

Financial Statement Discussion and Analysis

For the Year Ended June 30, 2021



Comox Valley Schools

A Community of Learners

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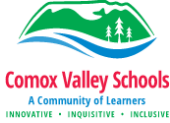
School District No.71 (Comox Valley)

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



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Financial Statement Discussion & Analysis

Year Ended June 30, 2021

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Introduction

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2021. The report is a summary of the School District's financial activities based on current known facts, decisions, or conditions. The results of the current year are discussions in comparison with the prior year, with an emphasis placed on the current year. The financial statements illustrate, in financial terms, how resources have been allocated and consumed during the School District's fiscal year ended June 30. This report should be read in conjunction with the School District's financial statements for the same period.

About BC School District Financial Statements

BC School District financial statements are prepared in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of BC which requires that financial statements are prepared in accordance with Canadian public sector accounting standards with some exceptions as explained in Note 2 to the Financial Statements. Public sector accounting emphasizes accountability, not profitability. School District Financial Statements have a prescribed common format, and they are consolidated into the Provincial Financial Statements.

Further, Financial Statements of BC School Districts are reported as a consolidation of three separate funds: Operating, Special Purpose and Capital. In the financial statements, these three separated funds are reported collectively in statements 1 through 5 and separately in schedules 2 (Operating Fund), 3 (Special Purpose Funds) and 4 (Capital Fund). To gain a full understanding of statements 1 through 5, it is important to also review each of the funds separately.

Composition of the Financial Statements

The two key statements are:

- A **Statement of Financial Position** (page 5), which summarizes the assets and liabilities at June 30th. This provides an indication of the financial health of the District.
- A **Statement of Operations** (page 6), which summarizes the revenues received and expenses incurred during the twelve months between July 1 and June 30. This provides an indication of the funding received by the District and how the funding was spent.

The Statement of Changes in Net Debt, the Statement of Cash Flows and the notes to the financial statements provide further analysis of the District's finances.

The District manages its financial activities in three distinct areas, being the

- Operating fund;
- Special purpose funds; and the
- Capital fund.

The schedules at the end of the notes to the financial statements are in a format prescribed by the Ministry of Education. These schedules provide more detail specific to each of these funds. The balances in these schedules are consistent, when combined, with the financial statements.

Schedule 1 (page 30) illustrates the sum of the funds.

Schedule 2 (page 31) provides detail on the **Operating Fund**.

The Operating Fund accounts for the District's operating grants and other operating revenues. Legislation requires that the District present a balanced budget for the Operating Fund, whereby budgeted expenditures do not exceed the total of the budgeted revenues and any surplus in the operating fund carried forward from previous years.

Schedule 3 (page 36) provides detail on the **Special Purpose Funds**.

The Special Purpose Funds account for grants and contributions that are directed by agreement with a third party towards specific activities. As these are targeted grants, any unspent funding is typically accounted for as deferred revenue, not as accumulated surplus.

Schedule 4 (page 40) provides detail on the **Capital Fund**.

The capital fund accounts for:

- The capital assets of the District, including sites, buildings, furniture & equipment, vehicles, computer software and computer hardware.
- Grants directed by agreement with a third party for the purchase of capital assets.
- Funds restricted by the Board for future capital asset purchases (local capital).

STATEMENT OF FINANCIAL POSITION (All funds)

Statement 1– page 5.

This statement summarizes the assets and liabilities at June 30, 2021. This provides an indication of the financial health of the school district.

	2020-21	2019-20	\$ Change	% Change
Financial Assets	\$ 32,989,504	\$ 30,407,353	\$ 2,582,151	8%
Non-Financial Assets	164,012,159	143,658,551	20,353,608	14%
Total Assets	197,001,663	174,065,904	22,935,759	13%
Liabilities	147,849,210	130,340,502	17,508,708	13%
Accumulated Surplus	\$ 49,152,453	\$ 43,725,402	\$ 5,427,051	12%

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 8% increase in financial assets of \$2.58 million from 2019-20 resulted from changes in the following accounts:

Cash and Cash Equivalents – Note 3

At June 30, 2021, the District held \$30.83 million in cash. Of this amount, \$16.05 million has been deposited in the Province's Central Deposit Program, and District funds of \$14.78 million are made up of the local capital surplus, operating surplus, deferred revenue, and the teacher and support staff summer savings plan funds.

