

Financial Statement Discussion and Analysis

For the Year Ended June 30, 2023



Comox Valley Schools

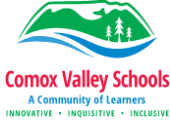
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School District No.71 (Comox Valley)

607 Cumberland Rd
Courtenay, BC V9N 7G5
www.comoxvalleyschools.ca

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



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Financial Statement Discussion & Analysis

Year Ended June 30, 2023

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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, 2023. 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 & Child Care. 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 29) illustrates the sum of the funds.

Schedule 2 (page 30) 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 35) 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 39) provides detail on the **Capital Fund**.

The capital fund accounts for:

- The capital assets of the District, including sites, buildings, furniture & equipment, vehicles, 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 on June 30, 2023. This statement indicates that assets are increasing at a faster rate than liabilities, so the Accumulated Surplus is growing.

	2022-23	2021-22	\$ Change	% Change
Financial Assets	\$ 35,790,968	\$ 33,304,652	\$ 2,486,316	7%
Non Financial Assets	174,546,904	170,415,933	4,130,971	2%
Total Assets	210,337,872	203,720,585	6,617,287	3%
Liabilities	169,734,460	165,951,740	3,782,720	1%
Accumulated Surplus	\$ 40,603,412	\$ 37,768,845	\$ 2,834,567	7%

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 7% increase in financial assets of \$2.486 million from 2021-22 resulted from changes in the following accounts:

Cash and Cash Equivalents – Note 3

At June 30, 2023, the District held \$35.12 million in cash. Of this amount, \$15.36 million has been deposited in the Province's Central Deposit Program, and District funds of \$19.76 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, 2023	June 30, 2022
School Generated Funds	\$ 836,830	\$ 793,177
District Funds	18,774,056	17,241,312
Restricted Funds - Teacher Salary Deferral Program	151,204	216,712
BC Ministry of Finance Central Deposit Program	15,364,815	13,719,080
Total Cash and Cash Equivalents	\$ 35,126,905	\$ 31,970,281

Accounts Receivable – Note 4

Accounts receivable at June 30, 2023, include a Ministry of Education and Child Care (MOECC) receivable, a GST receivable and other trade receivables.

Accounts Receivable	June 30, 2023	June 30, 2022
Due from Province - Ministry of Education	\$ 139,896	\$ 894,884
Due from Federal Government	386,170	376,063
Other	137,997	63,424
Total Accounts Receivable	\$ 664,063	\$ 1,334,371

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 (sites), 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 \$173.53 million as at June 30, 2023. The increase of \$4.18 million over the prior year is comprised of new assets purchased less amortization.

Capital activity during the year included the 2488 Idiens Way administrative office project, the Lake Trail, Cumberland, Glacier View and Arden Childcare Centers, HVAC projects at Glacier View and NIDES, a roofing project at Ecole Mark Isfeld, and the purchase of vehicles, laptops, computers and technology.

Prepaid Expenses

Prepaid expenses represent insurance, municipal utilities, licenses, and materials that are for the following year and total \$1.017 million at June 30, 2023. Also included is \$0.358 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 97 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 \$3.78 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 increase of \$1.91 million from 2021-22 is mainly due an increase in trade payables and the salary increases reflecting higher accruals and liabilities relating to wages.

Accounts Payable and Accrued Liabilities	June 30, 2023	June 30, 2022
Trade and other amounts payable	\$ 1,908,782	\$ 1,322,890
Salaries and benefits payable	3,463,553	3,097,723
Accrued vacation payable	486,090	468,778
Accrued wages and benefits	773,258	626,831
Summer savings plan	3,558,841	3,336,029
Deferred salary leave	151,204	216,712
Deferred homestay revenues	1,455,950	1,471,150
Other accrued liabilities	1,056,498	405,004
Total Accounts Payable and Accrued Liabilities	\$ 12,854,176	\$ 10,945,117

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 \$2.4 million represents international student fees received prior to June 30, 2023, for tuition in the 2023-24 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, 2023	June 30, 2022
School generated funds - amounts raised by schools for specific projects, such as class trips, school fees and other fundraising	\$ 816,763	\$ 768,112
Scholarships and bursaries - balances administered by the District and amounts awarded but not yet claimed	771,917	759,143
Professional development - contractual funds set aside for support staff, principals/vice-principals and exempt staff	128,821	140,062
Other unspent targeted funds	460,772	294,594
Total Deferred Revenue	\$ 2,178,273	\$ 1,961,911

