SCHOOL DISTRICT 63 (SAANICH)

FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE

Agenda

Committee Members: Trustee Dunford, Chairperson
Trustee Silzer
Trustee VanWell

Jason Reid, Secretary-Treasurer
Dave Eberwein, Superintendent of Schools
Rob Lumb, Director of Facilities
Lydia Baran, Acting Director of Finance

September 10, 2019
10:30 am, Boardroom

A. PRESENTATIONS AND QUESTIONS

No Items.

B. ITEMS FOR DISCUSSION

1. Facilities Planning Update – briefing note to follow
2. White Road property - oral

C. ITEMS FOR RECOMMENDATION

1. 2018/19 Financial Statements

Staff Recommendation:
That the Board approve the attached 2018/19 Financial Statements.

D. ITEMS FOR INFORMATION

1. Annual Report of School District 63 Business Company - attachment

E. FUTURE AGENDA ITEMS

No Items.

SAANICH SCHOOLS
SCHOOL DISTRICT 63 (SAANICH)
2125 Keating Cross Road, Saanichton, BC Canada V8M 2A5
Phone: (250) 652-7300 Fax: (250) 652-6421 saanichschools.ca

BRIEFING NOTE

To: Finance, Facilities and Technology Committee | Prepared By: Jason Reid

Subject: 2018/19 Financial Statements | Date: September 4, 2019

Purpose

The purpose of this briefing note is to:

1) Provide information relevant for the committee's review and the Board's approval of the 2018/19 financial statements including internal restriction of accumulated operating surplus as presented in note 11 of the financial statements.
2) provide information on the next steps in the adoption of the 2019/20 Amended Budget.

Financial Statement Discussion and Analysis

A Financial Statement Discussion and Analysis ("FSD&A") has been prepared to supplement the financial statements by providing additional information and analysis so readers can more fully understand the school district's 2018/19 financial performance.

The FSD&A is included in the committee package and should be reviewed in conjunction with the committee's review of the financial statements. The FSD&A will be published on the school district's website along with the audited financial statements, once approved by the Board of Education.

Status of Financial Audit

The audit of the 2018/19 Financial Statements is substantially complete and KPMG LLP reports that they expect to issue an unqualified audit opinion following approval of the financial statements by the Board of Education.

Internal Restriction of Accumulated Surplus (Operating Fund)

Internal restriction of accumulated surplus is reported in note 11 of the financial statements and is approved by the Board of Education in conjunction with the Board's approval of the 2018/19 financial statements.

Certain projects and programs require a funding commitment of more than one year. Multi-year funding of projects and programs requires the allocation of prior year revenues to fund future expenditures and is achieved through budgetary appropriation of accumulated operating surplus. This appropriation of June 30, 2019 accumulated operating surplus effectively includes these balances as a source of revenue (for budgetary purposes) in the 2019/20 Amended Budget. Multi-year funding of projects and programs generally applies in the following circumstances:

- School surplus balances – schools historically carry-forward surplus balances because they are expected to fund equipment replacement and other initiatives that span more than one fiscal year.
- Continuing project – budget allocated for a particular project that continues beyond the end of the fiscal year.
- Targeted funding – funding targeted for a specific purpose and not fully spent by the end of the year.
- Timing differences – funding is received but the related expenditures occur in the following fiscal year. For example, most of the instructional services balance occurs because funding and related program costs occur in different fiscal years.

Accumulated operating surplus and proposed appropriation of accumulated operating surplus at June 30, 2019 is presented below with 2018 comparative figures.

	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**

Carry-forward balances for school and district activities are presented in more detail in **Appendix 1**.

Accumulated operating surplus has increased from $4,197,991 at the beginning of the year to $5,240,553 as at June 30, 2019. As described in the FSD&A, this growth occurred because overall revenues were higher and service and supplies expense were lower than budget and forecast.

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).

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BRIEFING NOTE

2019/20 Budget Contingency Reserve

In order to protect the school district from financial risk associated with forecasting uncertainty and unforeseen circumstances, it is necessary to maintain a contingency reserve. The contingency reserve should be used only to address circumstances beyond the school district's control or, with Board approval, to address unforeseen circumstances. The reserve should be sufficient to reduce financial and program stability risk to an acceptable level. Board Policy 2050 (Accumulated Operating Surplus Contingency Reserve) is included as Appendix 2 for reference.

In September 2018, the Board set the contingency reserve at $1,206,440 and in December 2018 increased the contingency reserve to $1,581,440 in the 2018/19 Amended Budget.