Cash and Cash Equivalents	June 30, 2021	June 30, 2020
School Generated Funds	\$ 799,972	\$ 854,796
District Funds	13,734,679	17,725,539
Restricted Funds - Teacher Salary Deferral Program	247,790	181,677
BC Ministry of Finance Central Deposit Program	16,052,101	6,815,544
Total Cash and Cash Equivalents	\$ 30,834,542	\$ 25,577,556

Accounts Receivable – Note 4

Accounts receivable at June 30, 2021 include a \$1.42 million receivable from the Province – Ministry of Education for the Lake Trail Middle School seismic upgrade and the Hornby Island School replacement, as well as \$0.1 million in receivables from the Province for Denman Island Daycare. Other miscellaneous funds owing to the District include GST receivable and other trade receivables.

Accounts Receivable	June 30, 2021	June 30, 2020
Due from Province - Ministry of Education	\$ 1,415,579	\$ 4,361,035
Due from Province - Other	\$ 99,252	\$ -
Other	640,131	468,762
Total Accounts Receivable	\$ 2,154,962	\$ 4,829,797

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 – Note 11

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 \$163.09 million as at June 30, 2021. The increase of \$20.07 million over the prior year is comprised of new assets purchased totalling \$26.25 million less amortization of \$6.19 million.

Capital activity during the year included the seismic work on Lake Trail Middle School, a replacement school at Hornby Island, a daycare on Denman Island, boiler replacements/fire suppression at Mark Isfeld Secondary and Cumberland Community School, a DDC upgrade at Aspen, Brooklyn and Queneesh Elementary, roof repairs at Mark Isfeld, and the purchase of vehicles, laptops, computers and technology.

Prepaid Expenses

Prepaid expenses represent insurance, licenses, and materials that are for the following year and total \$0.93 million at June 30, 2021. There is an additional \$0.36 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 amortized until the 21-22 fiscal as the sale of a second parcel of land to the Comox Valley Regional District completed in June of 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 total liabilities of \$17.51 million from 2019-20 resulted from changes in the following accounts:

Accounts Payable and Accrued Liabilities – Note 5

The District's accounts payable and accrued liabilities represent expenses which have been incurred but not yet paid. The increase of \$1.66 million from 2019-20 is mainly COVID-19 related. There was an increase in deferred homestay fees due to increased enrollment in our International program for 21-22 and supply chain delays where items were ordered but not received by June 30th. These increases were offset by a reduction in other accrued liabilities.

Accounts Payable and Accrued Liabilities	June 30, 2021	June 30, 2020
Trade and other amounts payable	\$ 4,678,845	\$ 2,595,458
Salaries and benefits payable	2,804,541	2,333,597
Accrued vacation payable	509,783	558,777
Accrued wages and benefits	492,273	290,993
Summer savings plan	3,194,172	3,008,664
Deferred salary leave	247,790	181,677
Deferred homestay revenues	1,333,797	950,100
Other accrued liabilities	405,716	2,092,404
Total Accounts Payable and Accrued Liabilities	\$ 13,666,917	\$ 12,011,670

Unearned Revenue – Note 6

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 \$2.2 million represents international student fees received prior to June 30, 2021 for tuition in the 2021-22 school year.

Deferred Revenue – Note 7

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

Deferred Revenue	June 30, 2021	June 30, 2020
School generated funds - amounts raised by schools for specific projects, such as class trips, school fees and other fundraising	\$ 776,744	\$ 838,354
Scholarships and bursaries - balances administered by the District and amounts awarded but not yet claimed	757,644	758,885
Professional development - contractual funds set aside for support staff, principals/vice-principals and exempt staff	131,706	105,239
Other unspent targeted funds	187,699	161,658
Total Deferred Revenue	\$ 1,853,793	\$ 1,864,136

Deferred Capital Revenue and Tangible Capital Assets – Note 8

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 equipment, vehicles, and most computer equipment.

