673	515,629	44,879		38,738	983,672
1.41 School Administration		3,366,492		1,614,386		44,125	5,025,003
1.62 International and Out of Province Students	775,074	121,375	69,288	42,780	191,386	25,695	1,225,598
1.64 Other			65,444	93,220	155,977	3,195	317,836
Total Function 1	31,642,214	4,529,238	4,841,120	2,519,135	471,858	1,896,719	45,900,284
4 District Administration							
4.11 Educational Administration					602,806		602,806
4.40 School District Governance					130,129		130,129
4.41 Business Administration				278,264	678,459		956,723
Total Function 4	-	-	-	278,264	1,411,394	-	1,689,658
5 Operations and Maintenance							
5.41 Operations and Maintenance Administration					221,085		221,085
5.50 Maintenance Operations				4,282,312	103,829		4,386,141
5.52 Maintenance of Grounds							-
5.56 Utilities							-
Total Function 5	-	-	-	4,282,312	324,914	-	4,607,226
7 Transportation and Housing							
7.41 Transportation and Housing Administration					48,893		48,893
7.70 Student Transportation							-
Total Function 7	-	-	-	-	48,893	-	48,893
9 Debt Services							
Total Function 9	-	-	-	-	-	-	-
Total Functions 1 - 9	31,642,214	4,529,238	4,841,120	7,079,711	2,257,059	1,896,719	52,246,061

School District No. 71 (Comox Valley)

Operating Expense by Function, Program and Object

Year Ended June 30, 2018

Schedule 2C (Unaudited)

	Total Salaries	Employee Benefits	Total Salaries and Benefits	Services and Supplies	2018 Actual	2018 Budget (Note 15)	2017 Actual
	\$	\$	\$	\$	\$	\$	\$
1 Instruction							
1.02 Regular Instruction	27,214,423	6,221,940	33,436,363	3,368,469	36,804,832	40,494,551	36,818,139
1.03 Career Programs	619,156	138,785	757,941	236,072	994,013	989,779	937,026
1.07 Library Services	838,170	202,474	1,040,644	242,135	1,282,779	2,310,645	1,506,967
1.08 Counselling	1,389,213	333,318	1,722,531	76	1,722,607	1,669,660	1,540,791
1.10 Special Education	8,205,428	1,890,145	10,095,573	120,087	10,215,660	9,521,227	10,849,758
1.30 English Language Learning	81,785	21,044	102,829	951	103,780	118,210	126,510
1.31 Aboriginal Education	983,672	214,566	1,198,238	379,196	1,577,434	1,670,080	1,320,404
1.41 School Administration	5,025,003	1,091,172	6,116,175	408,841	6,525,016	6,531,058	5,650,359
1.62 International and Out of Province Students	1,225,598	300,138	1,525,736	645,601	2,171,337	2,311,195	2,119,207
1.64 Other	317,836	82,719	400,555	403,072	803,627	712,940	684,728
Total Function 1	45,900,284	10,496,301	56,396,585	5,804,500	62,201,085	66,329,345	61,553,889
4 District Administration							
4.11 Educational Administration	602,806	98,667	701,473	31,593	733,066	742,506	600,071
4.40 School District Governance	130,129	7,917	138,046	147,704	285,750	230,248	248,464
4.41 Business Administration	956,723	216,590	1,173,313	536,689	1,710,002	1,985,333	1,518,113
Total Function 4	1,689,658	323,174	2,012,832	715,986	2,728,818	2,958,087	2,366,648
5 Operations and Maintenance							
5.41 Operations and Maintenance Administration	221,085	43,638	264,723	171,903	436,626	461,125	420,379
5.50 Maintenance Operations	4,386,141	956,701	5,342,842	1,309,046	6,651,888	6,339,644	6,711,087
5.52 Maintenance of Grounds	-	-	-	140,806	140,806	105,000	179,080
5.56 Utilities	-	-	-	1,739,110	1,739,110	1,908,500	1,992,523
Total Function 5	4,607,226	1,000,339	5,607,565	3,360,865	8,968,430	8,814,269	9,303,069
7 Transportation and Housing							
7.41 Transportation and Housing Administration	48,893	9,256	58,149	5,962	64,111	74,683	47,878
7.70 Student Transportation	-	-	-	1,928,074	1,928,074	1,918,615	1,797,132
Total Function 7	48,893	9,256	58,149	1,934,036	1,992,185	1,993,298	1,845,010
9 Debt Services							
Total Function 9	-	-	-	-	-	-	-
Total Functions 1 - 9	52,246,061	11,829,070	64,075,131	11,815,387	75,890,518	80,094,999	75,068,616