At this time, I recommend increasing the contingency reserve to $1,700,000, or approximately 2% of the 2019/20 operating budget. I recommend this increase to address greater financial uncertainty and risk associated with the implementation of a new funding model for 2020/21 and the related review of distance education program delivery in the Province.

Adoption of the 2019/20 Amended Budget – Next Steps

Each year the Board of Education approves an Amended Annual Budget (before the end of February) reflecting changes that result from:

- analysis of prior year results and confirmation of available accumulated operating surplus;
- confirmation of fall enrolment and resulting funding and staffing costs; and
- other circumstances that have arisen subsequent to adoption of the preliminary budget.

At this time it appears fall enrolment will exceed forecast due to significant enrolment growth primarily at the elementary school level. While we expect enrolment will be above forecast, overall funded FTE (as at Sept 30th) remains uncertain until October, as FTE can vary significantly from headcount at secondary depending on course load.

As I reported to the committee in June, registrations for September 2019 in our south zone elementary schools significantly exceeded forecast and the growth trend of the past few years. As a result, these schools are now at or above capacity and cannot accommodate further growth without the addition of classroom space. As a result, it is expected that the much of the District Priority/Contingency balance will be needed for investment in modular classrooms for the 2020/21 school year.

At the next meeting of the committee on October 8, 2019, I will provide an update on enrolment, funding and cost pressures and the related impact on budgetary balance for the 2019/20 Amended Budget.

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BRIEFING NOTE

Board Approval of 2018/19 Financial Statements

Staff Recommendation:

That the Board approve the 2018/19 Financial Statements, including the internal restriction of accumulated operating surplus as presented in note 11.

Respectfully submitted,

Jason Reid
Secretary-Treasurer

JR/

Attachments: Appendix 1: District and School Surplus Balances
Appendix 2: Policy 2050 (Accumulated Operating Surplus Contingency Reserve)

Appendix 1: District and School Surplus Balances
As at June 30, 2019

	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
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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**

Internally Restricted for District Activities

	June 2019 surplus/ (deficit)	June 2018 surplus/ (deficit)	Change
Finance / IT - Equipment / Projects	270,984	-	270,984
Instructional Services - Programs	329,591	290,248	39,343
Learning and Innovation - Programs	125,038		125,038
Diversity and Inclusion - Programs	28,692	99,088	(70,396)
Finance - AtrieveERP product enhancement	31,225	31,225	-
IT - Wireless Project	-	35,912	(35,912)
District Energy Program (BC Hydro Incentive)	35,195	24,795	10,400
Seismic Assessment Grant - Facilities	-	85,500	(85,500)
HR - OHS Projects	9,725	32,942	(23,217)
Total District Surplus Carryforwards	**830,450**	**599,710**	**230,740**

Internally Restricted for School Activities	BUDGET	June 2019 surplus/ (deficit)	% Surplus Relative to Budget	June 2018 surplus/ (deficit)
Brentwood Elementary	477,340	29,140	6.1%	36,870
Cordova Bay Elementary (Note 1)	388,974	44,838	11.5%	19,087
Deep Cove Elementary	346,003	18,957	5.5%	7,097
Children's Development Centre (Note 2)	465,978	23,299	5.0%	22,109
Keating Elementary	529,762	33,782	6.4%	32,004
Lochside Elementary	687,131	9,488	1.4%	13,093
Prospect Lake Elementary	386,286	18,142	4.7%	15,421
Kelset Elementary	631,880	47,105	7.5%	42,843
Sidney Elementary	631,386	14,373	2.3%	(500)
Stelly's Secondary	1,347,003	135,063	10.0%	142,586
Claremont Secondary	1,482,992	95,573	6.4%	75,966
Parkland Secondary	1,020,897	50,314	4.9%	71,218
North Saanich Middle	661,616	20,953	3.2%	11,156
Royal Oak Middle	803,406	15,255	1.9%	48,918
Bayside Middle	655,979	18,988	2.9%	56,337
ILC and Continuing Education (Note 3)	395,545	63,969	16.2%	77,168
International Program	7,780,022	151,841	2.0%	100,000
SIDES (Note 4)	1,915,148	191,959	10.0%	193,534
Total School Surplus Carry Forward	**20,607,348**	**983,039**		**964,907**

Note 1: Surplus exceeded 10% as replacement of copiers and other equipment planned for in 2019/20.
Note 2: 2019 actual surplus was $64,686 - $41,387 was transferred to District Priority/Contingency
Note 3: Includes $25K from sale of tiny home to fund TASK program and $10K allocated to a garden project.
Note 4: 2018 actual surplus was $248,959 - $57,000 was transferred to District Priority/Contingency

Appendix 2

School District No. 63 (Saanich

Policy Name: Accumulated Operating Surplus Contingency Reserve **No:** 2050

Preamble

Accumulated operating surplus represents the extent to which operating revenues from all previous years exceeds operating expenditures from all previous years. Conversely, when operating expenditures from all previous years exceed operating revenues from all previous years an accumulated operating deficit results. When an accumulated deficit occurs, it means future revenues are needed to pay for past expenditures. School Districts in BC are not permitted to budget for or incur expenditures that result in an accumulated operating deficit.