Most of the District's capital expenditures, 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 \$163.08 million of tangible capital assets. Of this, \$125.7 million (being the deferred capital revenue balance) of assets were purchased 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 – Note 9

The employee future benefits liability of \$4.05 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.

Most of this amount accounts for retirement benefits earned by current employees. Support staff and certain members of school and district administration are entitled to a one-time payment from the District on their retirement. The amount of payment depends on years of service and final salary.

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 of the employee future benefits liability is associated with overtime, accumulated sick time, and death benefits earned but not yet paid.

Net Financial Assets (Debt) – Statement 1

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 \$114.86 million. This is heavily skewed by the deferred capital revenue liability of \$126.04 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 \$11.18 million.

Accumulated Surplus – Note 19

Accumulated surplus is represented by the accumulated surplus from operations which is made up of both unrestricted and restricted operating reserves. Also included in accumulated surplus are capital funds which include investment in capital funds and capital reserves (local capital) and Ministry restricted capital. 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:

The operating fund surplus consists of internally restricted 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, outstanding purchase orders and commitments, and the Board Operating Reserve (per Board Policy 18 - Accumulated Operating Surplus and Internally Restricted Funds).

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.

Accumulated Surplus		June 30, 2021	June 30, 2020
Operating Fund	\$	7,594,907	\$ 4,080,530
Capital Fund - local capital (amounts available to spend on future capital asset purchases)		4,210,754	6,530,257
Capital Fund - invested in tangible capital assets (the cost of assets owned by the district, net of amortization and targeted grants)		37,346,792	33,114,615
Total Accumulated Surplus	\$	49,152,453	\$ 43,725,402

STATEMENT OF OPERATIONS (All funds)

Statement 2 – page 6

The Statement of Operations is cumulative summarizing the revenues received and expenses incurred by the District during the twelve months between July 1 and June 30 for all three funds- Operating, Special Purpose and Capital.

Year Ended	June 30, 2021	June 30, 2020
Total Revenues	120,576,138	108,275,410
Total Expenses	115,149,087	104,655,400
Surplus for the year	\$ 5,427,051	\$ 3,620,010

Ministry of Education grant funding increased from 2020 by \$14.08 million. This is a result of increased per student funding, higher enrolment in NIDES and increased funding for the Classroom Enhancement Fund and the Provincial and Federal COVID-19 funding.

Expenses increased from 2020 by \$10.49 million as wage increases were implemented, and additional educational resources were allocated to support the additional students and COVID protocols.

Overall, the District's revenues exceeded its expenditures by \$5.43 million. Broken down by fund, this variance arises as follows:

Fund	Surplus / (deficit) for the year	Commentary
Operating Fund	\$ 5,528,784	See discussion and analysis in the Operating Fund section of this document.
Special Purpose Funds	1,316,397	Tangible Capital Assets were purchased from the Provincial and Federal COVID dollars The cost of capital assets purchased during the year was greater than the net balance of asset amortization and amortization of deferred capital revenue. This essentially means that the District invested more in purchasing tangible capital assets during the year than it consumed through wear and tear of existing capital assets.
Capital Fund	\$ (1,418,130)	
Total Surplus	\$ 5,427,051	

Revenues, expenses, and surpluses for each of the individual funds are discussed in more detail below.

OPERATING FUND

Overview

Operating fund transactions are reported in the following schedules in the financial statements. Columns with figures for the amended budget, year to June 30, 2021 and year to June 30, 2020 are shown.

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 cost categories.
2C	34-35	Provides the same information as in 2B, broken down in more detail to show each program the funds were spent on.

