

Financial Statement Discussion and Analysis

For the Year Ended June 30, 2019



Comox Valley Schools

A Community of Learners

INNOVATIVE • INQUISITIVE • INCLUSIVE

School District No.71 (Comox Valley)

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Prepared by the Secretary-Treasurer for
School District No. 71 (Comox Valley)

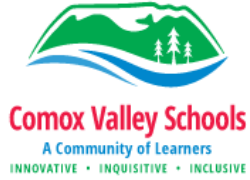
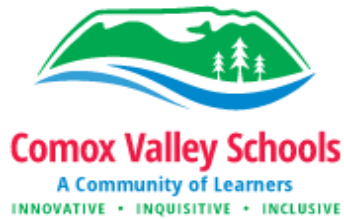


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School District No. 71 (Comox Valley) believes in fiscal accountability and transparency through regular financial monitoring and reporting. The School District believes that its financial affairs must be managed in a manner consistent with the trust placed in the Board by the electorate.

The preparation of this financial statement discussion and analysis is management's responsibility and should be read in conjunction with the District's financial statements.



School District No. 71 (Comox Valley)

Financial Statement Discussion and Analysis

For the Year Ended June 30, 2019

Overview of School District No. 71 (Comox Valley)

School District No. 71 (Comox Valley) is located on the east coast of Vancouver Island approximately 100 kms north of Nanaimo and is located on the traditional territory of the Komoks First Nation. The School District was established in 1946 and has proudly served the Comox Valley for over 70 years.

School District No. 71 (Comox Valley) serves approximately 8,300 students from kindergarten to grade twelve. The School District provides comprehensive, high quality learning experiences for students through a broad range of educational programs. The School District has 15 elementary schools, 2 middle schools, 3 secondary schools, 2 alternate schools, and a distance education school. The District employs approximately 1,500 employees.

School District No. 71 (Comox Valley) has a total operating budget of \$102.5 million and has experienced overall enrolment growth in 2018-19 of 52 students (0.63%).



SEPTEMBER 2018 ENROLMENT (FTE) BY GRADE

	Kindergarten	Primary	Intermediate	Secondary	Adult	Total
All Students	603	2007	2545	3122	31	8308
Aboriginal Students	75	296	449	504	-	1324
Students with Special Needs	12	101	330	456	-	899



FUNDED ENROLMENT (FTE) PER MINISTRY OF EDUCATION

September	2018-19	2017-18
Standard (Regular) Schools	7367	7387
Alternate Schools	156	122
Distributed Learning	755	713
Designated Students	404	416
English Language Learning	118	88
Aboriginal Education	1324	1277
Adult Education	11	15

Strategic Plan

School District No. 71 (Comox Valley)'s Strategic Plan defines the key areas of focus as we work together to support student learning in order to achieve our Vision.

Vision

An inclusive learning community that embraces diversity, fosters relationships and empowers all learners to have a positive impact on the world.

Mission

To inspire engaged, compassionate, resilient lifelong learners and cultivate a collaborative community together.

Values

- Trusting relationships based on respect, integrity and ethical behavior
- A commitment to Truth and Reconciliation with Indigenous peoples
- Equity, inclusion, dignity, and acceptance for all
- Global awareness and environmental stewardship
- Innovation, creativity, problem solving, and critical thinking
- Accountability and shared responsibility
- Open and engaging communication
- Celebration of learning

The District's goals and objectives are guided by the Board's Strategic Priorities:

- Educational Excellence
- Community Engagement
- Organizational Stability and Environment Stewardship
- Physical Health and Mental Well-Being



Financial Highlights

Nearly all financial measures and activities for the fiscal year ended June 30, 2019 were impacted by the following factors:

- increased enrolment;
- the effect of the November 2016 Supreme Court of Canada decision related to class size and composition;
- fire that destroyed Hornby Island Community School in August 2018; and
- completion of the seismic upgrade to G.P. Vanier Secondary School.

Increased Enrolment

Enrolment has been increasing in the District for the last 4 years, resulting in additional operating grant revenues from the Ministry of Education.

FUNDED FTE ENROLMENT AND OPERATING FUNDING			
Year	September Enrolment	Full Year Enrolment	Full Year Operating Funding
2010-11	8217	8478	\$72,235,769
2011-12	8117	8432	\$72,322,066
2012-13	7930	8215	\$71,879,984
2013-14	7788	8101	\$71,270,929
2014-15	7498	7830	\$70,363,996
2015-16	7383	7714	\$70,568,109
2016-17	7813	8225	\$72,941,074
2017-18	8237	8684	\$77,416,010
2018-19	8289	8745	\$79,540,480

The increased enrolment and slight increase in the per pupil funding rate resulted in a \$2.1 million (2.7%) increase from 2017-18 in the Ministry of Education operating grant.