Accumulated operating surplus allows a School District to budget for expenditures in excess of revenues in a given year, and also serves to reduce financial risk that can result from financial forecasting uncertainty and unforeseen circumstances.

Policy Statement

The Board of Education is responsible for ensuring the district is protected financially from financial forecasting risk and unforeseen circumstances which could negatively impact the education of students. To discharge this responsibility, the Board will establish a restricted portion of its accumulated operating surplus and/or its annual operating budget as a Contingency Reserve to be used to mitigate any negative impact such circumstances might cause.

Statutory Reference: School Act and related Ministerial Orders

Contractual Reference:

Policy Reference: Policy 2010 (Multi-Year Funding)

Date of Initial Board Approval: January 2018 **Amendments:**

School District No. 63 (Saanich)

Policy Name: Accumulated Operating Surplus Contingency Reserve **No:** 2050

Guiding Principles

1. In conjunction with the Board of Education's review and approval of the annual financial statements, the Board of Education will restrict a portion of accumulated operating surplus for the purpose of forming a Contingency Reserve.

2. The Contingency Reserve will be sufficient to reduce, to an appropriate level, financial risk that results from financial forecasting risk and/or unforeseen circumstances.

3. If accumulated operating surplus available and restricted for the purpose of the Contingency Reserve is not sufficient, the Board of Education will allocate additional funds from the annual budget of the subsequent fiscal year to increase the Contingency Reserve.

4. Effective multi-year funding of projects and programs in accordance with Policy 2010 (Multi-Year Funding) requires the allocation of prior year revenues to fund future expenditures and is achieved through budgetary appropriation of accumulated operating surplus.

5. Accumulated operating surplus available to support multi-year funding of projects and programs in accordance with Policy 2010 (Multi-Year Funding) is equal to the accumulated operating surplus balance of the preceding fiscal year minus allocation of accumulated operating surplus to Contingency Reserve.

6. Accumulated operating surplus available to support annual program expenditures is equal to the accumulated operating surplus of the preceding fiscal year minus the allocation of accumulated operating surplus to Contingency Reserve and minus allocation of accumulated surplus pursuant to Policy 2010 (Multi-Year Funding). Allocation of accumulated surplus to support annual program expenditures should reflect that accumulated surplus is a one-time funding source and once used will not be available in future years.

7. The Contingency Reserve is to be used only to fund additional cost pressures that result from circumstances beyond the School District's control or, with the Board of Education's approval, in response to unforeseen circumstances.

8. When use of the Contingency Reserve reduces the balance below what is determined to be sufficient, the Board of Education will adopt strategies for replenishing the Contingency Reserve within an appropriate timeframe.

Date of Initial Board Approval: January 2018 **Amendments:**

School District No. 63 (Saanich)

Policy Name: Accumulated Operating Surplus Contingency Reserve **No:** 2050

Administrative Procedures

1. In conjunction with the Board of Education's review and approval of the financial statements, the Secretary Treasurer will present for the Board of Education's review and approval the internal restriction of accumulated operating surplus for:
   a. Contingency Reserve; and
   b. Multi-year funding of projects and programs in accordance with Policy 2010 (Multi-Year Funding).

2. Prior to adoption of each annual budget and amended annual budget, the Secretary Treasurer will present for the Board of Education's review and approval, allocation of budget for the purpose of Contingency Reserve, and when applicable: strategies for replenishing the Contingency Reserve, or opportunities for allocation of accumulated surplus to support annual program expenditures in accordance with guiding principle 6.

Date of Initial Board Approval: January 2018 **Amendments:**

Consolidated Audited Financial Statements of

School District No. 63 (Saanich)

June 30, 2019

School District No. 63 (Saanich)

June 30, 2019

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School District No. 63 (Saanich)

MANAGEMENT REPORT

Version: 5166-4420-2438

Management's Responsibility for the Consolidated Financial Statements.

The accompanying consolidated financial statements of School District No. 63 (Saanich) have been prepared by management in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of British Columbia, supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and reliable financial information is produced.

The Board of Education of School District No. 63 (Saanich) (called the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal consolidated financial statements on a monthly basis and externally audited consolidated financial statements yearly.

