



**Financial Statement
Discussion and Analysis**

For the Year Ended June 30, 2019

School District No. 63 (Saanich)
Financial Statement Discussion & Analysis
For the Year Ended June 30, 2019

The following is a discussion and analysis of the Saanich School District's financial performance for the fiscal year ended June 30, 2019. This report is a summary of the district's financial activities based on currently known facts, decisions, or conditions. The results of the current year are discussed in comparison with the prior year and budget. This report should be read in conjunction with the district's financial statements.

OVERVIEW OF THE SCHOOL DISTRICT

The Saanich School District serves more than 7,400 student FTE in: 14 neighborhood schools (8 elementary schools, 3 middle schools, and 3 secondary schools); the Children's Development Centre; the South Island Distance Education School (SIDES); the Individual Learning Centre (ILC), the Continuing Education program; and the Saanich International Student Program.

Strategic Plan 2020 guides the Board of Education and its employees and partners in delivering educational programs through the period 2017/18 to 2020/21. The Strategic Plan is organized around the following four themes under which detailed goals with measurable objectives have been developed:

- Student Success;
- Diversity and Inclusion;
- Relationships and Partnerships; and
- Operational Excellence.

UNDERSTANDING SCHOOL DISTRICT FINANCIAL PERFORMANCE

Annual surplus and accumulated surplus¹ are key financial statement performance indicators; however, interpreting the meaning of these figures in BC school districts is complicated by the use of fund accounting and deferral accounting. The use of fund accounting means the financial statements of school districts are a consolidation of three separate funds (operating, special purpose and capital), and each of these funds differs with respect to the methods of accounting used and the legislative and other constraints on budgeting and financial results. This means financial performance can only be fully understood by reviewing each fund separately. Financial performance for each fund is reported in the supplementary schedules that follow the notes to the financial statements.

¹ Annual surplus is the extent to which annual revenues exceed expenses. If annual expenses exceed revenues the result is referred to as an annual deficit. An accumulated surplus position is the extent to which revenues from all previous years have exceeded expenses from all previous years. An accumulated deficit position occurs when expenses from all previous years exceed revenues from all previous years. When an accumulated deficit occurs, it means future revenues are needed to pay for past expenditures.

| | |
|--|--|
| <p>Operating Fund</p> <p>2019 Revenues: \$78.7 million</p> | <p>Annual program revenues and expenditures are reported within the operating fund and special purpose fund (see below). Annual and accumulated surplus within the operating fund are important indicators of financial performance and financial health for school districts. This is because school districts are not permitted to budget for or incur an <u>accumulated</u> deficit position. This means when a school district has accumulated operating surplus available it can be used to budget for future expenditures and to reduce financial risk associated with unforeseen circumstances.</p> |
| <p>Special Purpose Fund</p> <p>2019 Revenues: \$12.9 million</p> | <p>The special purpose fund includes grants and school generated funds that are restricted for a specific purpose. Annual and accumulated surplus is always zero because revenues are recognized only as related expenditures occur (deferral method of accounting). If expenditures for a program within the special purpose fund exceed available revenues, the resulting deficit is transferred to the operating fund, reducing accumulated operating surplus.</p> |
| <p>Capital Fund</p> <p>2019 Capital Funding Received or Receivable: \$6.8 million</p> <p>2019 Capital Assets Purchased: \$7.4 million</p> | <p>The capital fund reports investment in and financing activities related to capital assets. Capital contributions (funding) from the Province are accounted for using the deferral method of accounting, whereby recognition of capital funding revenue is spread out over the life of the related capital assets to match with the amortization expense which reflects the use of the asset over its life. This means capital fund revenues are not a reflection of funding actually received in a given year. Also, capital revenues only offset amortization expense in the capital fund to the extent assets were funded by provincial capital grants. As many capital investments are funded by operating revenues (recorded as transfers of accumulated operating surplus to the capital fund), the capital fund normally reports an annual deficit.</p> <p>In short, capital fund revenues, expenses and annual deficit are not a meaningful indicator of annual financial performance.</p> |