Classroom Enhancement Fund

The Province of BC, through the Ministry of Education, continues to provide staffing and overhead funding through the Classroom Enhancement Fund.

The overall impact of reinstating the previous BCTF contract language to date:

- Classroom Enhancement Funding: \$9.0 M
- Number of new teachers hired: 74
- Supplies/furniture purchased for 48 additional classrooms: \$0.6 M
- Renovations required to prepare new classrooms for instruction: \$1.2 M
- Staffing and other costs related to new staffing and space - \$1.3 M

The Classroom Enhancement Fund is a core part of the District's funding. It funds over 10% of the District's teachers. This funding is tied to the application of historical language restored to the collective agreement. The collective agreement expired at the end of June 2019. Any change in the collective agreement will likely impact the classroom enhancement funding received by the District in future years.

Hornby Island Community School

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, approximately one-third of the school was demolished. The Ministry of Education provided \$2.00 million in contingency funding, and the District purchased 5 modular buildings to provide a temporary school for students on Hornby Island. The District is currently working with the Ministry on a proposed replacement school. Funding should be announced in the fall of 2019.

G.P. Vanier Seismic Mitigation Project

During the year ended June 30, 2019, the G.P. Vanier Secondary Seismic Mitigation project was completed. The project was overspent by approximately \$1.45 million, of which was covered by operating surplus from the prior year.

Portions of the old G.P. Vanier Secondary School were demolished during the project. There was no loss recognized on demolition as the old portions of the school were fully amortized.

Other Capital Asset Transactions

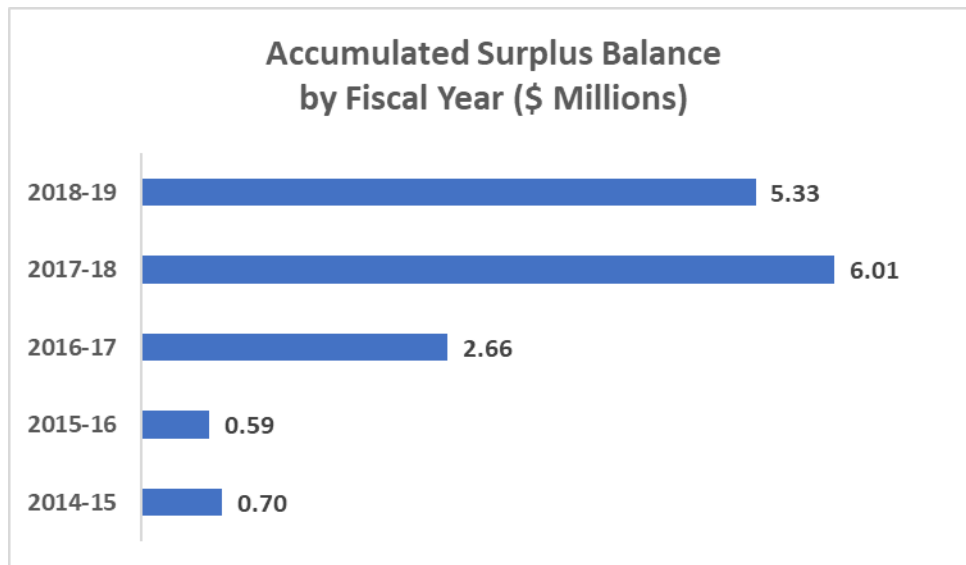
Two additional modular classrooms were purchased and installed at Miracle Beach Elementary and Royston Elementary. Three additional classrooms were created at Cumberland Community School. These additions were due to enrolment growth in these areas.

Significant investment in network and classroom technology continues to be a priority for the District.

Accumulated Operating Surplus

The Accumulated Operating Surplus at the end of 2018-19 is \$5.33 million and reflects the following:

- Carry forward of the previous year's surplus of \$6.01 million
- Operating deficit in the current year of \$0.68 million due to the overspend on the G.P Vanier Seismic Project and tangible capital assets purchased during the year



Financial Statement Analysis

STATEMENT OF FINANCIAL POSITION

Statement 1– page 6.

This statement summarizes the assets and liabilities at June 30, 2019. This provides an indication of the financial health of the school district.