The external auditors, KPMG, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of School District No. 63 (Saanich) and meet when required. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the School District's consolidated financial statements.

On behalf of School District No. 63 (Saanich)

Signature of the Chairperson of the Board of Education | Date Signed

Signature of the Superintendent | Date Signed

Signature of the Secretary Treasurer | Date Signed

KPMG LLP
St Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
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INDEPENDENT AUDITORS' REPORT

To the Board of Education of School District No. 63 (Saanich), and

To the Minister of Education, Province of British Columbia

Opinion

We have audited the consolidated financial statements of School District No. 63 (Saanich) (the Entity), which comprise:

- the consolidated statement of financial position as at June 30, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets (debt) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements of the Entity as at and for the year ended June 30, 2019 are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Financial Reporting Framework

We draw attention to note 2 to the financial statements which describes the applicable financial reporting framework and the significant differences between the financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- Information, other than the financial statements and the auditors' report thereon, included in the Financial statement discussion and analysis document
- Unaudited Schedules 1-4 attached to the audited financial statements

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Information, other than the financial statements and the auditors' report thereon, included in the Financial Statement Discussion and Analysis and unaudited schedules documents as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget and Transparency and Accountability Act of the Province of British Columbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants
Victoria, Canada

School District No. 63 (Saanich)

Consolidated Statement of Financial Position

As at June 30, 2019

	2019 Actual	2018 Actual
	$	$
Financial Assets		
Cash and Cash Equivalents	**20,739,191**	19,411,629
Accounts Receivable		
Due from Province - Ministry of Education	**1,918,031**	494,338
Due from Province - Other	**108,168**	49,181
Due from LEA Funding	**953,430**	1,180,420
Other (Note 3)	**1,363,115**	950,189
Portfolio Investments (Note 4)	**203,884**	199,630
Total Financial Assets	**25,285,819**	22,285,387
Liabilities		
Accounts Payable and Accrued Liabilities		
Other (Note 5)	**9,258,250**	7,017,477
Unearned Revenue (Note 6)	**5,205,571**	5,000,399
Deferred Revenue (Note 7)	**1,683,968**	1,676,342
Deferred Capital Revenue (Note 8)	**119,848,134**	117,438,282
Employee Future Benefits (Note 9)	**3,617,482**	3,474,852
Total Liabilities	**139,613,405**	134,607,352
Net Financial Assets (Debt)	**(114,327,586)**	(112,321,965)
Non-Financial Assets		
Tangible Capital Assets (Note 10)	**146,812,713**	144,773,288
Prepaid Expenses	**254,260**	125,521
Total Non-Financial Assets	**147,066,973**	144,898,809
Accumulated Surplus (Deficit) (Note 11)	**32,739,387**	32,576,844

Contractual Obligations (Note 12)

Contractual Rights (Note 13)

Contingent Liabilities (Note 14)

Approved by the Board

Signature of the Chairperson of the Board of Education — Date Signed

Signature of the Superintendent — Date Signed

Signature of the Secretary Treasurer — Date Signed

The accompanying notes are an integral part of these financial statements.

School District No. 63 (Saanich)

Consolidated Statement of Operations
Year Ended June 30, 2019

	2019 Budget (Note 15)	2019 Actual	2018 Actual
	$	$	$
Revenues			
Provincial Grants			
Ministry of Education	74,490,569	**75,611,927**	71,911,397
Other	40,800	**133,450**	170,100
Federal Grants			4,711
Tuition	4,718,400	**4,705,976**	4,513,142
Other Revenue	9,952,945	**10,395,519**	10,575,122
Rentals and Leases	380,000	**373,872**	303,662
Investment Income	198,600	**426,733**	250,960
Amortization of Deferred Capital Revenue	4,370,869	**4,416,838**	4,285,166
Total Revenue	94,152,183	**96,064,315**	92,014,260
Expenses (Note 16)			
Instruction	78,457,258	**76,434,373**	72,765,262
District Administration	3,029,931	**3,214,590**	2,822,598
Operations and Maintenance	14,821,443	**14,638,226**	13,369,967
Transportation and Housing	1,557,170	**1,614,583**	1,518,641
Total Expense	97,865,802	**95,901,772**	90,476,468
Surplus (Deficit) for the year	(3,713,619)	**162,543**	1,537,792
Accumulated Surplus (Deficit) from Operations, beginning of year		**32,576,844**	31,039,052
Accumulated Surplus (Deficit) from Operations, end of year		**32,739,387**	32,576,844

The accompanying notes are an integral part of these financial statements.

