

Financial Statement Discussion and Analysis

For the Year Ended June 30, 2022



Comox Valley Schools

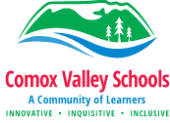
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School District No.71 (Comox Valley)

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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, 2022

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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, 2022. 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 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, 2022. This provides an indication of the financial health of the school district.

	2021-22	2020-21	\$ Change	% Change
Financial Assets	\$ 33,304,652	\$ 32,989,504	\$ 315,148	1%
Non Financial Assets	170,322,459	164,012,159	6,310,300	4%
Total Assets	203,627,111	197,001,663	6,625,448	3%
Liabilities	152,544,021	147,849,210	4,694,811	3%
Accumulated Surplus	\$ 51,083,090	\$ 49,152,453	\$ 1,930,637	4%

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 1% increase in financial assets of \$0.315 million from 2020-21 resulted from changes in the following accounts:

Cash and Cash Equivalents – Note 3

At June 30, 2022, the District held \$31.97 million in cash. Of this amount, \$13.72 million has been deposited in the Province’s Central Deposit Program, and District funds of \$18.25 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, 2022	June 30, 2021
School Generated Funds	\$ 793,177	\$ 799,972
District Funds	17,241,312	13,734,679
Restricted Funds - Teacher Salary Deferral Program	216,712	247,790
BC Ministry of Finance Central Deposit Program	13,719,080	16,052,101
Total Cash and Cash Equivalents	\$ 31,970,281	\$ 30,834,542

Accounts Receivable – Note 4

Accounts receivable at June 30, 2022, include a GST receivable and other trade receivables.

Accounts Receivable	June 30, 2022	June 30, 2021
Due from Province - Ministry of Education	\$ 894,884	\$ 1,415,579
Due from Province - Other	\$ -	\$ 99,252
Due from Federal Government	\$ 376,063	\$ 371,681
Other	\$ 63,424	\$ 268,450
Total Accounts Receivable	\$ 1,334,371	\$ 2,154,962

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, furniture and 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 \$169.25 million as at June 30, 2022. The increase of \$6.16 million over the prior year is comprised of new assets purchased less amortization.

Capital activity during the year included the seismic work on Lake Trail Middle School and the childcare center, completion of the replacement school at Hornby Island, roof repairs at Mark Isfeld, Brooklyn Elementary boiler upgrade, installation of more outdoor classrooms, the accessible playground at Huband Park Elementary 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 \$1.073 million at June 30, 2022. Also included is \$0.361 million in prepaid rent that is associated with the sale of land adjacent to the School Board office to the Comox Valley Regional District which represents 98 years left of prepaid rent. The sale took place in 2016-17 and the prepaid rent began to be amortized in 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 \$4.69 million from 2021-22 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 decrease of \$2.72 million from 2021-22 is mainly due to the release of holdbacks relating to the Lake Trail Seismic and Hornby school projects as well as COVID-19 related supply chain delays where items were ordered but not received by June 30th.

Accounts Payable and Accrued Liabilities	June 30, 2022		June 30, 2021	
Trade and other amounts payable	\$	1,322,890	\$	4,678,845
Salaries and benefits payable		3,097,723		2,804,541
Accrued vacation payable		468,778		509,783
Accrued wages and benefits		626,831		492,273
Summer savings plan		3,336,029		3,194,172
Deferred salary leave		216,712		247,790
Deferred homestay revenues		1,471,150		1,333,797
Other accrued liabilities		405,004		405,716
Total Accounts Payable and Accrued Liabilities	\$	10,945,117	\$	13,666,917

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 \$2.3 million represents international student fees received prior to June 30, 2022, for tuition in the 2023-23 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, 2022		June 30, 2021	
School generated funds - amounts raised by schools for specific projects, such as class trips, school fees and other fundraising	\$	768,112	\$	776,744
Scholarships and bursaries - balances administered by the District and amounts awarded but not yet claimed		759,143		757,644
Professional development - contractual funds set aside for support staff, principals/vice-principals and exempt staff		140,062		131,706
Other unspent targeted funds		294,594		187,699
Total Deferred Revenue	\$	1,961,911	\$	1,853,793

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 \$169.25 million of tangible capital assets. Of this, \$129.3 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 \$3.98 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 \$119.24 million. This is heavily skewed by the deferred capital revenue liability of \$133.33 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 \$14.09 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.

