

Financial Statement Discussion and Analysis

For the Year Ended June 30, 2024



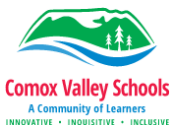
Comox Valley Schools

A Community of Learners

INNOVATIVE • INQUISITIVE • INCLUSIVE

School District No.71 (Comox Valley)

2488 Idiens Way
Courtenay, BC
V9N 9B5



School District No. 71 (Comox Valley)

Financial Statement Discussion & Analysis

Year Ended June 30, 2024

Contents

Introduction	2
About BC School District Financial Statements	2
Composition of the Financial Statements	3
Statement of Financial Position (All funds)	4
Statement of Operations (All funds)	9
Operating Fund.....	10
Special Purpose Funds	15
Capital Fund.....	17
Risks and Uncertainties	20
Contacting School District Financial Management.....	21

INTRODUCTION

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2024. 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 4), 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 5), 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 June 30th ending balances.

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 4.

This statement summarizes the assets and liabilities on June 30, 2024. This statement indicates that overall assets and liabilities are both increasing at a similar rate and Accumulated Surplus continues to grow at a similar rate. However, financial assets (cash balances) are declining as capital assets are purchased. Financial Assets are an indication of the Districts' ability to discharge future obligations.

	2023-24	2022-23	\$ Change	% Change
Financial Assets	\$ 33,749,776	\$ 35,790,968	\$ (2,041,192)	-6%
Non Financial Assets	187,405,185	174,546,904	12,858,281	7%
Total Assets	221,154,961	210,337,872	10,817,089	5%
Liabilities	177,723,870	169,734,460	7,989,410	5%
Accumulated Surplus	\$ 43,431,091	\$ 40,603,412	\$ 2,827,679	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 6% decrease in financial assets of \$2.04 million from 2022-23 resulted from changes in the following accounts:

Cash and Cash Equivalents – Note 3

At June 30, 2024, the District held \$32.73 million in cash. Of this amount, \$148,764 has been deposited in the Province's Central Deposit Program, and District funds of \$32.579 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, 2024	June 30, 2023
School Generated Funds	\$ 840,670	\$ 836,830
District Funds	31,496,830	18,774,056
Restricted Funds - Teacher Salary Deferral Program	241,569	151,204
BC Ministry of Finance Central Deposit Program	148,764	15,364,815
Total Cash and Cash Equivalents	\$ 32,727,833	\$ 35,126,905

Accounts Receivable – Note 4

Accounts receivable at June 30, 2024, include a Ministry of Education and Child Care (MOECC) receivable, a GST receivable and other trade receivables.

Accounts Receivable	June 30, 2024	June 30, 2023
Due from Province - Ministry of Education	\$ 312,288	\$ 139,896
Due from Province - Other		
Due from Federal Government	523,231	386,170
Other	186,424	137,997
Total Accounts Receivable	\$ 1,021,943	\$ 664,063

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 10

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 \$186.50 million as at June 30, 2024. The increase of \$12.97 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 Cumberland, Glacier View and Arden Childcare Centres, HVAC projects at Glacier View and Denman, GP Vanier Interior Upgrades, Denman Playground, the start of electrical upgrades at Highland, 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 \$901,596 at June 30, 2024. Also included is \$353,939 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 96 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 \$7.99 million from 2022-23 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 \$1.097 million from 2022-23 is mainly due to an increase in trade payables and the salary increases reflecting higher accruals and liabilities relating to wages.