FINANCIAL HIGHLIGHTS

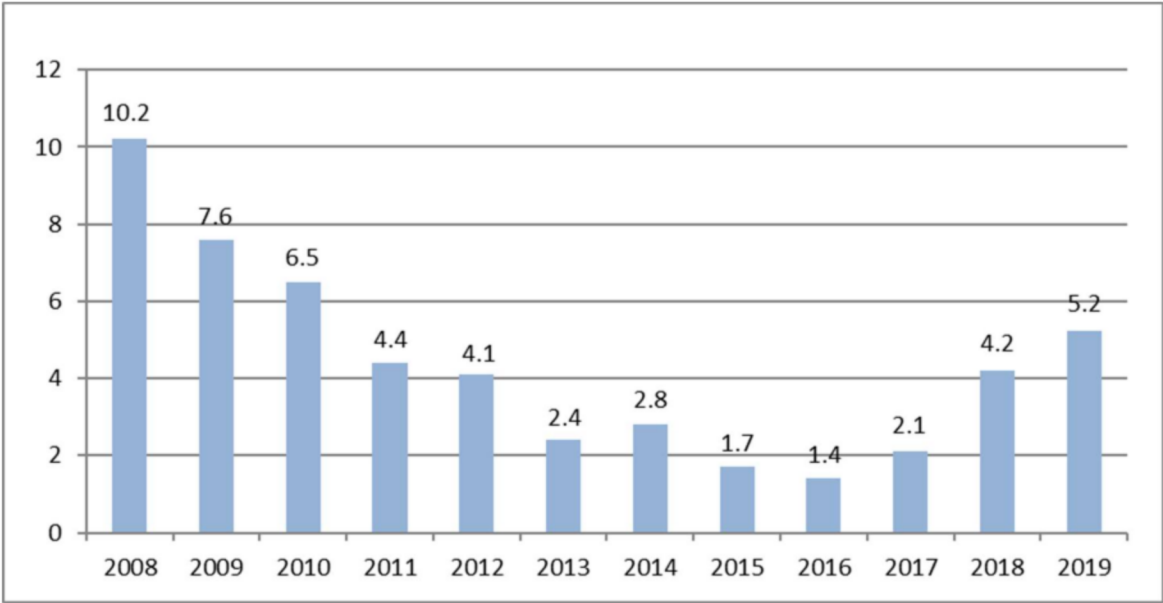
As reported in the Statement of Operations, for the year ended June 30, 2019 the district’s revenues exceeded its expenses resulting in an annual surplus of \$162,543 (2018 result was a surplus of \$1,537,792). This was comprised of the combined financial results of the operating fund and the capital fund as follows:

| Annual Surplus (Deficit) | June 30, 2019 | June 30, 2018 |
|--------------------------|------------------|------------------|
| Operating Fund | 1,042,562 | 2,101,783 |
| Capital Fund | (880,019) | (563,991) |
| Combined | 162,543 | 1,537,792 |

Looking at the operating fund, the annual surplus of \$1,042,562 resulted in an increase to accumulated operating surplus from \$4,197,991 at the beginning of the year to \$5,240,553 as at June 30, 2019. This growth exceeded budget and the forecast expectation that accumulated operating surplus would remain stable or grow modestly. This occurred because overall revenues were higher and service and supplies expense were lower than budget and forecast.

Depletion of accumulated operating surplus had been the cause of heightened budget pressure until recent years. As shown in Exhibit 1, accumulated operating surplus decreased from \$10.2 million at the end of fiscal year 2008 to a low of \$1.4 million in fiscal year 2016 before recovering over the past 3 years.