The operating fund surplus consists of internally restricted funds broken out into three subgroups:

- Restricted due to the nature of constraints on the funds
- Restricted for anticipated unusual expenses
- Restrictions for operations spanning multiple school years

Internally restricted operating surplus consists of school surpluses, district/program initiatives, grants received from external sources that are targeted for a specific use, funds held for future portables, furniture or project needs, outstanding purchase orders. Readers will note that these are new headings suggested by the Ministry of Education and Childcare with the intent of increasing accountability and transparency for restricted surpluses. The amount of internally restricted surplus is \$4,679,104. In addition, as per Board Policy, there is a 2% unrestricted contingency surplus of \$2,063,748.

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, 2022	June 30, 2021
Operating Fund	\$ 6,742,852	\$ 7,594,907
Capital Fund - local capital (amounts available to spend on future capital asset purchases)	4,414,458	4,210,754
Capital Fund - invested in tangible capital assets (the cost of assets owned by the district, net of amortization and targeted grants)	39,925,780	37,346,792
Total Accumulated Surplus	\$ 51,083,090	\$ 49,152,453

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, 2022	June 30, 2021
Total Revenues	124,885,798	120,576,138
Total Expenses	122,955,161	115,149,087
Surplus for the year	\$ 1,930,637	\$ 5,427,051

Ministry of Education grant funding increased from 2021 by \$1.997 million. This is a result of increased per student funding, higher enrolment in NIDES and increased funding for the Classroom Enhancement Fund.

Expenses increased from 2021 by \$7.81 million as wage increases were implemented, and additional educational resources were allocated to support the additional students, planned spending to draw down surplus and ongoing self-funded COVID protocols.

Overall, the District's revenues exceeded its expenditures by \$1.93 million. Broken down by fund, this variance arises as follows:

Fund	Surplus / (deficit) for the year	Commentary
Operating Fund	\$ 4,157,339	See discussion and analysis in the Operating Fund section of this document.
Special Purpose Funds	-	There were no Tangible Capital Assets purchased from Special Purpose Funds this year
Capital Fund	\$ (2,226,702)	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.
Total Surplus	\$ 1,930,637	

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, 2022 and year to June 30, 2021 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	2021-22 Actual \$\$	2021-22 Budget \$\$	Variance \$\$	Variance %
Provincial Grants - MOE	\$ 99,840,808	\$ 98,969,544	\$ 871,264	0.88%
Provincial Grants - Other	275,900	160,000	115,900	72.44%
Tuition	2,959,945	2,842,450	117,495	4.13%
Other Revenue	752,926	590,689	162,237	27.47%
Rentals and Leases	62,125	68,000	(5,875)	-8.64%
Investment Income	131,128	142,000	(10,872)	-7.66%
Total Revenue	\$ 104,022,832	\$ 102,772,683	\$ 1,250,149	1.22%

Provincial Grants – Ministry of Education

96.2% 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 \$0.87 million (0.88%) from what was budgeted was mainly due to higher-than-expected enrollment in NIDES for the February and May counts. The MOE grants are detailed on Schedule 2A.

Provincial Grants – Other

In the 20-21 Fiscal there was a presentation change from previous budgets and statements. The amount reflected here of \$0.28 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 \$0.12 million (4.13%) is due to more students actually attending than 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 \$0.16 million (27.47%) from what was budgeted was due to nominal roll increases and an increase in print shop and cafeteria 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 for the full fiscal.

Investment Income

Investment income is interest earned on operating revenue. The decrease is due to a decline in interest rates for the majority of the fiscal

Overall, the total revenue for the year was \$1.25 million (1.22%) more than what was budgeted, mainly due to increased enrolment.

The following table compares actual revenues for 2021-22 to actual revenues for the prior year.