Accounts Payable and Accrued Liabilities	June 30, 2024	June 30, 2023
Trade and other amounts payable	\$ 2,495,888	\$ 1,908,782
Salaries and benefits payable	3,509,099	3,463,553
Accrued vacation payable	590,884	486,090
Accrued wages and benefits	1,050,066	773,258
Summer savings plan	4,072,398	3,558,841
Deferred homestay revenues	1,640,925	1,455,950
Other accrued liabilities	591,811	1,207,702
Total Accounts Payable and Accrued Liabilities	\$ 13,951,071	\$ 12,854,176

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 \$2.8 million represents international student fees received prior to June 30, 2024, for tuition in the 2024-25 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, 2024	June 30, 2023
School generated funds - amounts raised by schools for specific projects, such as class trips, school fees and other fundraising	\$ 820,602	\$ 816,763
Scholarships and bursaries - balances administered by the District and amounts awarded but not yet claimed	817,411	771,917
Professional development - contractual funds set aside for support staff, principals/vice-principals and exempt staff	153,121	128,821
Other unspent targeted funds	1,104,713	460,772
Total Deferred Revenue	\$ 2,895,847	\$ 2,178,273

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 \$186.5 million of tangible capital assets. Of this, \$140.6 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 \$4.12 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 \$143.97 million. This is heavily skewed by the deferred capital revenue liability of \$140.57 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 debt of \$3.4 million.

Accumulated Surplus – Note 18

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, contribution to Ministry approved major capital projects, local government shared use agreements, outstanding purchase orders, and the School Board Office project (relocation and modification to Cumberland Road facility). The amount of internally restricted surplus is \$2,896,050. In addition, as per Board Policy, there is a 2% unrestricted contingency surplus of \$2,386,033.

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.

Accumulated Surplus	June 30, 2024	June 30, 2023
Operating Fund	\$ 5,282,083	\$ 5,951,200
Capital Fund - local capital (amounts available to spend on future capital asset purchases)	2,175,658	6,230,133
Capital Fund - invested in tangible capital assets (the cost of assets owned by the district, net of amortization and targeted grants)	35,973,350	28,422,079
Total Accumulated Surplus	\$ 43,431,091	\$ 40,603,412

STATEMENT OF OPERATIONS (All funds)

Statement 2 – page 5

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, 2024	June 30, 2023
Total Revenues	150,416,381	136,641,792
Total Expenses	147,588,702	133,807,225
Surplus for the year	\$ 2,827,679	\$ 2,834,567

Ministry of Education & Child Care grant funding increased from 2023 by \$12.92 million. This is a result of increased per student funding, higher enrolment, and funding for increased unionized and exempt salaries.

Expenses increased from 2023 by \$13.78 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, increased employee benefit expenses, inflationary increases to supplies and services.

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	\$ 5,481,135	See discussion and analysis in the Operating Fund section of this document.
Special Purpose Funds	-	
Capital Fund	\$ (2,653,456)	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	\$ 2,827,679	

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, 2024 and year to June 30, 2023 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	2023-24 Actual \$\$	2023-24 Budget \$\$	Variance \$\$	Variance %
Provincial Grants - MOECC	\$ 119,681,390	\$ 117,524,674	\$ 2,156,716	1.84%
Provincial Grants - Other	226,500	222,000	4,500	2.03%
Tuition	3,052,977	2,970,250	82,727	2.79%
Other Revenue	694,257	509,117	185,140	36.36%
Rentals and Leases	134,800	150,000	(15,200)	-10.13%
Investment Income	992,839	975,000	17,839	1.83%
Total Revenue	\$ 124,782,763	\$ 122,351,041	\$ 2,431,722	1.99%

Provincial Grants – Ministry of Education

96% 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 supports 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 & Child Care.

The difference in Provincial Grants of \$2.16 million (1.84%) from what was budgeted was mainly due to higher than expected enrolment in online learning and inclusive education.

Provincial Grants – Other

The amount reflected here of \$226,500 is the funding received from Skilled Trades BC (formerly known as the Industry Training Authority) for trades related programming within the Careers department.

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.

Other Revenue

Other revenue includes Local Education Agreement (LEA) funding from First Nations, Instructional Cafeteria revenue, the OL program delivered to NISGA (SD#92) students and other miscellaneous revenues received during the year. The difference in other revenue of \$185,140 (36.36%) from what was budgeted was due to higher than anticipated billing in 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 decrease from what was budgeted was the result of a timing difference of prior year summer rentals received.