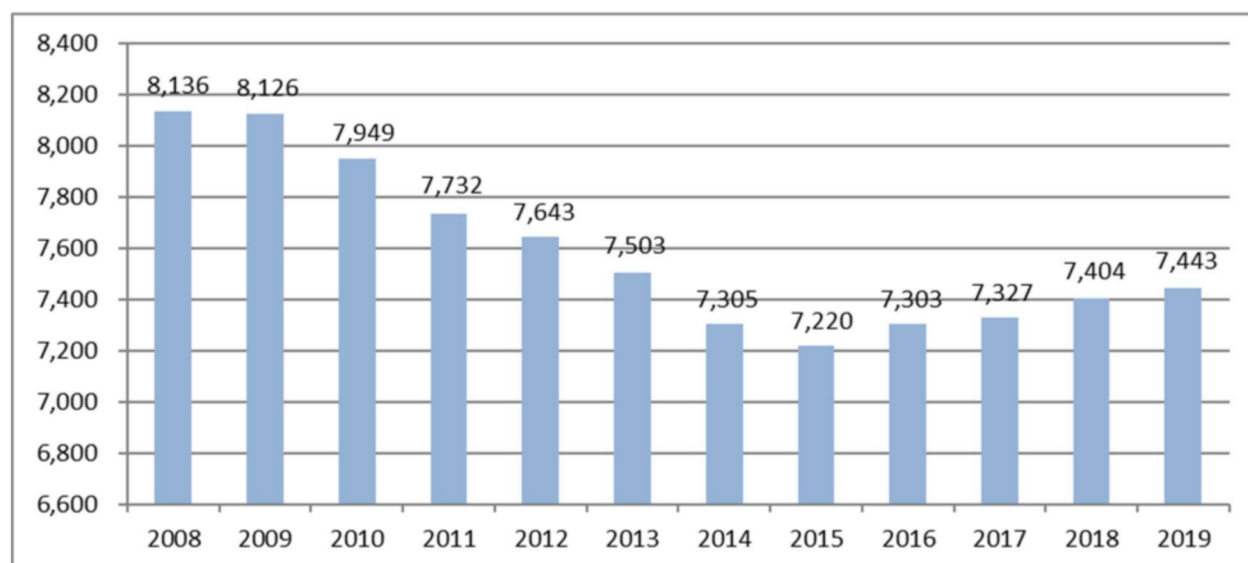
Exhibit 1: Accumulated Operating Surplus (\$ millions) by Fiscal Year



This historical depletion of accumulated operating surplus was largely the result of the combined effect of declining student enrolment and funding rates that did not pace inflation. Provincial operating grants, which comprise approximately 85% of total operating fund revenues, are determined largely based on student enrolment. As enrolment and funding declines, financial pressure results because many program expenditures such as facility and administration costs do not vary directly with student enrolment.

The trend in student enrolment is important for understanding both historical financial performance and the risk related to future budgetary balance. As shown in Exhibit 2, student enrolment has been growing modestly for the past 4 years following a prolonged period of enrolment decline. The district is forecasting continued enrolment growth going forward. Under the current per pupil funding formula, when enrolment increases a district is better able to fund overall program costs increasing financial flexibility. As discussed in the significant financial events section on page 5, the ministry is finalizing a comprehensive review of the funding model with the goal of implementing a new funding model for the 2020/21 fiscal year.

Exhibit 2: Funded FTE Enrolment by Fiscal Year



Capital Investment

During the year ended June 30, 2019, the district invested \$8.0 million in capital additions that were funded by: Provincial capital funding (\$6.5 million); ministry restricted capital² (\$0.9 million); and the operating fund (\$0.6 million). Capital additions during the year included the following projects:

| Project | Total Budgeted Cost | Invested in 2018/19 | Completion Date |
|--|---------------------|---------------------|-----------------|
| Keating Elementary Seismic Mitigation and 4 Classroom Addition | \$6.2m | \$4.5m | September 2019 |
| Lochside HVAC upgrade | \$1.0m | \$0.6m | January 2019 |
| Dust Extraction Equipment Replacement | \$0.5m | \$0.5m | Ongoing |
| Roof Replacements C Bay, Claremont, Prospect Lake | \$0.5m | \$0.5m | Fall 2019 |

Significant Financial Events

- Class Size and Composition Language** - Following a ruling by the Supreme Court of Canada, in the fall of 2017 all school districts in the Province restored class size and composition language that had been previously removed from the teachers' contract in 2002. This restoration was a significant undertaking in the Saanich School District and involved hiring more than 50 teachers, developing new administrative processes and the creation of additional classroom space. During 2018/19, the district received \$7.8 million (2017/18 - \$6.1 million) in funding through the Classroom Enhancement Fund (CEF) for

² Ministry restricted capital is generated primarily from capital project savings and proceeds of asset dispositions that are allocated to the Minister of Education pursuant to the *School Act*.

teaching positions and for other overhead costs related to the contract restoration. Funding for restoration (CEF) and the related costs are reported in the special purpose fund.