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 & Child Care (MOECC). 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 \$173.5 million of tangible capital assets. Of this, \$134.9 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 \$4.01 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 \$133.94 million. This is heavily skewed by the deferred capital revenue liability of \$134.88 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 \$.938 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, targeted grants, funds held for future modulars, furniture or project needs, outstanding purchase orders and the School Board Office project. The amount of internally restricted surplus is \$3,804,757. In addition, as per Board Policy, there is a 2% unrestricted contingency surplus of \$2,146,443.

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 operating revenues. Local capital reserves have been set aside for future replacement of District assets and have not been funded by the Province or external contributions. *Note the 2022 Total Accumulated Surplus was adjusted by the ARO Prior Period Adjustment from \$51,083,090 to \$37,768,845.

Accumulated Surplus	June 30, 2023	June 30, 2022
Operating Fund	\$ 5,951,200	\$ 6,742,852
Capital Fund - local capital (amounts available to spend on future capital asset purchases)	6,230,133	4,414,458
Capital Fund - invested in tangible capital assets (the cost of assets owned by the district, net of amortization and targeted grants)	28,422,079	26,611,535
Total Accumulated Surplus	\$ 40,603,412	\$ 37,768,845

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, 2023	June 30, 2022
Total Revenues	136,641,792	124,885,798
Total Expenses	133,807,225	122,983,323
Surplus for the year	\$ 2,834,567	\$ 1,902,475

Ministry of Education & Child Care grant funding increased from 2022 by \$9.730 million. This is a result of increased per student funding, higher enrolment in NIDES and funding for increased unionized and exempt salaries.

Expenses increased from 2022 by \$10.824 million as wage increases were implemented, and additional educational resources were allocated to support the additional students, planned spending to draw down surplus and local capital.

Overall, the District's revenues exceeded its expenditures by \$2.83 million. Broken down by fund, this variance arises as follows:

Fund	Surplus / (deficit) for the year	Commentary
Operating Fund	\$ 5,204,735	See discussion and analysis in the Operating Fund section of this document.
Special Purpose Funds	88,816	Tangible Capital Assets purchased from Special Purpose Funds this year
Capital Fund	\$ (2,458,984)	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	\$ 2,834,567	

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, 2023 and year to June 30, 2022 are shown.

Schedule	Page	Overview
2	30	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	31	Outlines in more detail the operating revenues earned by the District.
2B	32	Summarizes salaries by employee group and other operating cost categories.
2C	33-34	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	2022-23 Actual \$\$	2022-23 Budget \$\$	Variance \$\$	Variance %
Provincial Grants - MOE	\$ 107,487,074	\$ 106,699,641	\$ 787,433	0.74%
Provincial Grants - Other	231,500	217,000	14,500	6.68%
Tuition	2,976,038	2,976,750	(712)	-0.02%
Other Revenue	857,225	835,222	22,003	2.63%
Rentals and Leases	169,031	130,000	39,031	30.02%
Investment Income	806,020	653,693	152,327	23.30%
Total Revenue	\$ 112,526,888	\$ 111,512,306	\$ 1,014,582	0.91%

Provincial Grants – Ministry of Education

95.6% of the District's operating funding is from the Ministry of Education & Child Care. 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 difference in Provincial Grants of \$0.79 million (0.74%) from what was budgeted was mainly due to the announcement of additional funding for Exempt compensation increases.

Provincial Grants – Other

The amount reflected here of \$0.23 million is the funding received from the Industry Training Authority for trades related programming within the Careers department. An increase of 6.68% due to higher than anticipated completion of trades related courses.

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. There was an extremely small adjustment decreasing revenue.

Other Revenue

Other revenue includes Local Education Agreement (LEA) funding from First Nations, Instructional Cafeteria revenue, the DL program delivered to NISGA (SD#92) students and other miscellaneous revenues received during the year. The difference in other revenue of \$0.02 million (2.63%) from what was budgeted was due to higher than anticipated billing in the second half of the year for NISGA (SD#92).