	2018-19	2017-18	\$ Change	% Change
Financial Assets	\$ 25,722,675	\$ 28,534,458	\$ (2,811,783)	-10%
Non Financial Assets	133,694,713	121,734,643	11,960,070	10%
Total Assets	159,417,388	150,269,101	9,148,287	6%
Liabilities	119,311,996	111,511,757	7,800,239	7%
Accumulated Surplus	\$ 40,105,392	\$ 38,757,344	\$ 1,348,048	3%

Financial Assets

Financial assets are assets that can be used to discharge liabilities and provide working capital funds in the normal course of operations.

The decrease in financial assets of \$2.81 million from 2017-18 resulted from changes in the following accounts:

Cash and Cash Equivalents

At June 30, 2019, the District held \$23.45 million in cash. Of this amount, \$6.65 million has been deposited in the Province’s Central Deposit Program, and District funds of \$15.92 million represents the local capital surplus, operating surplus, and the teacher summer savings plan funds. The decrease in the District Funds from prior year is due to the G.P. Vanier seismic project. There was more cash in the bank in the prior year due to capital draws that were made relating to the project. In the current year, local capital spending increased, and operating surplus was used to fund the overspend on the G.P. Vanier project.

Cash and Cash Equivalents	June 30, 2019	June 30, 2018
School Generated Funds	\$ 773,392	\$ 828,589
District Funds	15,923,478	18,812,110
Restricted Funds - Teacher Salary Deferral Program	110,199	118,528
BC Ministry of Finance Central Deposit Program	6,645,873	6,458,521
Total Cash and Cash Equivalents	\$ 23,452,942	\$ 26,217,748

Accounts Receivable

Accounts receivable at June 30, 2019 include a \$1.31 million receivable from the Province – Ministry of Education for the Hornby Island School replacement, as well as \$0.40 million in receivables from the Province for other capital projects. Other miscellaneous funds owing to the District include GST receivable and other trade receivables.

Accounts Receivable	June 30, 2019	June 30, 2018
Due from Province	\$ 1,713,756	\$ 1,964,977
Other	555,977	351,733
Total Accounts Receivable	\$ 2,269,733	\$ 2,316,710

Non-Financial Assets

Non-financial assets are tangible assets that are used in the operations of the District and are not readily converted to cash.

Tangible Capital Assets

Tangible capital assets include land, buildings, equipment, vehicles and computer hardware that are used in the operations of the District. These assets are amortized over their estimated useful lives to arrive at a net value of \$133.00 million as at June 30, 2019. The increase of \$11.95 million over the prior year is comprised of new assets purchased totalling \$17.18 million less amortization of \$5.23 million.

Capital activity during the year included the completion of the seismic upgrade at G.P. Vanier Secondary School, purchase and installation of modular buildings on Hornby Island, and the purchase of laptops, computers and technology.

Prepaid Expenses

Prepaid expenses represent insurance, licenses, and materials that are for the following year and total \$0.43 million at June 30, 2019. There is an additional \$0.26 million in prepaid rent that is associated with the sale of land adjacent to the School Board office to the Comox Valley Regional District. The sale took place in 2016-17 and the prepaid rent will not be utilized the sale of a second parcel of land to the Comox Valley Regional District completes in 2021.



Financial Liabilities

Financial liabilities are obligations of the District to others arising from prior transactions, the settlement of which will require the use of current and future financial assets.

The increase in liabilities of \$7.80 million from 2017-18 resulted from changes in the following accounts:

Accounts Payable and Accrued Liabilities

The District's accounts payable and accrued liabilities represent expenses which have been incurred but not yet paid. The decrease of \$1.19 million from 2017-18 is because in the prior year there was a construction holdback amount of \$1.37 million for the G.P. Vanier seismic upgrade. The project was completed in the current year, so there is no longer any money owing.

Accounts Payable and Accrued Liabilities	June 30, 2019	June 30, 2018
Trade and other amounts payable	\$ 2,058,246	\$ 2,430,478
Salaries and benefits payable	2,268,214	1,774,722
Accrued vacation payable	452,409	402,403
Accrued wages and benefits	318,344	251,909
Summer savings plan	2,627,209	2,513,826
Deferred salary leave	110,199	118,528
Deferred homestay revenues	1,151,625	1,301,159
Other accrued liabilities	202,321	1,586,698
Total Accounts Payable and Accrued Liabilities	\$ 9,188,567	\$ 10,379,723

Unearned Revenue

The District receives payment of tuition fees for international students in advance of the student commencing their studies in the District. These fees are recognized as earned revenue when the program is provided to the student. The unearned revenue of \$2.16 million represents international student fees received prior to June 30, 2019 for tuition in the 2019-20 school year.