- **Funding Model Review** – following a comprehensive review of the education funding model in 2018, the Ministry of Education is conducting further work to review the recommendations and determine how they should be implemented. A new funding model is expected to be implemented for the 2020/21 school year. The implementation of a new funding model creates uncertainty regarding the district’s future budgetary balance.
- **Distance Education Review** In conjunction with the Funding Model Review, the Ministry of Education is conducting a review of the funding and the delivery of distance education provincially. The Saanich School District has a significant distance education program serving both Saanich students and students outside the school district.
- **School Capacity Constraints** – with the restoration of class size language and enrolment growth (occurring primarily at elementary), many of the district’s elementary schools are now at or above capacity. Over the past two years, growth has been accommodated by renovating internal space to create more classrooms, installing portable classrooms; and completion of a 4-classroom addition at Keating for the fall of 2019. To accommodate future growth the district is reviewing several options, which have cost implications for both the capital plan (capital fund) and the operating fund.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT

In this section, actual results are compared to the prior year and budget (where applicable) in more detail. For the statement of operations, the analysis is performed for each of the three funds.

Statement of Financial Position (All Funds)

The table below includes explanations for significant variances in the statement of financial position relative to the prior year.

| | 2019 | 2018 | Analysis of Variance |
|--|-------------|-------------|---|
| Cash | 20,739,191 | 19,411,629 | Increased by \$1.3 million due to increased accumulated surplus and the timing of cash receipts and disbursements. |
| Due from Province – Ministry | 1,918,031 | 494,338 | Increased by \$1.4 million due to increased capital funding receivable (increase \$0.9m) and classroom enhancement fund receivable (\$0.5m). |
| Accounts Payable and Accrued Liabilities | 9,258,250 | 7,017,477 | Increased by \$2.2 million due to increased trade accounts payable by \$0.8m related to the Keating Elementary seismic/expansion, increase in accrual for remedy owing by \$0.5m, and an increase in payroll accruals by \$0.8m. The increase to payroll accruals included a liability for the new employer health tax of \$0.4m. |

| | | | |
|--------------------------|-------------|-------------|---|
| Deferred Capital Revenue | 119,848,134 | 117,438,282 | Increased by \$2.4 million due to capital funding received (\$6.8m) offset by amortization of capital funding revenue (\$4.4m). |
| Tangible Capital Assets | 146,812,713 | 144,773,288 | Increased by \$2.0 million due to capital investment (\$8.0) offset by amortization of capital assets (\$6.0m). |

Statement of Operations by Fund – Operating Fund

| | Amended Budget 2018/19 (Adjusted) | Actual 2018/19 | Actual 2017/18 | Actual 2016/17 |
|---|-----------------------------------|------------------|------------------|------------------|
| Revenues | 77,658,724 | 78,720,301 | 76,601,225 | 74,641,513 |
| Expenses and fund transfers | 80,275,275 | 77,677,739 | 74,449,442 | 73,973,870 |
| Surplus (Deficit) | (2,616,551) | 1,042,562 | 2,101,783 | 667,643 |
| remove surplus carry-forwards | 2,021,682 | | | |
| Annual Operating Surplus (Deficit) | (594,869) | 1,042,562 | 2,101,783 | 667,643 |
| Opening Accumulated Surplus | 4,197,991 | 4,197,991 | 2,096,208 | 1,428,565 |
| Closing Accumulated Surplus | 3,603,122 | 5,240,553 | 4,197,991 | 2,096,208 |

The 2018/19 Amended Budget included, as a source of funding, appropriation of \$2,616,551 in accumulated operating surplus comprised of: \$2,021,682 for district and school program carry-forwards; and \$594,869³ to balance the 2018/19 budget.

Appropriation of accumulated surplus for carry-forwards is a mechanism for funding initiatives and programs that span more than one fiscal year. When comparing actual results to budget it is important to understand that carry-forward balances are reflected as expenditures in the budget, and that actual expenditures will always be lower than budget by the amount of the carry-forward balances maintained at year-end. While carry-forward balances may increase or decrease, it is expected that they will be maintained over time. As shown in the table above, if the opening carry-forward balances had remained unchanged during the year, the adjusted budgeted operating deficit would be \$594,869 (equal to accumulated surplus appropriated to balance the budget) and the adjusted budget for closing accumulated surplus would be \$3,603,122.

³ In September 2018, the Board approved accumulated surplus appropriation of \$969,869 to balance the 2018/19 budget. In December 2018, this appropriation was reduced in the amended budget by \$375,000 (to \$594,869) reflecting savings that resulted from a reduction to teacher pension plan contributions effective January 1, 2019.