Investment Income

Investment income is interest earned on cash balances.

Overall, the total operating revenue for the year was \$2.43 million (1.99%) more than what was forecast in the amended budget, mainly due to higher than anticipated enrolment.

The following table compares actual revenues for 2023-24 to actual revenues for the prior year.

Revenue	2023-24 Actual \$\$	2022-23 Actual \$\$	Variance \$\$	Variance %
Provincial Grants - MOECC	\$ 119,681,390	\$ 107,487,074	\$ 12,194,316	11.34%
Provincial Grants - Other	226,500	231,500	(5,000)	-2.16%
Tuition	3,052,977	2,976,038	76,939	2.59%
Other Revenue	694,257	857,225	(162,968)	-19.01%
Rentals and Leases	134,800	169,031	(34,231)	-20.25%
Investment Income	992,839	806,020	186,819	23.18%
Total Revenue	\$ 124,782,763	\$ 112,526,888	\$ 12,255,875	10.89%

Overall, the total revenues for the year were \$12.26 million (10.89%) 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, 2024.

Function	2023-24 \$\$	2023-24 % of total
Instruction	\$97,488,814	81.7%
District Administration	4,724,382	4.0%
Operations and Maintenance	14,198,679	11.9%
Transportation	2,889,753	2.4%
Total	\$119,301,628	100.0%

Instruction

This function incorporates all programs related to the instruction of students, including Regular Instruction, Career Programs, Library Services, Counselling, Inclusive Education, Early Learning & Child Care, 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, early learning & childcare 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	2023-24 Actual \$\$	2023-24 Budget \$\$	Variance \$\$	Variance %
Instruction	\$ 97,488,814	\$ 98,337,539	\$ (848,725)	-0.86%
District Administration	4,724,382	5,122,711	(398,329)	-7.78%
Operations and Maintenance	14,198,679	13,973,674	225,005	1.61%
Transportation	2,889,753	2,828,963	60,790	2.15%
Total	\$ 119,301,628	\$ 120,262,887	\$ (961,259)	-0.80%

Costs related to the Instruction function were \$848,725 (-0.86%) less than what was budgeted and can be explained by some PVP salaries being lower than budgeted, daily unfilled EA positions, some unfilled positions and the underspend of service and supply budgets in both Indigenous Education and NIDES. District Administration was \$398,329 (-7.78%) less than budgeted do to the timing of filling; as a number of positions were filled for only a portion of the year and there were some employees on leaves that were not replaced.

Overall, the variance in operating expenditures from budget in 2023-24 is- \$961,259 (-0.8%).

The following table compares actual expenditures for 2023-24 to actual expenditures by function for the prior year.

Function	2023-24 Actual \$\$	2022-23 Actual \$\$	Variance \$\$	Variance %
Instruction	\$ 97,488,814	\$ 87,875,849	9,612,965	10.94%
District Administration	4,724,382	4,103,220	621,162	15.14%
Operations and Maintenance	14,198,679	12,653,164	1,545,515	12.21%
Transportation	2,889,753	2,689,920	199,833	7.43%
Total	\$ 119,301,628	\$ 107,322,153	11,979,475	11.16%

Instruction expenses have increased over the prior year by \$9.6 million (10.94%) 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.

District Administration has increased \$621,162 (15.14%) due to the wage increases and additional staffing costs related to capacity building.

Operations and maintenance expenses have increased over the prior year by \$1.5 million (12.21%) due to salary increases, inflation, and maintaining additional classroom space due to increased enrolment.

Transportation expenses have increased over the prior year by \$199,833 (7.43%) due to fuel surcharges and a contractual increase.

Overall, the variance in expenditures year over year from 2022-23 is \$11.98 million (11.16%).