Deferred Revenue

Deferred revenue represents the unspent portion of grants which are targeted for a specific purpose.

Deferred Revenue	June 30, 2019	June 30, 2018
School generated funds - amounts raised by schools for specific projects, such as class trips and PAC financial contributions	\$ 700,947	\$ 774,454
Scholarships and bursaries - balances administered by the District and amounts awarded but not yet claimed	776,069	755,586
Professional development - funds set aside for teachers and support staff - per collective agreements	95,769	93,103
Other unspent targeted funds	-	281,603
Total Deferred Revenue	\$ 1,572,785	\$ 1,904,746

The reduction in the current year is due to the fact that there is no surplus in the Community Link special purpose fund this year.

Deferred Capital Revenue and Tangible Capital Assets

The deferred capital revenue balance is closely linked to the tangible capital asset balance. Tangible capital assets are items owned by the District which have a lifespan of more than one year. This includes school buildings, sites, furniture, and most computer equipment.

The majority of the District's capital expenditure, such as the construction of new schools, is funded through specific grants provided by the Ministry of Education. Once an asset is built or acquired and is in use, the cost of that asset is amortized over the expected life of that asset. Any grants targeted towards the acquisition of that asset are also amortized over the expected life of that asset.

After allowing for amortization, the District has \$133.00 million of tangible capital assets. \$102.24 million (being the deferred capital revenue balance) was funded through targeted grants. The remainder was funded through operating grants and other non-targeted funding.

This inclusion of deferred capital revenue is not consistent with generally accepted accounting principles. The inclusion of this balance is a requirement of the Provincial Government. This is explained in more detail in note 2 to the financial statements.

The capital fund section, included later in this document, provides a more detailed explanation of the accounting for capital assets and associated grants.

Employee Future Benefits

The employee future benefits liability of \$4.13 million accounts for amounts or benefits owed to current employees as a result of past service. The liability amount is calculated by actuaries based on the District's number of employees, age, length of service, contract terms, and established actuarial assumptions.

The District sets aside a liability each year to reflect expected future payments on retirement. The amount set aside during the year is reflected as an expense and is based on the service to date of employees. The liability is reduced when employees retire, and payments are disbursed.

The remainder are benefits that include overtime, accumulated sick time, and death benefits.

Net Financial Assets (Debt)

This is the difference between the District’s financial assets and liabilities at a point in time. It implies that the District has a net debt of \$93.60 million. This is heavily skewed by the deferred capital revenue liability of \$102.24 million. As there is no future cash flow associated with the deferred capital revenue balance, a more meaningful measure of net financial assets or debt excludes that balance, giving a revised figure of net financial assets of \$8.64 million.

Accumulated Surplus

Accumulated surplus is represented by the accumulated surplus from operations which is made up of unrestricted reserves and operating reserves. Also included in accumulated surplus are capital funds which include investment in capital funds and capital reserves (local capital), as well as any unspent funds in special purpose funds that must be restricted for a specific purpose. Schedule 1 in the Financial Statements (Schedule of Changes in Accumulated Surplus (Deficit) by Fund) details the changes in each fund.

Broken down by fund, the accumulated surplus is comprised of the following amounts:

	2018-19	2017-18	\$ Change	% Change
Operating Fund				
Board Reserve	\$ 1,688,654	\$ 1,601,899	\$ 86,755	5%
Restricted Reserve	446,554	253,514	193,040	76%
Unrestricted Reserve	3,195,372	4,152,351	(956,979)	-23%
Total Operating Surplus	\$ 5,330,580	\$ 6,007,764	\$ (677,184)	-11%
Capital Fund				
Investment in Tangible Capital Assets	\$ 30,735,674	\$ 28,173,092	\$ 2,562,582	9%
Local Capital	4,039,138	4,576,488	(537,350)	-12%
Total Capital Surplus	\$ 34,774,812	\$ 32,749,580	\$ 2,025,232	6%
Total Accumulated Surplus	\$ 40,105,392	\$ 38,757,344	\$ 1,348,048	3%

The operating fund surplus consists of internally restricted funds and unrestricted funds. Internally restricted operating surplus consists of school surpluses to be held at school sites for future operating expenditures, district/program initiatives, grants received from external sources that are targeted for a specific use, funds held for future portable/furniture needs, and the Board Operating Reserve (per Board Policy 18 - Accumulated Operating Surplus and Internally Restricted Funds). Unrestricted operating surplus are funds that are not designated for a specific purpose.