In the spring of 2019, the district forecasted that closing accumulated operating surplus would likely exceed budget and remain consistent with the opening balance (\$4.2m) or grow modestly. Therefore, the actual closing accumulated surplus balance of \$5.2m exceeded both budget and forecast.

Detailed information on the operating fund is presented in schedules 2 to 2C following the notes to the financial statements. Revenues, expenditures and accumulated operating surplus are analysed in greater detail below.

Operating Fund Revenues

A high level summary of operating fund revenues is presented below and explanations of significant variances follows. A more detailed presentation of operating revenues is presented in schedule 2A following the notes to the financial statements.

| | Amended Budget 2018/19 | Actual 2018/19 | Amended Budget 2017/18 | Actual 2017/18 |
|---|---------------------------|-------------------|---------------------------|-------------------|
| Grant Revenue | 65,828,025 | 66,678,562 | 64,144,268 | 64,910,069 |
| Tuition Revenue (International Program) | 4,718,400 | 4,705,976 | 4,537,500 | 4,513,142 |
| Other Revenue | 6,537,299 | 6,571,962 | 6,408,784 | 6,630,160 |
| Rentals and Leases | 380,000 | 373,872 | 291,750 | 303,662 |
| Investment Income | 195,000 | 389,929 | 180,000 | 244,192 |
| | | | | |
| Total Revenues | 77,658,724 | 78,720,301 | 75,562,302 | 76,601,225 |

Grant Revenues:

Budgeted grant revenues in 2018/19 were \$1.7 million greater than 2017/18 budgeted revenues primarily due to a 79 FTE increase in fall enrolment and inflationary increases to funding rates.

Actual 2018/19 grant revenues exceeded 2018/19 budget by \$0.9 million due to:

- the operating grant exceeded budget by \$0.3 million;
- new funding of \$0.2 million for the incremental cost of the Employer Health Tax;
- receipt of one-time grants of \$0.2 million including the economic stability dividend and a mental health grant; and
- actual funding for graduated adults exceeding budget by \$0.1 million.

Tuition Revenues:

Budgeted tuition revenues in 2018/19 were greater than 2017/18 budgeted revenues by \$0.2 million primarily due to increased tuition rates. Actual 2018/19 tuition did not vary significantly from budget.

Investment Income:

Actual investment income in 2018/19 exceeded budget and the prior year due to higher interest rates earned on deposits.

Operating Fund Expenses

Expenses in the financial statements are presented both by object (category of expense) and by function (program). Operating fund expenses are presented below using each method with explanations of significant variances following. A more detailed presentation of operating expenses is presented in schedules 2B and 2C following the notes to the financial statements.

Analysis of Variances by Object

| Operating Fund Expenditure by Object | Amended Budget 2018/19 | Actual 2018/19 | Amended Budget 2017/18 | Actual 2017/18 |
|--|------------------------|-------------------|------------------------|-------------------|
| Salaries | | | | |
| Teachers | 31,066,228 | 30,756,672 | 30,269,763 | 29,979,151 |
| Principals and Vice Principals | 4,230,236 | 4,396,163 | 4,331,844 | 4,260,487 |
| Education Assistants | 4,741,171 | 4,519,962 | 4,646,468 | 4,528,519 |
| Support Staff | 7,846,015 | 8,259,295 | 7,673,001 | 7,690,052 |
| Other Professionals | 2,536,493 | 2,570,896 | 2,307,208 | 2,260,808 |
| Substitutes | 2,675,460 | 2,900,088 | 2,684,534 | 2,560,914 |
| Total Salaries | 53,095,603 | 53,403,076 | 51,912,818 | 51,279,931 |
| Employee Benefits | 13,457,721 | 13,350,241 | 13,215,292 | 12,912,834 |
| Total Salaries and Benefits | 66,553,324 | 66,753,317 | 65,128,110 | 64,192,765 |
| Service and Supplies expense | 13,162,361 | 10,244,835 | 11,668,404 | 9,560,971 |
| Fund transfers (schedule 2) | 559,590 | 679,587 | 361,996 | 745,706 |
| Total Service and Supplies and fund transfers | 13,721,951 | 10,924,422 | 12,030,400 | 10,306,677 |
| Total Operating Expenditure | 80,275,275 | 77,677,739 | 77,158,510 | 74,499,442 |

Salaries – Teachers

Budgeted teacher salary expense in 2018/19 was \$0.8 million higher than 2017/18 budgeted expense due to wage increases of \$0.45 million and increased staffing levels in the operating fund of approximately \$0.35 million driven primarily by enrolment growth.