Revenues

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

Revenue	2020-21 Actual \$\$	2020-21 Budget \$\$	Variance \$\$	Variance %
Provincial Grants - MOE	\$ 95,951,648	\$ 94,008,867	\$ 1,942,781	2.07%
Provincial Grants - Other	215,600	0	215,600	100.00%
Tuition	1,623,154	1,404,000	219,154	15.61%
Other Revenue	789,382	691,990	97,392	14.07%
Rentals and Leases	28,527	36,000	(7,473)	-20.76%
Investment Income	182,591	180,000	2,591	1.44%
Total Revenue	\$ 98,790,902	\$ 96,320,857	\$ 2,470,045	2.56%

Provincial Grants – Ministry of Education

98% of the District's operating funding is from the Ministry of Education. Most of this funding is calculated based on student enrolment and certain identified special needs of those students. Enrolment has been increasing in the District for the last 5 years, resulting in additional operating grant revenues from the Ministry of Education.

The increase in Provincial Grants of \$1.94 million (2.07%) from what was budgeted was due to higher-than-expected enrollment in NIDES for the February and May counts. In addition, the District received holdback funds that were not budgeted due to the uncertainty of receipt. The MOE grants are detailed on Schedule 2A.

Provincial Grants – Other

This is a presentation change from previous budgets and statements. The amount reflected here of \$0.2 million is the funding received from the Industry Training Authority for career and dual credit programming. Previously these amounts were included in the other revenue totals.

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 increase of \$0.2 million (15.61%) is due to more students actually attending than budgeted and other program application fees and homestay administration charges not previously budgeted.

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 in other revenue of \$0.09 million (14.07%) from what was budgeted was due to the receipt of GST/PST rebates and an increase in print shop revenues.

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 what was budgeted is due to COVID and not being able to open Facilities to user groups.

Investment Income

Investment income is interest earned on operating revenue. The increase from budget is due to better utilization of the central deposit account with the Province.

Overall, the total revenue for the year was \$2.47 million (2.56%) more than what was budgeted, mainly due to increased enrolment.

The following table compares actual revenues for 2020-2021 to actual revenues for the prior year.

Revenue	2020-21 Actual \$\$	2019-20 Actual \$\$	Variance \$\$	Variance %
Provincial Grants - MOE	\$ 95,951,648	\$ 86,434,556	\$ 9,517,092	11.01%
Provincial Grants - Other	215,600	0	215,600	100.00%
Tuition	1,623,154	2,828,612	(1,205,458)	-42.62%
Other Revenue	789,382	925,540	(136,158)	-14.71%
Rentals and Leases	28,527	126,505	(97,978)	-77.45%
Investment Income	182,591	217,794	(35,203)	-16.16%
Total Revenue	\$ 98,790,902	\$ 90,533,007	\$ 8,257,895	9.12%

Overall, the total revenues for the year were \$8.26 million (9.12%) more than the prior year. This is mainly due to increased enrolment which offset the decreases due to the COVID-19 pandemic.

Operating Expenditures

Expenditures are reported by function for the District. The table below summarizes total expense by function for the year to June 30, 2021.

Function	2020-21 \$\$	2020-21 % of total
Instruction	\$ 76,670,560	82.2%
District Administration	3,648,525	3.9%
Operations and Maintenance	10,959,235	11.8%
Transportation	1,983,798	2.1%
Total	\$ 93,262,118	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 amended budget.

Function	2020-21 Actual \$\$	2020-21 Budget \$\$	Variance \$\$	Variance %
Instruction	\$ 76,670,560	\$ 79,678,097	\$ (3,007,537)	-3.77%
District Administration	3,648,525	3,891,235	(242,710)	-6.24%
Operations and Maintenance	10,959,235	10,878,807	80,428	0.74%
Transportation	1,983,798	2,080,797	(96,999)	-4.66%
Total	\$ 93,262,118	\$ 96,528,936	\$ (3,266,818)	-3.38%

Costs related to the Instruction function were \$3.01 million (3.77%) less than what was budgeted for, mainly due to COVID-19. The amended budget was cautious trying to ensure resources were available for COVID related expenses but also accounting for potential expenses should restrictions be lifted. Thus, substitute costs were higher than anticipated, staffing and benefit costs were down due to unfilled positions across all employee groups, Pro-D and Travel did not normalize, and supplies were down significantly due to ongoing supply chain issues.