Capital fund surpluses include amounts invested in tangible assets and local capital reserves. Invested in tangible capital assets represents the net book value of capital assets that have been paid from District revenues and have not been funded by the Province or external contributions. Local capital reserves have been set aside for future replacement of District assets and have not been funded by the Province or external contributions.



STATEMENT OF OPERATIONS

Statement 2 – page 7

The Statement of Operations summarizes the revenues received and expenses incurred by the District during the twelve months between July 1 and June 30 for all three funds.

- Operating Fund - The operating fund includes operating grants and other revenues used to fund instructional programs, school and district administration, facilities operations, maintenance and transportation. 95% of operating fund revenue comes from the Ministry of Education and these grants are, for the most part, calculated on reported student enrolment.
- Special Purpose Funds - Special purpose funds consist of targeted funding provided to the District for a specific purpose.
- Capital funds include capital expenditures related to equipment and facilities purchases as well as equipment and facilities enhancements. The funding source of these purchases and enhancements determines to which capital fund the expenditures will be charged. Funding sources include Ministry of Education Bylaw Capital, Ministry of Education Restricted Capital, Other Provincially Restricted Capital, Land Capital as well as Local Capital.

Year Ended	June 30, 2019	June 30, 2018
Total Revenues	102,705,564	100,073,628
Total Expenses	101,357,516	94,261,480
Surplus for the year	\$ 1,348,048	\$ 5,812,148

Operating Fund

Overview

Operating fund transactions are reported in the unaudited schedules in the financial statements. Columns with figures for the amended budget, year to June 30, 2019 and year to June 30, 2018 are shown.

Operating Revenues

Revenues are reported by type for the District. The following table compares actual revenues by category to the budget.

Revenue	2018-19 Actual \$\$	2018-19 Budget \$\$	Variance \$\$	Variance %
Provincial Grants	\$ 80,690,831	\$ 80,171,728	\$ 519,103	0.65%
Tuition	3,092,617	4,628,750	(1,536,133)	-33.19%
Other Revenue	800,702	462,728	337,974	73.04%
Rentals and Leases	142,491	150,000	(7,509)	-5.01%
Investment Income	329,939	320,000	9,939	3.11%
Total Revenue	\$ 85,056,580	\$ 85,733,206	\$ (676,626)	-0.79%

Provincial Grants – Ministry of Education

95% of the District’s operating funding is from the Ministry of Education. Most of this funding is calculated based on student enrolment.

Enrolment has been increasing in the District for the last 4 years, resulting in additional operating grant revenues from the Ministry of Education.

The increase in Provincial Grants of \$0.59 million (0.65%) from what was budgeted was due to additional grants received from the Province during the year that were not known and budgeted for. These grants are received during the year and are recorded individually. They are detailed on Schedule 2A.

Tuition Fees - International Student Program

The District hosts an international program. International students live with homestay families in the region and attend District schools. The students pay a fee to the School District. The actual variance between the revenue received and what was budgeted is not significant. However, the homestay fees were budgeted on a gross basis, and at the end of the year they were recorded on a net basis. The corresponding homestay expenses were also budgeted on a gross basis and recorded on a net basis – so there is no impact on the financial statements, other than presentation in the current year.

Other Revenue

Other revenue includes Local Education Agreement (LEA) funding from First Nations, Instructional Cafeteria revenue, and other miscellaneous revenues received during the year. The increase from the prior year of \$0.34 million (73.04%) is mainly due to additional revenues from the district printshop, Industry Training Authority (ITA) grants, and Distributed Learning (DL) course fees from international students.

Rentals and Leases

Rentals and leases revenue include rentals of facility space for external programs and operations such as childcare facilities and youth groups. The decrease from the budget is not significant.

Investment Income

Investment income is interest earned on operating revenue. The increase from budget is due to an increase in the interest rate during the current year and is not significant.

Overall, the total revenue for the year was \$0.68 million (0.79%) less than what was budgeted; however, this number is skewed due to the change in presentation of Homestay fees between budget and actual. Overall the variance is not significant.

The following table compares actual revenues for 2018-19 to actual revenues for the prior year.

Revenue	2018-19 Actual \$\$	2017-18 Actual \$\$	Variance \$\$	Variance %
Provincial Grants	\$ 80,690,831	\$ 78,527,024	\$ 2,163,807	2.76%
Tuition	3,092,617	3,177,311	(84,694)	-2.67%
Other Revenue	800,702	771,234	29,468	3.82%
Rentals and Leases	142,491	144,558	(2,067)	-1.43%
Investment Income	329,939	296,599	33,340	11.24%
Total Revenue	\$ 85,056,580	\$ 82,916,726	\$ 2,139,854	2.58%

Overall, the total revenues for the year were \$2.14 million (2.58%) more than the prior year. This is mainly due to increased enrolment.