Operating Surplus

The total operating surplus for the year as at June 30, 2024 is \$5.28 million. This is calculated on Schedule 2, on page 30 of the financial statements.

The annual operating surplus is \$5.48 million, which is reduced by transfers during the year that were approved by the Board. These included a \$5.91 million transfer to Local Capital, and an additional \$.25 million of operating funds that were used to purchase capital assets. This resulted in an annual operating deficit of \$0.67 million. The operating surplus at the beginning of the year was \$5.95 million, so the net effect at the end of the year is a total accumulated operating surplus of \$5.28 million.

Operating	2023-24	2022-23	Increase / (Decrease)
Revenues	124,782,763	112,526,888	12,255,875
Expenses	119,301,628	107,322,153	11,979,475
Operating Surplus for the Year	5,481,135	5,204,735	276,400
Transfers	(6,150,252)	(5,996,387)	(153,865)
Total Operating Surplus (Deficit) for the year	(669,117)	(791,652)	
Operating Surplus (Deficit) beginning of the year	5,951,200	6,742,852	
Operating Surplus (Deficit) end of the year	\$ 5,282,083	\$ 5,951,200	

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	36-38	Outlines, by each group of funds, the grants received and expenses for the year to June 30, 2024.

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, 2024	June 30, 2023
Total Revenues	\$ 19,654,563	\$ 18,445,226
Total Expenses	19,654,563	18,356,410
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, Health Career Grants, Early Care & Learning, Early Childhood Education Dual Credit Program, SEY2KT (Early Years to Kindergarten), Feeding Futures, and the Classroom Enhancement Fund.

Classroom Enhancement Funds

The grants from the Classroom Enhancement Funds (three components) totalled \$13.02 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:

- 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 10

Net Book Value	June 30, 2024	June 30, 2023
Sites	\$ 14,800,889	\$ 14,800,889
Buildings	158,378,176	146,686,756
Furniture & Equipment	8,658,070	7,375,228
Vehicles	1,296,593	1,308,852
Computer Hardware	3,369,861	3,358,042
Total	\$ 186,503,589	\$ 173,529,767

The District has \$186.50 million of funds invested in its capital infrastructure. The majority of the District’s capital assets are the school buildings (\$158.38 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 completion or ongoing projects or are unspent.

Schedule 4D illustrates that \$3.73 million of grants were received in the year to June 30, 2024 from the Ministry of Education & Child Care 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 now spent as of June 30, 2024. Schedule 4D also reflects the Other Provincial and Other Capital funds received for the construction of the Cumberland, Arden, Glacier view, and GP Vanier childcare centres. The balance of \$3.45 million at the end of year represents funds received but not expended at June 30th towards the GP Vanier childcare project and Highland electrical upgrade.

Schedule 4D shows a decrease of \$11.066 million in 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 \$5.50 million in the year to June 30, 2024 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, 2024 is \$137 million.

Capital Projects

During 2023-24, approximately \$14 million was spent on capital projects. Some of these projects include:

- HVAC replacement at Denman Island and upgrades at Glacier View
- Annual Facilities Grant projects (roofing, paint, paving, flooring, lighting, fire/PA/phone upgrades)
- GP Vanier Interior Construction
- Start of Highland electrical upgrades
- Cumberland, Arden, Glacier View Childcare Centres
- Planned local capital spending (includes Board Office project)
- Denman Playground

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 2023-24 year, \$5.91 million was transferred. After the annual approved purchases the balance in Local Capital is \$2.18 million allocated in the following categories:

Purpose	Amount \$
Information Technology Reserve	\$ 122,691
Modulars	1,452,652
Board Office project	512,047
Contingency Reserve	71,265
Fleet Replacement/Facility, Trades Reserves	17,003
Total Local Capital Surplus	\$ 2,175,658

RISKS AND UNCERTAINTIES

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 & Child Care 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 Child Care 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 partners 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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