Revenue	2021-22 Actual \$\$	2020-21 Actual \$\$	Variance \$\$	Variance %
Provincial Grants - MOE	\$ 99,840,808	\$ 95,951,648	\$ 3,889,160	4.05%
Provincial Grants - Other	275,900	215,600	60,300	27.97%
Tuition	2,959,945	1,623,154	1,336,791	82.36%
Other Revenue	752,926	789,382	(36,456)	-4.62%
Rentals and Leases	62,125	28,527	33,598	117.78%
Investment Income	131,128	182,591	(51,463)	-28.18%
Total Revenue	\$ 104,022,832	\$ 98,790,902	\$ 5,231,930	5.30%

Overall, the total revenues for the year were \$5.23 million (5.30%) 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, 2022.

Function	2021-22 \$\$	2021-22 % of total
Instruction	\$81,237,021	81.3%
District Administration	3,792,981	3.8%
Operations and Maintenance	12,434,018	12.5%
Transportation	2,401,473	2.4%
Total	\$99,865,493	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, International Programs, and Other.

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	2021-22 Actual \$\$	2021-22 Budget \$\$	Variance \$\$	Variance %
Instruction	\$ 81,237,021	\$ 85,119,004	\$ (3,881,983)	-4.56%
District Administration	3,792,981	4,209,647	(416,666)	-9.90%
Operations and Maintenance	12,434,018	11,632,414	801,604	6.89%
Transportation	2,401,473	2,226,312	175,161	7.87%
Total	\$ 99,865,493	\$ 103,187,377	\$ (3,321,884)	-3.22%

Costs related to the Instruction function were \$3.88 million (4.56%) less than what was budgeted for, mainly due to COVID-19 and staffing holdback. The amended budget was cautious leaving full budgets in place knowing that COVID impacts would result in underspending. Thus, while substitute costs, utilities and transportation 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 2021-22 is \$-3.3 million (-3.22%).

The following table compares actual expenditures for 2021-22 to actual expenditures by function for the prior year.

Function	2021-22 Actual \$\$	2020-21 Actual \$\$	Variance \$\$	Variance %
Instruction	\$ 81,237,021	\$ 76,670,560	4,566,461	5.96%
District Administration	3,792,981	3,648,525	144,456	3.96%
Operations and Maintenance	12,434,018	10,959,235	1,474,783	13.46%
Transportation	2,401,473	1,983,798	417,675	21.05%
Total	\$ 99,865,493	\$ 93,262,118	6,603,375	7.08%

Instruction expenses have increased over the prior year by \$4.57 million (5.96%) 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. Expenses were volatile in 21-22 with some under expenses projections and others above due to world events.

District Administration has increased \$0.14 million (3.96%) due to the 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 \$1.47 million (13.46%) due to salary increases, the extension of daytime custodians previously funded by targeted grants, utility and fuel expenses exceeding normal and increased supply costs to support the maintenance and upkeep of the facilities during COVID. Escalation in costs was noticeable across all service and supply categories and averaged 25%. To compensate, projects were canceled or scaled back where possible. This category also includes the one-time costs to relocate the Hornby modulars to the mainland.

Transportation expenses have increased over the prior year by \$0.42 million (21.05%) due to ongoing enhanced cleaning, fuel surcharges and one added route.

Overall, the variance in expenditures year over year from 2020-21 is \$6.6 million (7.08%).

Operating Surplus

The operating surplus for the year as at June 30, 2022 is \$6.74 million. This is calculated on Schedule 2, on page 31 of the financial statements.

The annual operating surplus is \$4.16 million, which is reduced by transfers during the year that were approved by the Board. These included a \$3.98 million transfer to Local Capital, and an additional \$1.03 million of operating funds that were used to purchase capital assets. This resulted in an annual operating deficit of \$0.85 million. The operating surplus at the beginning of the year was \$7.59 million, so the net effect at the end of the year is a total accumulated operating surplus of \$6.74 million.