School District No. 71 (Comox Valley)

Schedule 3 (Unaudited)

Schedule of Special Purpose Operations

Year Ended June 30, 2018

	2018 Budget (Note 15) \$	2018 Actual \$	2017 Actual \$
Revenues			
Provincial Grants			
Ministry of Education	11,176,668	10,849,664	3,408,163
Other Revenue	2,625,000	2,864,295	2,714,253
Investment Income		9,925	7,251
Total Revenue	<u>13,801,668</u>	<u>13,723,884</u>	<u>6,129,667</u>
Expenses			
Instruction	13,451,240	13,373,456	5,749,410
Operations and Maintenance	350,428	350,428	380,257
Total Expense	<u>13,801,668</u>	<u>13,723,884</u>	<u>6,129,667</u>
Special Purpose Surplus (Deficit) for the year	<u>-</u>	<u>-</u>	<u>-</u>
Total Special Purpose Surplus (Deficit) for the year	<u>-</u>	<u>-</u>	<u>-</u>
Special Purpose Surplus (Deficit), beginning of year			
Special Purpose Surplus (Deficit), end of year		<u>-</u>	<u>-</u>

School District No. 71 (Comox Valley)

Changes in Special Purpose Funds and Expense by Object

Year Ended June 30, 2018

Schedule 3A (Unaudited)

	Annual Facility Grant	Learning Improvement Fund	Special Education Equipment	Scholarships and Bursaries	Service Delivery Transformation	School Generated Funds	Strong Start	Ready, Set, Learn	OLEP
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Deferred Revenue, beginning of year			13,548	622,502	39,195	705,965			
Add: Restricted Grants									
Provincial Grants - Ministry of Education	350,428	295,303					160,000	39,200	195,944
Other				180,815		2,635,671			
Investment Income				7,709					
	350,428	295,303	-	188,524	-	2,635,671	160,000	39,200	195,944
Less: Allocated to Revenue	350,428	295,303	2,998	55,440	39,195	2,567,182	160,000	39,200	195,944
Deferred Revenue, end of year	-	-	10,550	755,586	-	774,454	-	-	-
Revenues									
Provincial Grants - Ministry of Education	350,428	295,303	2,998		39,195		160,000	39,200	195,944
Other Revenue				47,731		2,567,182			
Investment Income				7,709					
	350,428	295,303	2,998	55,440	39,195	2,567,182	160,000	39,200	195,944
Expenses									
Salaries									
Teachers									
Principals and Vice Principals									
Educational Assistants		194,048							20,427
Support Staff	173,201						116,018	28,193	
Substitutes							3,443		
	173,201	194,048	-	-	-	-	119,461	28,193	20,427
Employee Benefits	37,939	101,255					28,752	5,925	4,565
Services and Supplies	139,288		2,998	55,440	39,195	2,567,182	11,787	5,082	170,952
	350,428	295,303	2,998	55,440	39,195	2,567,182	160,000	39,200	195,944
Net Revenue (Expense) before Interfund Transfers	-	-	-	-	-	-	-	-	-
Interfund Transfers									
	-	-	-	-	-	-	-	-	-
Net Revenue (Expense)	-	-	-	-	-	-	-	-	-

School District No. 71 (Comox Valley)

Changes in Special Purpose Funds and Expense by Object

Year Ended June 30, 2018

Schedule 3A (Unaudited)