Actual 2018/19 teacher cost was below budget by \$0.3 millions due to a lower overall average teacher cost relative to budget. In 2017/18, actual expense was also below budget by \$0.3 million.

Note that to restore class size and composition language the district is funded for 60.7 teacher FTE through the Classroom Enhancement Fund (CEF). The CEF and related costs are reported in the special purpose fund and are not reflected in the operating fund figures reported above.

Salaries – Principals and Vice Principals (PVP)

Budgeted PVP salary expense in 2018/19 was lower than budgeted expense in 2017/18 by \$0.1 million. This net reduction resulted from: a \$0.1 million FTE reduction following a senior staff reorganization that eliminated a district principal position (see variance explanation for other professionals); a \$0.1 million increased recovery of administrative time from the Classroom Enhancement Fund; and offset by inflationary salary adjustments of approximately \$0.1 million.

In 2018/19 actual expense exceeded budget by \$0.17 million due to salary adjustments of \$0.1 million implemented following adoption of the amended budget and coverage of leaves in excess of budget. In 2017/18, actual expense was below budget by \$0.07 million.

Salaries – Education Assistants (EA)

Budgeted EA salary expense in 2018/19 exceeded budgeted expense in 2017/18 by \$0.1 million. This net increase was primarily due to: wage increases of \$0.1 million; budgeted FTE increases of \$0.2 million; and partially offset by increased recovery of \$0.2 million from the Classroom Enhancement Fund.

In 2018/19 actual expense was below budget by \$0.2 million primary due to challenges with recruitment and retention (approx. \$0.3 million), and offset by an arbitration settlement resulting from a reduction to MSP premiums (approx. \$0.1 million). In 2017/18, actual expense was approximately \$0.1 million below budget.

Salaries – Support Staff

Budgeted support staff salary expense in 2018/19 exceeded budgeted expense in 2017/18 by about \$0.17 million primarily due to wage increases.

Actual expense in 2018/19 exceeded budget by \$0.4 million primarily due to: operations staff wages funded by recoveries (other district budgets) in excess of budget (approx. \$0.25 million); and an arbitration settlement resulting from a reduction to MSP premiums (approx. \$0.15 million). In 2017/18, actual expense did not vary significantly from budget.

Salaries – Other Professionals

Budgeted other professional salary expense in the 2018/19 amended budget exceeded the 2017/18 amended budget (\$2,307,208) by \$0.23 million primarily due to inflationary wage

adjustments and the addition of 2 net new positions in the operating fund (Manager of Information Technology and replacement of an assistant superintendent and district principal position (PVP) with two directors of instruction).

Actual expense in 2018/19 and in 2017/18 did not vary significantly from budget.

Salaries –Substitutes

Actual substitute expenditures can exceed budget for two reasons: (1) another budget is used to fund additional substitute expenditure; or (2) replacement cost for illness exceeds budget.

Other budgets are commonly used to fund additional substitute cost. For example, a school or department may use a service and supplies budget to fund additional substitute cost so that teachers can work on curriculum implementation or other projects. Another example is use of support staff salary and benefit budget to fund substitute salaries when a position is vacant. In either of these scenarios, the overage in substitute costs (relative to budget) is offset by an underage in another budget line. However, this is not the case when substitute costs for illness exceeds budget. When actual replacement cost for illness exceeds budget it reduces the overall annual surplus of the school district.

Budgeted substitute salary expense in 2018/19 was very close to budgeted expense in 2017/18. Actual expense in 2018/19 was greater than budget by \$0.2 million, whereas actual expense in 2017/18 was \$0.1 million below budget. The increased expense in 2018/19, which is consistent with the 4-year average, is likely attributable to improved availability of TTOC's during the year.

Employee Benefits

Budgeted benefit expense in 2018/19 exceeded budgeted expense in 2017/18 by about \$0.24 million due to benefit costs attributable to wage increases and a net increase in overall benefit rates.