Overall, the variance in expenditures from budget in 2020-21 is \$3.27 million (3.38%).

The following table compares actual expenditures for 2020-21 to actual expenditures by function for the prior year.

Function	2020-21 Actual \$\$	2019-20 Actual \$\$	Variance \$\$	Variance %
Instruction	\$ 76,670,560	\$ 69,872,996	6,797,564	9.73%
District Administration	3,648,525	3,374,093	274,432	8.13%
Operations and Maintenance	10,959,235	10,312,138	647,097	6.28%
Transportation	1,983,798	1,885,532	98,266	5.21%
Total	\$ 93,262,118	\$ 85,444,759	7,817,359	9.15%

Instruction expenses have increased over the prior year by \$6.8 million (9.73%) due to increased enrolment, increased teacher staffing, and wage increases for both teachers and support staff. As well, when enrollments increase the services and supplies required to support the students also increase. It is also important to note that the expenses in 19-20 were artificially low due to reduced in-person instruction. Some expenses returned to traditional levels in 20-21, for example transportation.

District Administration has increased \$0.27 million (8.13%) due to the addition of an exempt position in IT, 2% wage increases and a payout of vacation balances that were not able to be drawn down due the COVID-19.

Operations and maintenance expenses have increased over the prior year by \$0.64 million (6.28%) due to salary increases, the extension of additional trades positions to support HVAC improvements due to COVID, utility expenses returning to normal and increased supply costs to support the maintenance and upkeep of the facilities during COVID.

Transportation expenses have increased over the prior year by \$0.01 million (5.21%) as costs normalized after the reduction in transportation services in 19-20 due to COVID-19.

Overall, the District was grateful for the Provincial and Federal COVID funding. The one-time funding was significant in helping to offset the cost impacts from COVID both in staffing and supply/service.

Operating Surplus

The operating surplus for the year as at June 30, 2021 is \$7.59 million. This is calculated on Schedule 2, on page 31 of the financial statements.

The annual operating surplus is \$5.52 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, and an additional \$0.45 million of operating funds that were used to purchase capital assets. This results in an annual operating surplus of \$3.51 million. The operating surplus at the beginning of the year was \$4.08 million, so the net effect at the end of the year is a total accumulated operating surplus of \$7.59 million.

Operating	2020-21 \$\$	2019-20 \$\$	Increase / (Decrease)
Revenues	98,790,902	90,533,007	8,257,895
Expenses	93,262,118	85,444,759	7,817,359
Operating Surplus for the Year	5,528,784	5,088,248	440,536
Transfers	(2,014,407)	(6,338,298)	
Total Operating Surplus (Deficit) for the year	3,514,377	-1,250,050	
Operating Surplus (Deficit) beginning of the year	4,080,530	5,330,580	
Operating Surplus (Deficit) end of the year	\$ 7,594,907	\$ 4,080,530	

SPECIAL PURPOSE FUNDS

Overview

Transactions within the special purpose funds are reported in the following schedules in the financial statements.

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	37-39	Outlines, by each group of funds, the grants received and expenses for the year to June 30, 2021.

These schedules include funds received from the Ministry of Education or other sources that have been designated for a specific purpose.

Year Ended	June 30, 2021		June 30, 2020	
Total Revenues	\$	17,015,540	\$	13,474,083
Total Expenses		15,699,143		13,474,083
Tangible Capital Assets Purchased		1,316,397		
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, Community Link, First Nation Student Transportation, Mental Health in Schools, Changing Results for Young Children, Professional Development, The Provincial Safe Return to School Grant, the Federal Safe Return to Class Fund, Comox Valley Community Foundation Student Travel, and the Classroom Enhancement Fund.