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 increase from what was budgeted resulted from normalizing after COVID and having a full fiscal of rentals.

Investment Income

Investment income is interest earned on cash balances. The increase of \$0.67 million is due to a large increase in interest rates that had been expected to level but continued to increase.

Overall, the total revenue for the year was \$1.01 million (0.91%) more than what was forecast in the amended budget, mainly due to the labour settlement funding.

The following table compares actual revenues for 2022-23 to actual revenues for the prior year.

Revenue	2022-23 Actual \$\$	2021-22 Actual \$\$	Variance \$\$	Variance %
Provincial Grants - MOE	\$ 107,487,074	\$ 99,840,808	\$ 7,646,266	7.66%
Provincial Grants - Other	231,500	275,900	(44,400)	-16.09%
Tuition	2,976,038	2,959,945	16,093	0.54%
Other Revenue	857,225	752,926	104,299	13.85%
Rentals and Leases	169,031	62,125	106,906	172.08%
Investment Income	806,020	131,128	674,892	514.68%
Total Revenue	\$ 112,526,888	\$ 104,022,832	\$ 8,504,056	8.18%

Overall, the total revenues for the year were \$8.50 million (8.18%) more than the prior year. This is mainly due to increased funding from MOECC for labour and exempt salary increases in addition to increased enrolment and investment income.

Operating Expenditures

Expenditures are reported by function for the District. The table below summarizes total expense by function for the year to June 30, 2023.

Function	2022-23 \$\$	2022-23 % of total
Instruction	\$87,875,849	81.9%
District Administration	4,103,220	3.8%
Operations and Maintenance	12,653,164	11.8%
Transportation	2,689,920	2.5%
Total	\$107,322,153	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	2022-23 Actual \$\$	2022-23 Budget \$\$	Variance \$\$	Variance %
Instruction	\$ 87,875,849	\$ 90,429,153	\$ (2,553,304)	-2.82%
District Administration	4,103,220	4,503,261	(400,041)	-8.88%
Operations and Maintenance	12,653,164	12,818,629	(165,465)	-1.29%
Transportation	2,689,920	2,628,349	61,571	2.34%
Total	\$ 107,322,153	\$ 110,379,392	\$ (3,057,239)	-2.77%

Costs related to the Instruction function were \$2.55 million (-2.82%) less than what was budgeted for mainly due to unfilled positions and the staffing holdback. The amended budget was cautious leaving full budgets in place for comparison when drafting the 23-24 preliminary budget so expense allocations can be fully reviewed and right sized.

Overall, the variance in operating expenditures from budget in 2022-23 is \$-3.06 million (-2.77%).

The following table compares actual expenditures for 2022-23 to actual expenditures by function for the prior year.

Function	2022-23 Actual \$\$	2021-22 Actual \$\$	Variance \$\$	Variance %
Instruction	\$ 87,875,849	\$ 81,237,021	6,638,828	8.17%
District Administration	4,103,220	3,792,981	310,239	8.18%
Operations and Maintenance	12,653,164	12,434,018	219,146	1.76%
Transportation	2,689,920	2,401,473	288,447	12.01%
Total	\$ 107,322,153	\$ 99,865,493	7,456,660	7.47%

Instruction expenses have increased over the prior year by \$6.64 million (8.17%) due to increased enrolment, increased teacher staffing, and wage increases for administrators, teachers and support staff. As well, when enrolments increase the services and supplies required to support the students also increase. Expenses were volatile in 22-23 with some under expenses projections and others above due to world events.

District Administration has increased \$0.31 million (8.18%) due to the wage increases and additional staffing costs.

Operations and maintenance expenses have increased over the prior year by \$0.22 million (1.76%) due to salary increases. The department worked really hard to keep within the budget despite cost escalations

Transportation expenses have increased over the prior year by \$0.29 million (12%) due to fuel surcharges and a contractual increase.

Overall, the variance in expenditures year over year from 2021-22 is \$7.5 million (7.47%).

Operating Surplus

The total operating surplus for the year as at June 30, 2023 is \$5.95 million. This is calculated on Schedule 2, on page 30 of the financial statements.