Operating	2021-22 \$\$	2020-21 \$\$	Increase / (Decrease)
Revenues	104,022,832	98,790,902	5,231,930
Expenses	99,865,493	93,262,118	6,603,375
Operating Surplus for the Year	4,157,339	5,528,784	-1,371,445
Transfers	(5,009,394)	(2,014,407)	-2,994,987
Total Operating Surplus (Deficit) for the year	(852,055)	3,514,377	
Operating Surplus (Deficit) beginning of the year	7,594,907	4,080,530	
Operating Surplus (Deficit) end of the year	\$ 6,742,852	\$ 7,594,907	

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, 2022.

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, 2022		June 30, 2021	
Total Revenues	\$	15,871,289	\$	17,015,540
Total Expenses		15,871,289		15,699,143
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/ Restart and Health and Safety Grant, the Federal Ventilation 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 \$11.46 million. These grants are intended to offset the additional costs associated 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:

- 60.6 FTE additional enrolling teachers needed to offset the reduction in class sizes;
- 25.6 FTE additional non-enrolling teachers for additional support; and
- 3.93 TTOC wages and other remedy 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, 2022. Lake Trail seismic is substantially complete at June 30, 2022
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, 2022		June 30, 2021	
Sites	\$	14,800,889	\$	14,151,889
Buildings		142,884,182		138,676,231
Furniture & Equipment		6,396,771		5,809,522
Vehicles		1,366,800		1,346,531
Computer Hardware		3,800,748		3,102,183
Total	\$	169,249,390	\$	163,086,356

The District has \$169.25 million of funds invested in its capital infrastructure. The majority of the District's capital assets are the school buildings (\$142.88 million).

The cost of the land that the District's schools are located on is \$14.80 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 \$8.37 million of grants were received in the year to June 30, 2022 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, 2022. Schedule 4D also reflects the Other Provincial and Other Capital funds received for the construction of the Cumberland, Arden and Glacier view childcare centers.

Schedule 4D shows a increase of \$8.224 million in bylaw capital that was then accounted for as deferred capital revenue on Schedule 4C –as Capital Additions. 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 \$4.91 million in the year to June 30, 2022 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, 2022 is \$129.3 million.

Capital Projects

During 2021-22, approximately \$8.496 million was spent on capital projects. Some of these projects include:

- Lake Trail Middle School seismic upgrade and childcare center – substantially complete
- Completion of Hornby Island Community School Replacement
- Boiler replacement at Brooklyn Elementary
- Annual Facilities Grant projects (roofing, paint, paving, flooring, lighting, fire/PA/phone 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 and amended budget process. During the 2021-22 year, \$3.98 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
	750,000	School board office renovation/update
	950,000	Technology reserve
	80,000	Contingency Reserve
	35,000	District printer - replacement
	15,000	Custodial Equipment Replacement
	250,000	Mark Isfeld Entrance Renewal
	100,000	Huband Mechanical Access
	720,000	Outdoor Classrooms
	700,000	Arden Fire Suppression
\$	3,980,000	Total Transferred

The Local Capital balance as at June 30, 2022 of \$4.41 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 \$
Facility / Information Technology reserve	\$ 1,090,742
Youth Trades Tools/Equipment Replacement	5,038
Furniture and Equipment	15,955
Board Office project	3,195,584
Fine Arts Equipment	10,888
Classroom Renovations	58,455
Copier and Printer Fleet Replacement	37,797
Total Local Capital Surplus	\$ 4,414,459



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 21-22 fiscal year. Significant impacts noted throughout this school year include:

- Revenues and expenses that fluctuated significantly from “normal” operations.
- Significantly higher enrollments in our Distributed Learning programs.
- Increased costs but significant reductions in COVID-19 funding from the Provincial and Federal governments.
- Supply chain issues

Another significant factor in the last quarter of 21-22 was the war in Ukraine. There was a significant rise in utility and transportation costs as well as escalation most notable impacting Operations and Maintenance.

The ongoing impact of the pandemic presents uncertainty over cash flows, may have a significant impact on future operations including decreases in revenue, inflation, and cost escalations 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.

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 and Childcare such as the new spaces projects are funded to current cost estimates but still contain a small 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.



Comox Valley Schools

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