Classroom Enhancement Funds

The grants from the Classroom Enhancement Funds (three components) totalled \$9.69 million. These grants are intended to offset the additional costs association with the restoration of historical collective agreement language regarding class size and composition.

Direct costs associated with required staffing levels that address class size and composition are accounted for within the 'Classroom Enhancement Fund – Staffing' fund. They include:

- 58.4 FTE additional enrolling teachers needed to offset the reduction in class sizes;
- 22.1 FTE additional non-enrolling teachers for additional support; and
- TTOC wages to remedy other requirements of the restored language.

Indirect costs, or overhead, associated with these required changes are accounted for within the 'Classroom Enhancement Fund – Overhead' fund. They include:

- TTOC coverage for sick and other leaves for the additional teachers; and
- Additional support staff needed for the increased number of classes.

To receive the grants, the District must be able to demonstrate to the Provincial Government that the associated direct or indirect costs are the result of the restoration of the collective agreement language.

After best efforts have been applied, certain classes exceed the class size and composition limits outlined in the Collective Agreement. The District is required to provide remedy, typically in the form of additional preparation time or collaboration time to teachers of such classes. The 'Classroom Enhancement Fund – Remedies' fund provides grant funding to cover the associated expense.

The Classroom Enhancement Funds, although new in the 2017-18 year, are a core part of the District's funding. They fund approximately 15% of the District's teachers.

CAPITAL FUND

Overview

The capital fund, including the local capital fund, accounts for assets owned by the District and the funds used to acquire them.

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 recorded on a deferred basis meaning capital revenue is recorded in the financial statements over the life of the related asset and matched to the annual amortization expense. For example, if the District receives \$30 million to build a new school, that capital revenue is recorded over 40 years and offset by the depreciation of the new school.

The Province does not provide capital grants for asset acquisitions such as modulars, 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 and is the type of expenses comprising the tangible capital assets purchased from operating. 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.

Schedule	Page	Overview
4	40	Summarizes amortization, local capital balances, and transfers to the capital fund from other funds. Also shows the budgeted amounts and prior year amounts.
4A	41	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	42	Outlines the costs to date on construction which is still in progress at June 30, 2021. Two major projects were in progress at June 30, 2021: the Lake Trail Seismic upgrade and Hornby replacement.
4C	43	Accounts for sources of funding spent on the acquisition of capital assets.
4D	44	Accounts for funding received which is targeted towards capital asset purchases and which has yet to be spent.

Capital Assets

Schedule 4A summarizes the capital assets owned by the District.

Net book value (cost less amortization) of tangible capital assets – Note 11

Net Book Value	June 30, 2021	June 30, 2020
Sites	\$ 14,151,889	\$ 14,151,889
Buildings	138,676,231	121,720,049
Furniture & Equipment	5,809,522	3,790,052
Vehicles	1,346,531	1,188,225
Computer Hardware	3,102,183	2,171,138
Total	\$ 163,086,356	\$ 143,021,353

The District has \$163.09 million of funds invested in its capital infrastructure. The majority of the District's capital assets are the school buildings (\$138.68 million).

The cost of the land that the District's schools are located on is \$14.15 million.

The District also has significant investment in vehicles, furniture and equipment (school furniture, shop equipment, etc.) and computer hardware, including servers and student and staff computers.

The net book value represents the historical cost of the assets less the accumulated amortization of all District capital assets. It does not reflect current market value.

Deferred Capital Revenue

Schedule 4C accounts for grants received for capital asset purchases that have been spent throughout the year thus reflecting the net changes both in completed and ongoing projects.

Schedule 4D shows the capital grants received for capital projects and whether the funds received were expensed on completed or ongoing projects or are unspent.