Operating Expenditures

Expenditures are reported by function for the District. The table below summarizes total expense by function for the year to June 30, 2019.

Function	2018-19 \$\$	2018-19 % of total
Instruction	\$ 67,212,992	81.6%
District Administration	3,405,057	4.1%
Operations and Maintenance	9,756,600	11.8%
Transportation	1,994,874	2.4%
Total	\$ 82,369,523	100.0%

Instruction

This function incorporates all programs related to the instruction of students, including regular instruction, Career Programs, Library Services, Counselling, Special Education, English Language Learning, Indigenous Education, School Administration, and International Programs.

District Administration

This function incorporates the cost of all programs related to district governance and district administration of educational, business, human resource and labour relations activities.

Operations and Maintenance

This function incorporates all programs related to the district’s responsibility for the operation, maintenance and safety of sites, buildings, furniture and equipment, and computer equipment. Also included is the cost of maintenance for vehicles used by employees.

Transportation

This function includes programs involving the transportation of students.

The following table compares actual expenditure by function to the budget.

Function	2018-19 Actual \$\$	2018-19 Budget \$\$	Variance \$\$	Variance %
Instruction	\$ 67,212,992	\$ 69,104,234	\$ (1,891,242)	-2.74%
District Administration	3,405,057	3,454,181	(49,124)	-1.42%
Operations and Maintenance	9,756,600	9,926,682	(170,082)	-1.71%
Transportation	1,994,874	1,947,582	47,292	2.43%
Total	\$ 82,369,523	\$ 84,432,679	\$ (2,063,156)	-2.44%

Costs related to the Instruction function were \$1.89 million (2.74%) less than what was budgeted for due to the change in presentation of Homestay fees (from gross to net basis). There is no impact on the financial statements, as the presentation of the corresponding revenues has changed as well.

Overall, the variance in expenditures from budget in 2018-19 is \$2.06 million (2.44%).

The following table compares actual expenditures for 2018-19 to actual expenditures by function for the prior year.

Function	2018-19 Actual \$\$	2017-18 Actual \$\$	Variance \$\$	Variance %
Instruction	\$ 67,212,992	\$ 62,201,085	5,011,907	8.06%
District Administration	3,405,057	2,728,818	676,239	24.78%
Operations and Maintenance	9,756,600	8,968,430	788,170	8.79%
Transportation	1,994,874	1,992,185	2,689	0.13%
Total	\$ 82,369,523	\$ 75,890,518	6,479,005	8.54%

Instruction expenses have increased over the prior year by \$5.01 million (8.06%) due to increased enrolment, increased teacher staffing (salaries and benefits), as well as board decisions to direct available resources to classroom instruction.

District administration expenses have increased over the prior year by \$0.68 million (24.78%) due to salary increases approved by BCPSEA and the Board, an increase in administrative time for principals and vice-principals, the addition of a Manager of Finance and a part-time accounts clerk position.

Operations and maintenance expenses have increased over the prior year by \$0.79 million (8.79%) due to salary increases approved by BCPSEA and the Board, the addition of a Health and Safety Manager partway through the year, additional trades positions added, and additional supply budgets to support the maintenance and upkeep of the facilities in the district.

Operating Surplus

The operating surplus for the year at June 30, 2019 is \$5.33 million. This is calculated on Schedule 2, on page 28 of the financial statements.

The annual operating surplus is \$2.69 million, which is reduced by transfers during the year that were approved by the Board. These included a \$1.56 million transfer to Local Capital, a \$1.45 million transfer to cover the overspend on the G.P. Vanier Seismic upgrade, and an additional \$0.35 million of operating funds that were used to purchase capital assets. This results in an annual operating deficit of \$0.68 million. The operating surplus at the beginning of the year was \$6.01 million, so the net effect at the end of the year is an operating surplus of \$5.33 million.

Statement of Changes in Net Financial Assets (Debt)

Statement 4 – page 8

This audited statement provides information on the extent to which the expenditures of the fiscal period were met by the revenues recognized in the Statement of Operations

Statement of Cash Flows

Statement 5 – page 9

This audited statement explains the change in cash and cash equivalents from the prior year and provides important information about the district’s ability to generate cash to meet its cash requirements.