Actual expense in 2018/19 was about \$0.1 million below budget due to lower than budgeted health and dental cost escalation.

Total Service and Supplies and Fund Transfers

For the purpose of this analysis, fund transfers are combined with service and supply expense because fund transfers relate primarily to the purchase of capital assets using service and supply budgets.

It is expected that actual service and supply expenditures will be less than budget as most surplus carry-forward balances are presented as service and supply expenditure in the budget and are not fully spent. Also, service and supply budgets commonly fund other expenditures such as substitute costs.

Budgeted service and supplies expenditure in 2018/19 exceeded budgeted expense in 2017/18 by about \$1.7 million for a number of reasons including: increased carry-forward balances primarily budgeted as service and supplies (\$0.7 million); increased information technology budget (\$0.25 million); increased homestay contract budget (\$0.2 million); service and supplies expense inflation (\$0.1 million); and trustee election costs (\$0.1 million).

In 2018/19, actual service and supply expenditures were below budget by \$2.8 million (2017/18 - \$1.7 million below budget). The increased variance relative to budget in 2018/19 resulted from growth in carry-forward balances in school and departments, and other savings relative to budget at the district level.

Analysis of Variances by Function

| Operating Fund Expenditure by Function | Amended Budget 2018/19 | Actual 2018/19 | Amended Budget 2017/18 | Actual 2017/18 |
|---|-------------------------------|-----------------------|-------------------------------|-----------------------|
| Instruction | 66,533,155 | 64,158,672 | 64,741,414 | 62,337,082 |
| District Administration | 2,977,418 | 2,861,982 | 2,874,172 | 2,590,627 |
| Operations and Maintenance | 8,858,724 | 8,572,441 | 7,868,700 | 7,518,168 |
| Transportation | 1,346,388 | 1,405,057 | 1,312,228 | 1,307,859 |
| Fund transfer | 559,590 | 679,587 | 361,996 | 745,706 |
| Total | 80,275,275 | 77,677,739 | 77,158,510 | 74,499,442 |

Instruction – instruction expense is lower than budget by \$2.4 million primarily because of lower than budgeted service and supply expense. This variance relative to budget is consistent with the prior year.

District Administration – district administration expense is lower than budgeted by \$0.1 million due to primary to underspend of service and supply expense relative to budget partially offset by higher than budgeted salaries.

Operations and Maintenance and Fund Transfer – Fund transfers primarily represent operations and maintenance expenditures that meet the criteria for capitalization. The lower operations and maintenance expense relative to budget (\$0.3 million) was partially offset by a higher fund transfer relative to budget (\$0.1) for the purchase of capital assets. The combined expenditure was lower than budget by approximately \$0.2 million as service and supply expense was lower than budget.

Accumulated Operating Surplus

Understanding the components of accumulated operating surplus is necessary for knowing how much of the balance relates to multi-year funding of programs (surplus carry-forwards) and how much of the balance is available to reduce financial risk associated with unforeseen expenditures or to fund additional expenditures in the future. The components of closing accumulated surplus are presented in the table below:

| | June 2019 | June 2018 | Change |
|--|------------------|------------------|------------------|
| School Activities (multi-year funding) | 983,039 | 964,907 | 18,132 |
| District Activities (multi-year funding) | 830,450 | 599,710 | 230,740 |
| Appropriated for 2019/20 Preliminary Budget | 840,150 | 969,869 | (129,719) |
| District Priority/Contingency | 886,914 | 457,065 | 429,849 |
| Total Internally Restricted | 3,540,553 | 2,991,551 | 549,002 |
| Contingency Reserve (Unappropriated Surplus) | 1,700,000 | 1,206,440 | 493,560 |
| Total Accumulated Surplus | 5,240,553 | 4,197,991 | 1,042,562 |

In addition to surplus carry-forwards for the multi-year funding of programs, internally restricted accumulated surplus also includes \$840,150 that was appropriated to balance the 2019/20 Preliminary Budget, and District Priority/Contingency of \$886,914. District Priority/Contingency represents accumulated operating surplus available to fund new priorities during the year, after first allocating sufficient accumulated operating surplus for the contingency reserve (see below).