Schedule 4D illustrates that \$19.17 million of grants were received in the year to June 30, 2021 from the Ministry of Education in the form of bylaw capital. This includes the annual facilities capital grant. It also shows that \$301,000 from the sale of the Board office has been restricted and unspent as of June 30, 2021. Schedule 4D also reflects the Other Provincial and Other Capital funds received for the construction of the Denman Childcare facility.

Schedule 4D shows a change of \$20.18 million in bylaw capital that was then accounted for as deferred capital revenue on Schedule 4C – either as Capital Additions or as Work in Progress (ongoing projects). Deferred capital revenue balances are accumulated over the years and amortized over the estimated lifespan of the assets acquired with the grant money. Schedule 4C notes that the deferred capital revenue balance was reduced by \$4.35 million in the year to June 30, 2021 to reflect this amortization.

Historically, the Province has provided targeted funding for major school renovations and replacements. The Province does not typically provide targeted funding for any other capital assets, including the purchase of technology, classroom furniture and equipment, administrative buildings, and maintenance equipment.

The total deferred capital revenue balance at June 30, 2021 is \$125.74 million, indicating 77% of the District's assets were purchased with targeted grant funding.

Capital Projects

During 2020-21, approximately \$20.18 million was spent on capital projects. Some of these projects include:

- Lake Trail Middle School seismic upgrade
- Hornby Island School replacement
- Denman Island Preschool
- Finalizing mechanical upgrades at Mark Isfeld Secondary and Cumberland Community School
- Boiler replacement at Brooklyn Elementary
- Annual Facilities Grant projects (roofing, paint, paving, flooring, lighting, fire/PA/phone upgrades)
- Brooklyn, Queneesh and Aspen DDC upgrades
- Outdoor classrooms
- Roofing project at Mark Isfeld

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 2020-21 year, \$1.56 million was transferred for the following purposes:

Amount \$	Purpose
\$ 100,000	Vehicle fleet - replacement
50,000	District copiers - replacement
200,000	Modulars
30,000	Trades tools and equipment - replacement
250,000	School board office renovation/update
800,000	Technology reserve
80,000	Contingency Reserve
35,000	District printer - replacement
15,000	Custodial Equipment Replacement
\$ 1,560,000	Total Transferred

The Local Capital balance as at June 30, 2021 of \$4.21 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	\$ 31,249
Youth Trades Tools/Equipment Replacement	37,620
Furniture and Equipment	90,068
Contingency reserve	71,240
Board Office - prepaid rent and updates	2,479,598
Fine Arts Equipment	30,862
Facility Reserve	1,300,000
Classroom Renovations	123,537
Copier and Printer Fleet Replacement	46,580
Total Local Capital Surplus	\$ 4,210,754



RISKS AND UNCERTAINTIES

COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020 and had a significant financial, market and social dislocating impact worldwide. Under direction of the Provincial Health Officer, all schools suspended in-class instruction in March 2020 and the District remained open to continue to support students and families in a variety of ways. Parents were given the choice to send their children back to school on a gradual and part-time basis beginning on June 1, 2020 with new health and safety guidelines.

The uncertainty from COVID-19 continued to have an impact throughout the 20-21 fiscal year. Significant impacts noted throughout this school year include:

- A commitment by the Board of Education to retain seats in catchment school for families choosing distributed or blended learning options which resulted in additional staffing costs.
- Revenues and expenses that fluctuated significantly from “normal” operations.
- Reduced participation in our International Education program.
- Significantly higher enrollments in our Distributed Learning programs.
- Significant COVID-19 funding from both the Provincial and Federal governments.

The ongoing impact of the pandemic presents uncertainty over cash flows, may have a significant impact on future operations including decreases in revenue, impairment of receivables, reduction in investment income and delays in completing capital work. As the situation is still dynamic and the ultimate duration and magnitude of the impact are not known, an estimate of the future financial effect on the District is not practicable at this time. However, 18 months of pandemic management have provided significant expertise in mitigating risks within the District.

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.

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. This uncertainty is offset by the Facilities reserves allocated in the local capital reserves.

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 at 250-334-5500.