	CommunityLINK	Coding and Curriculum Implementation	Priority Measures	Classroom Enhancement Fund - Overhead	Classroom Enhancement Fund - Staffing	Professional Development	Deferred Salary	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$
Deferred Revenue, beginning of year	146,900	82,520	19,595			86,615		1,716,840
Add: Restricted Grants								
Provincial Grants - Ministry of Education	602,106			2,224,653	6,961,875			10,829,509
Other						73,160	182,710	3,072,356
Investment Income							2,216	9,925
	602,106	-	-	2,224,653	6,961,875	73,160	184,926	13,911,790
Less: Allocated to Revenue	605,392	82,520	19,595	2,224,653	6,834,436	66,672	184,926	13,723,884
Deferred Revenue, end of year	143,614	-	-	-	127,439	93,103	-	1,904,746
Revenues								
Provincial Grants - Ministry of Education	605,392	82,520	19,595	2,224,653	6,834,436			10,849,664
Other Revenue						66,672	182,710	2,864,295
Investment Income							2,216	9,925
	605,392	82,520	19,595	2,224,653	6,834,436	66,672	184,926	13,723,884
Expenses								
Salaries								
Teachers			15,551		5,449,924			5,465,475
Principals and Vice Principals				273,160				293,587
Educational Assistants	292,759			620,448				1,107,255
Support Staff	8,035			116,715				442,162
Substitutes	646	17,113		321,981				343,183
	301,440	17,113	15,551	1,332,304	5,449,924	-	-	7,651,662
Employee Benefits	72,085	1,857	4,044	253,121	1,384,512			1,894,055
Services and Supplies	231,867	63,550		639,228		66,672	184,926	4,178,167
	605,392	82,520	19,595	2,224,653	6,834,436	66,672	184,926	13,723,884
Net Revenue (Expense) before Interfund Transfers	-	-	-	-	-	-	-	-
Interfund Transfers	-	-	-	-	-	-	-	-
Net Revenue (Expense)	-	-	-	-	-	-	-	-

School District No. 71 (Comox Valley)

Schedule 4 (Unaudited)

Schedule of Capital Operations

Year Ended June 30, 2018

	2018 Budget (Note 15)	2018 Actual			2017 Actual
		Invested in Tangible Capital Assets	Local Capital	Fund Balance	
	\$	\$	\$	\$	\$
Revenues					
Gain (Loss) on Disposal of Tangible Capital Assets	-	-		-	862,950
Amortization of Deferred Capital Revenue	3,641,807	3,433,018		3,433,018	4,570,935
Total Revenue	<u>3,641,807</u>	<u>3,433,018</u>	-	<u>3,433,018</u>	<u>5,433,885</u>
Expenses					
Amortization of Tangible Capital Assets					
Operations and Maintenance	4,730,574	4,635,174		4,635,174	5,796,620
Debt Services					
Capital Lease Interest	11,904		11,904	11,904	20,400
Total Expense	<u>4,742,478</u>	<u>4,635,174</u>	<u>11,904</u>	<u>4,647,078</u>	<u>5,817,020</u>
Capital Surplus (Deficit) for the year	<u>(1,100,671)</u>	<u>(1,202,156)</u>	<u>(11,904)</u>	<u>(1,214,060)</u>	<u>(383,135)</u>
Net Transfers (to) from other funds					
Tangible Capital Assets Purchased		290,233		290,233	
Local Capital	1,560,000		3,385,000	3,385,000	1,004,338
Total Net Transfers	<u>1,560,000</u>	<u>290,233</u>	<u>3,385,000</u>	<u>3,675,233</u>	<u>1,004,338</u>
Other Adjustments to Fund Balances					
Tangible Capital Assets Purchased from Local Capital		831,794	(831,794)	-	
Tangible Capital Assets WIP Purchased from Local Capital		34,402	(34,402)	-	
Principal Payment					
Capital Lease		192,939	(192,939)	-	
Total Other Adjustments to Fund Balances		<u>1,059,135</u>	<u>(1,059,135)</u>	<u>-</u>	
Total Capital Surplus (Deficit) for the year	<u>459,329</u>	<u>147,212</u>	<u>2,313,961</u>	<u>2,461,173</u>	<u>621,203</u>
Capital Surplus (Deficit), beginning of year		<u>28,025,880</u>	<u>2,262,527</u>	<u>30,288,407</u>	<u>29,667,204</u>
Capital Surplus (Deficit), end of year		<u>28,173,092</u>	<u>4,576,488</u>	<u>32,749,580</u>	<u>30,288,407</u>

School District No. 71 (Comox Valley)

Tangible Capital Assets

Year Ended June 30, 2018

Schedule 4A (Unaudited)