Notes to the Financial Statements

Pages 10-29

The notes are an integral part of the financial statements and form the majority of the pages in a set of financial statements. The note disclosures must be read to fully understanding the results presented in the financial statements. Note disclosures provide a variety of information on the district's current and future financial performance.

Schedules to the Financial Statements

Pages 30-40

Following the notes to the Financial Statements are supplementary unaudited schedules that provide more detail specific to each of the funds. The balances in these schedules are consistent, when combined with the financial statements.

Schedule 1 – Changes in Accumulated Surplus (Deficit)

This schedule (page 30) summarizes the surplus/deficit for the year end and accumulated surplus amounts for each of the three funds.

Accumulated Surplus	June 30, 2019	June 30, 2018
Operating Fund	\$ 5,330,580	\$ 6,007,764
Special Purpose Fund	-	-
Capital Fund - local capital (amounts available to spend on future capital asset purchases)	4,039,138	4,576,488
Capital Fund - invested in tangible capital assets (the cost of assets owned by the district, net of amortization and targeted grants)	30,735,674	28,173,092
Total Accumulated Surplus	\$ 40,105,392	\$ 38,757,344

Note 20 on page 27 of the financial statements, outlines the restrictions on the use of the accumulated surplus. The funds are restricted at the Board’s discretion. The Board’s approval of these restrictions is inferred from their approval of the financial statements.

Schedule 2 – Operating Fund

This schedule (page 31) includes revenues and expenditures related to the operations of the District, including school and administrative functions.

Schedule	Page	Overview
2	31	Summarizes the revenues and expenses of the operating fund. Also indicates the amounts spent on capital assets and transferred to the Local Capital fund.
2A	32	Outlines in more detail the operating revenues earned by the District.
2B	33	Summarizes salaries by employee group and other operating costs.
2C	34-35	Provides the same information as in 2B, broken down in more detail to show each program the funds were spent on.

School districts are not permitted to budget for or incur an accumulated deficit position, meaning budgeted expenditures cannot exceed the total of budgeted revenue and any surplus in the operating fund carried forward from previous years.

Schedule 3 – Special Purpose Funds

This schedule (page 36) includes funds received from the Ministry of Education or other sources that have been designated for specific purposes.

Year Ended		June 30, 2019		June 30, 2018
Total Revenues	\$	13,786,313	\$	13,723,884
Total Expenses		13,786,313		13,723,884
Surplus for the year	\$	-	\$	-

Special Purpose Funds include School Generated Funds, Annual Facilities Grant, Learning Improvement Fund, Strong Start, Ready, Set, Learn, Official Languages in Education Protocol (OLEP), Scholarships and Bursaries, Special Education Equipment, Community Link, and the Classroom Enhancement Fund.

Additional information regarding Special Purpose Funds can be found in the following schedules:

Schedule	Page	Overview
3	36	Summarizes the total revenues and expenses of all special purpose funds. Also indicates the amounts spent on capital assets and transferred to the Local Capital fund.
3A	37-38	Outlines, by each group of funds, the grants received and expenses for the year to June 30, 2019.

Schedule 4 – Capital Fund

This schedule (page 39) provides detail on the capital fund. The capital fund is made up of Invested in Tangible Capital Assets and Local Capital surplus.

Invested in Tangible Capital Assets

The net value of capital assets (historical cost less accumulated amortization) is \$133.00 million as at June 30, 2019.

Net Book Value	June 30, 2019		June 30, 2018	
Sites	\$	14,151,889	\$	14,151,889
Buildings		115,075,330		104,100,185
Furniture & Equipment		1,069,398		654,905
Vehicles		845,891		579,580
Computer Hardware		1,854,516		1,555,095
Total	\$	132,997,024	\$	121,041,654

These net costs represent the historical cost net of accumulated amortization of all District capital assets, they do not reflect current market value.

During 2018-19, approximately \$17.18 million was spent on capital projects. Some of these projects include:

- Completion of G.P. Vanier seismic project
- Hornby Island School replacement – temporary modular buildings
- Mechanical upgrades at Mark Isfeld Secondary and Cumberland Community School
- Boiler replacements at Highland Secondary and Ecole Puntledge Park Elementary
- Annual Facilities Grant projects (roofing, paint, paving, flooring, lighting, fire/PA/phone upgrades)
- Technology and network infrastructure upgrades

Provincial grants targeted for the purchase of assets – for example, a grant to renovate a school – are recorded in the capital fund. If an asset is purchased using operating funds, then the cost of the asset is treated as a transfer from the operating fund to the capital fund.