The contingency reserve represents the portion of accumulated operating surplus that is not appropriated for budget purposes. The quantum of the contingency reserve is determined to be the amount necessary to reduce financial risk to an acceptable level. In September 2019, the contingency reserve was increased to \$1,700,000 to address increased financial uncertainty related to implementation of a new funding model in 2020/21 and a related review of distance education funding and program delivery.

Statement of Operations by Fund – Special Purpose Fund

| | Amended Budget 2018/19 | Actual 2018/19 | Amended Budget 2017/18 | Actual 2017/18 |
|-----------------------------|---------------------------|----------------|---------------------------|----------------|
| Provincial Grants | 8,703,344 | 9,066,815 | 7,731,124 | 7,176,139 |
| Other Revenues | 3,419,246 | 3,860,361 | 3,423,198 | 3,949,413 |
| Expenditures | (12,282,430) | (12,934,123) | (10,964,975) | (10,965,965) |
| Fund transfers | 159,840 | 6,947 | (189,347) | (159,587) |
| Annual Surplus (Deficit) | - | - | - | - |

Budgeted grants in 2018/19 were greater than budgeted grants in 2017/18 by \$1.0 million due primarily to increases to the Classroom Enhancement Fund (CEF) in 2018/19 relative to 2017/18 (the first year of restoration). Actual provincial grants exceeded budget due primarily to increased CEF costs relative to budget.

Detailed information on the special purpose fund is presented in schedules 3 to 3A following the notes to the financial statements.

Statement of Operations by Fund – Capital Fund

| | Amended Budget 2018/19 | Actual 2018/19 | Amended Budget 2017/18 | Actual 2017/18 |
|---|---------------------------|-------------------|---------------------------|-------------------|
| Revenues | 4,370,869 | 4,416,838 | 4,287,410 | 4,287,483 |
| Expenses | (5,867,687) | (5,969,497) | (5,756,767) | (5,756,767) |
| Fund Transfers (capital assets purchased in other funds) | <u>399,750</u> | <u>672,640</u> | <u>551,343</u> | <u>905,293</u> |
| Change in Accumulated Surplus | (1,097,068) | (880,019) | (918,014) | (563,991) |
| Opening Accumulated Surplus | <u>28,378,853</u> | <u>28,378,853</u> | <u>28,942,844</u> | <u>28,942,844</u> |
| Closing Accumulated Surplus | 27,281,785 | 27,498,834 | 28,024,830 | 28,378,853 |

It is expected that revenues and expenses in the capital fund will be predictable and consistent, as they reflect the recognition of capital funding (as revenue) and the usage of capital assets over their life (as amortization expense). Fund transfers from the operating fund and special purpose fund were greater than budget and the prior year as there were more expenditures that met the criteria for capitalization as an asset.

During the year ended June 30, 2018, the district invested \$8.0 million in capital additions. Further details are presented in the Financial Highlights section.

Within the capital fund the following two balances are important as they represent funds available for future capital investment:

- Local Capital Reserve – this balance forms part of accumulated surplus in the capital fund and represents funds available for investment in capital assets at the discretion of the Board of Education. These funds are generated primarily from proceeds of disposition of assets that are allocated to the School Board and allocation of lease revenue attributable to asset renewal.
- MEd Restricted Capital – this balance forms part of the deferred capital revenue balance in the capital fund and represents funds available for investment in capital assets at the discretion of the Ministry of Education. These funds are generated primarily from capital project savings and proceeds of disposition of assets that are allocated to the Minister of Education pursuant to the *School Act*.

The table below presents the June 30, 2019 closing balances in Local Capital and MEd Restricted Capital and what portion of the balances remains uncommitted for future capital investment.

| | Local Capital | MEd Restricted Capital |
|---------------------------------|---------------|------------------------|
| Balance at June 30, 2019 | 65,323 | 220,010 |
| Committed for future investment | 57,060 | 72,375 |
| Uncommitted Balance | 8,263 | 147,635 |

\$57,060 of the local capital balance represents the portion of lease revenues allocated to future renewal of space. The remaining local capital balance is uncommitted.

\$72,375 of the MEd Restricted Capital balance is restricted to fund replacement of the Children’s Development Centre.

Detailed information on the capital fund is presented in schedules 4 to 4D following the notes to the financial statements.

CONTACTING THE SCHOOL DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District’s stakeholders with a general overview of the School District’s finances and to demonstrate the School District’s accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Office of the Secretary Treasurer at 250-652-7332.