	Sites	Buildings	Furniture and Equipment	Vehicles	Computer Software	Computer Hardware	Total
	\$	\$	\$	\$	\$	\$	\$
Cost, beginning of year	14,151,889	157,690,630	185,568	706,244		4,476,692	177,211,023
Changes for the Year							
Increase:							
Purchases from:							
Deferred Capital Revenue - Bylaw		3,014,762	39,184				3,053,946
Deferred Capital Revenue - Other			83,139				83,139
Operating Fund			290,233				290,233
Local Capital			62,397	227,391		542,006	831,794
Transferred from Work in Progress		219,548	133,153				352,701
	-	3,234,310	608,106	227,391	-	542,006	4,611,813
Decrease:							
Deemed Disposals				72,789			72,789
	-	-	-	72,789	-	-	72,789
Cost, end of year	14,151,889	160,924,940	793,674	860,846	-	5,018,698	181,750,047
Work in Progress, end of year		26,402,751					26,402,751
Cost and Work in Progress, end of year	14,151,889	187,327,691	793,674	860,846	-	5,018,698	208,152,798
Accumulated Amortization, beginning of year		79,669,188	89,807	275,700		2,514,064	82,548,759
Changes for the Year							
Increase: Amortization for the Year		3,558,318	48,962	78,355		949,539	4,635,174
Decrease:							
Deemed Disposals				72,789			72,789
		-	-	72,789	-	-	72,789
Accumulated Amortization, end of year		83,227,506	138,769	281,266	-	3,463,603	87,111,144
Tangible Capital Assets - Net	14,151,889	104,100,185	654,905	579,580	-	1,555,095	121,041,654

School District No. 71 (Comox Valley)

Schedule 4B (Unaudited)

Tangible Capital Assets - Work in Progress

Year Ended June 30, 2018

	Buildings	Furniture and Equipment	Computer Software	Computer Hardware	Total
	\$	\$	\$	\$	\$
Work in Progress, beginning of year	14,248,872	133,153			14,382,025
Changes for the Year					
Increase:					
Deferred Capital Revenue - Bylaw	12,255,349				12,255,349
Deferred Capital Revenue - Other	83,676				83,676
Local Capital	34,402				34,402
	12,373,427	-	-	-	12,373,427
Decrease:					
Transferred to Tangible Capital Assets	219,548	133,153			352,701
	219,548	133,153	-	-	352,701
Net Changes for the Year	12,153,879	(133,153)	-	-	12,020,726
Work in Progress, end of year	26,402,751	-	-	-	26,402,751

School District No. 71 (Comox Valley)

Schedule 4C (Unaudited)

Deferred Capital Revenue

Year Ended June 30, 2018

	Bylaw Capital	Other Provincial	Other Capital	Total Capital
	\$	\$	\$	\$
Deferred Capital Revenue, beginning of year	61,679,641	4,640,486		66,320,127
Changes for the Year				
Increase:				
Transferred from Deferred Revenue - Capital Additions	3,053,946	83,139		3,137,085
Transferred from Work in Progress	352,701			352,701
	3,406,647	83,139	-	3,489,786
Decrease:				
Amortization of Deferred Capital Revenue	2,972,363	460,655		3,433,018
	2,972,363	460,655	-	3,433,018
Net Changes for the Year	434,284	(377,516)	-	56,768
Deferred Capital Revenue, end of year	62,113,925	4,262,970	-	66,376,895
Work in Progress, beginning of year	14,349,809			14,349,809
Changes for the Year				
Increase				
Transferred from Deferred Revenue - Work in Progress	12,255,349	83,676		12,339,025
	12,255,349	83,676	-	12,339,025
Decrease				
Transferred to Deferred Capital Revenue	352,701			352,701
	352,701	-	-	352,701
Net Changes for the Year	11,902,648	83,676	-	11,986,324
Work in Progress, end of year	26,252,457	83,676	-	26,336,133
Total Deferred Capital Revenue, end of year	88,366,382	4,346,646	-	92,713,028

School District No. 71 (Comox Valley)

Schedule 4D (Unaudited)

Changes in Unspent Deferred Capital Revenue

Year Ended June 30, 2018

	Bylaw Capital	MEd Restricted Capital	Other Provincial Capital	Land Capital	Other Capital	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	-	83,676	113,400	-	-	197,076
Changes for the Year						
Increase:						
Provincial Grants - Ministry of Education	15,309,295					15,309,295
Provincial Grants - Other			39,120			39,120
	15,309,295	-	39,120	-	-	15,348,415
Decrease:						
Transferred to DCR - Capital Additions	3,053,946		83,139			3,137,085
Transferred to DCR - Work in Progress	12,255,349	83,676				12,339,025
	15,309,295	83,676	83,139	-	-	15,476,110
Net Changes for the Year	-	(83,676)	(44,019)	-	-	(127,695)
Balance, end of year	-	-	69,381	-	-	69,381