Capital funding from the Province is accounted for using deferral funding whereby capital revenue is recorded in the financial statements over the life of the related asset to match the amortization expense recorded similarly. Therefore, capital fund revenue is not equal to the actual capital funding received in the year.

The Province does not provide capital grants for asset acquisitions such as computer equipment, school furniture and equipment, vehicles, maintenance equipment, photocopiers, classroom renovations or district administration buildings. The only source of funding available for these assets is typically operating funds. To set aside funds to allow the future purchase of major assets, the Board may transfer funds from the operating fund to the local capital fund.

Local Capital

The Board's local capital fund is comprised of previous property sale transactions and transfers from operating funds which are approved by the Board through the preliminary budget process. During the 2018-19 year, \$1.56 million was transferred for the following purposes:

Amount \$	Purpose
\$ 100,000	Vehicle fleet - replacement
50,000	District copiers - replacement
80,000	Transportation - additional van
30,000	Trades tools and equipment - replacement
250,000	School board office renovation/update
800,000	Technology reserve
250,000	G.P. Vanier seismic upgrade - contingency
\$ 1,560,000	Total Transferred

The Local Capital balance as at June 30, 2019 of \$4.04 million represents the accumulated surplus in the Capital Fund over which the District has discretion for allocation to strategic capital projects. These projects include:

Purpose	Amount \$
Information technology reserve	\$ 605,724
Vehicles and extra-curricular van	160,000
Multi-function devices and other equipment	194,703
Lake Trail Seismic project - Board contribution	1,000,000
Lake Trail playground	15,289
Future modular building requirements	650,000
Contingency reserve	32,824
Board Office - prepaid rent and updates	1,380,598
Total Local Capital Surplus	\$ 4,039,138

Additional information regarding the Capital Fund can be found in the following schedules:

Schedule	Page	Overview
4	39	Summarizes amortization, local capital balances, and transfers to the capital fund from other funds. Also shows the budgeted amounts and prior year amounts.
4A	40	Outlines: <ul style="list-style-type: none"> - the cost of assets acquired during the year; - the amortization of assets by asset class; - the original cost of assets owned by the District, by asset class; - the total amortization of each asset class. This is an estimate of the value of the wear-and-tear of assets over their lifetime; - the net book value of assets, being the cost less amortization.
4B	41	Outlines the costs to date on construction which is still in progress at June 30, 2019. The only major project in progress at June 30, 2019 is the Lake Trail Seismic upgrade.
4C	42	Accounts for targeted funding spent on the acquisition of capital assets.
4D	43	Accounts for funding received which is targeted towards capital asset purchases and which has yet to be spent.



Risks and Uncertainties

Provincial Bargaining – BCTF and BCPSEA

The teacher’s contract expired June 30, 2019 and the BCTF and BCPSEA are currently in mediation to resolve a number of contract issues. Over 10% of the District’s teachers are funded through the classroom enhancement fund, which was established to address the BCTF restored language. This funding is tied to the collective agreement. Any changes to the collective agreement would require corresponding changes to the funding provided to the school district for the District to maintain the current class size and composition ratios.

Enrolment and Staffing Growth

Student enrolment is the critical factor in the District’s operating funding from the Province. Accurate estimates of enrolment are key to staff and space capacity planning, as well as District budgeting.

Increasing enrolment in the District, combined with the implementation of the Memorandum of Agreement (MoA) resulting in smaller class sizes, a greater number of teacher full-time equivalents (FTE) have needed to be added than would previously have been required. As the district grows, additional classroom space needs to be created. This growth brings with it a financial risk in how to provide for these additional resources under the current Ministry of Education funding envelope.

Funding Model Review

The provincial government is currently undertaking a funding formula review for B.C.’s K-12 public education sector. The new funding allocation model is expected to be announced in March 2020 and will affect the 2020-21 operating budget of the district. There is significant risk that the new funding model will not provide the same level of funding as the current model which will impact the level of services the district is able to provide. Careful planning will be required to ensure that school district operations are minimally impacted.

Capital Projects

Due to their magnitude, capital projects have the potential to significantly impact the financial position of the district. There is no process to assess the risk of the entire capital program; individual project risk assessments must be done on a continuous basis.

Project agreements with the Ministry of Education such as the Lake Trail Seismic project contain contingencies to mitigate financial risk. Smaller projects consider contingency requirements when building the overall project budget and are managed internally.

Contacting School District Financial Management

This report is designed to provide SD71 stakeholders with a general overview of SD71 finances and to demonstrate the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, please contact the Secretary-Treasurer's office.