The annual operating surplus is \$5.20 million, which is reduced by transfers during the year that were approved by the Board. These included a \$5.54 million transfer to Local Capital, and an additional \$.46 million of operating funds that were used to purchase capital assets. This resulted in an annual operating deficit of \$0.79 million. The operating surplus at the beginning of the year was \$6.74 million, so the net effect at the end of the year is a total accumulated operating surplus of \$5.95 million.

Operating	2022-23	2021-22	Increase / (Decrease)
Revenues	112,526,888	104,022,832	8,504,056
Expenses	107,322,153	99,865,493	7,456,660
Operating Surplus for the Year	5,204,735	4,157,339	1,047,396
Transfers	(5,996,387)	(5,009,394)	-986,993
Total Operating Surplus (Deficit) for the year	(791,652)	(852,055)	
Operating Surplus (Deficit) beginning of the year	6,742,852	7,594,907	
Operating Surplus (Deficit) end of the year	\$ 5,951,200	\$ 6,742,852	

SPECIAL PURPOSE FUNDS

Overview

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

Schedule	Page	Overview
3	35	Summarizes the total revenues and expenses of all special purpose funds. Also indicates the amounts spent on capital assets.
3A	36-39	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 & Child Care or other sources that have been designated for a specific purpose.

Year Ended	June 30, 2023	June 30, 2022
Total Revenues	\$ 18,445,226	\$ 15,871,289
Total Expenses	18,356,410	15,871,289
Tangible Capital Assets Purchased	88,816	-
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, Student & Family Affordability Fund, Comox Valley Community Foundation Student Travel, MHIS Resources, Early Care & Learning, Early Childhood Education Dual Credit Program, SEY2KT (Early Years to Kindergarten) and the Classroom Enhancement Fund.

Classroom Enhancement Funds

The grants from the Classroom Enhancement Funds (three components) totalled \$12.65 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:

- 68.6 FTE additional enrolling teachers needed to offset the reduction in class sizes;
- 25.6 FTE additional non-enrolling teachers for additional support; and

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 16% 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	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, 2023.
4C	42	Accounts for sources of 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.

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, 2023	June 30, 2022
Sites	\$ 14,800,889	\$ 14,800,889
Buildings	146,686,756	142,884,182
Furniture & Equipment	7,375,228	6,396,771
Vehicles	1,308,852	1,366,800
Computer Hardware	3,358,042	3,800,748
Total	\$ 173,529,767	\$ 169,249,390

The District has \$173.53 million of funds invested in its capital infrastructure. The majority of the District’s capital assets are the school buildings (\$146.69 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 \$3.79 million of grants were received in the year to June 30, 2023 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, 2023. 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 \$3.71 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 \$5.48 million in the year to June 30, 2023 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, vehicles, classroom furniture and equipment, administrative buildings, and maintenance equipment.

The total deferred capital revenue balance at June 30, 2023 is \$132 million.

Capital Projects

During 2022-23, approximately \$8.46 million was spent on capital projects. Some of these projects include:

- Arden, Glacier View, Cumberland and Lake Trail Childcare projects
- HVAC replacement at Glacier View and NIDES
- Annual Facilities Grant projects (roofing, paint, paving, flooring, lighting, fire/PA/phone upgrades)
- Roofing project at Mark Isfeld
- Planned local capital spending

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 2022-23 year, \$5.54 million was transferred. When combined with amounts carried forward, the balance in Local Capital is \$6.23 million allocated in the following categories:

Purpose	Amount \$
Facility / Information Technology reserve	\$ 639,544
Fine Arts Equipment	10,888
Board Office project	5,485,965
Classroom Renovations	72,017
Copier and Printer Fleet Replacement	21,719
Total Local Capital Surplus	\$ 6,230,133

The main strategic project is the new Administrative Office at 2488 Idiens Way.

RISKS AND UNCERTAINTIES

World Events

A significant factor carried forward from 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. However, the cost-of-living increases were offset by a significant increase in interest rates which helped balance the statements.

The ongoing impact of the COVID-19 pandemic, the war and inflation presents uncertainty over cash flows, may have a significant impact on future operations including decreases in revenue, further 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. Capital projects are carefully managed and 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.

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.



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