School District No. 63 (Saanich)

Consolidated Statement of Changes in Net Financial Assets (Debt)
Year Ended June 30, 2019

	2019 Budget (Note 15)	**2019 Actual**	2018 Actual
	$	$	$
Surplus (Deficit) for the year	(3,713,619)	**162,543**	1,537,792
Effect of change in Tangible Capital Assets			
Acquisition of Tangible Capital Assets	(3,931,958)	**(8,008,922)**	(4,733,789)
Amortization of Tangible Capital Assets	5,867,687	**5,969,497**	5,756,767
Total Effect of change in Tangible Capital Assets	1,935,729	**(2,039,425)**	1,022,978
Acquisition of Prepaid Expenses	-	**(254,260)**	(125,521)
Use of Prepaid Expenses	-	**125,521**	77,198
Total Effect of change in Other Non-Financial Assets	-	**(128,739)**	(48,323)
(Increase) Decrease in Net Financial Assets (Debt), before Net Remeasurement Gains (Losses)	(1,777,890)	**(2,005,621)**	2,512,447
Net Remeasurement Gains (Losses)			
(Increase) Decrease in Net Financial Assets (Debt)		**(2,005,621)**	2,512,447
Net Financial Assets (Debt), beginning of year		**(112,321,965)**	(114,834,412)
Net Financial Assets (Debt), end of year		**(114,327,586)**	(112,321,965)

School District No. 63 (Saanich)

Consolidated Statement of Cash Flows
Year Ended June 30, 2019

	2019 Actual	2018 Actual
	$	$
Operating Transactions		
Surplus (Deficit) for the year	**162,543**	1,537,792
Changes in Non-Cash Working Capital		
Decrease (Increase)		
Accounts Receivable	**(1,668,616)**	2,291,063
Prepaid Expenses	**(128,739)**	(48,323)
Increase (Decrease)		
Accounts Payable and Accrued Liabilities	**2,240,773**	(7,545)
Unearned Revenue	**205,172**	(285,102)
Deferred Revenue	**7,626**	124,242
Employee Future Benefits	**142,630**	268,892
Amortization of Tangible Capital Assets	**5,969,497**	5,756,767
Amortization of Deferred Capital Revenue	**(4,416,838)**	(4,285,166)
Total Operating Transactions	**2,514,048**	5,352,620
Capital Transactions		
Tangible Capital Assets Purchased	**(2,531,489)**	(2,361,524)
Tangible Capital Assets -WIP Purchased	**(5,477,433)**	(2,372,265)
Total Capital Transactions	**(8,008,922)**	(4,733,789)
Financing Transactions		
Capital Revenue Received	**6,826,690**	3,133,612
Total Financing Transactions	**6,826,690**	3,133,612
Investing Transactions		
Proceeds on Disposal of Portfolio Investments	**(4,254)**	(4,066)
Total Investing Transactions	**(4,254)**	(4,066)
Net Increase (Decrease) in Cash and Cash Equivalents	**1,327,562**	3,748,377
Cash and Cash Equivalents, beginning of year	**19,411,629**	15,663,252
Cash and Cash Equivalents, end of year	**20,739,191**	19,411,629
Cash and Cash Equivalents, end of year, is made up of:		
Cash	**12,393,749**	11,301,452
Cash Equivalents	**8,345,442**	8,110,177
	20,739,191	19,411,629

NOTE 1 AUTHORITY AND PURPOSE

The school district operates under authority of the *School Act* of British Columbia as a corporation under the name of "The Board of Education of School District No. 63 (Saanich)", and operates as "School District No. 63 (Saanich)". A board of education ("Board") is elected for a four-year term and governs the school district. The school district provides educational programs to students enrolled in schools in the district, and is principally funded by the Province of British Columbia through the Ministry of Education. School District No. 63 (Saanich) is exempt from federal and provincial corporate income taxes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the school district are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the school district are as follows:

a) <u>Basis of Accounting</u>

The consolidated financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board. The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 required all tax supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections effective their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 requires that restricted contributions received or receivable for acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are to be deferred and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded.

For British Columbia taxpayer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the statement of operations and certain related deferred capital revenue would be recorded differently under Canadian Public Sector Accounting Standards.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Basis of Consolidation

These consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity, which is comprised of all controlled entities. School District No. 63 Business Company is 100 percent owned by the School District. The transactions of the Business Company are accounted for using the consolidation method. Inter-departmental transactions and organizational transactions have been eliminated.

c) Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid securities that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These cash equivalents generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

d) Accounts Receivable

Accounts receivable are measured at amortized cost and shown net of allowance for doubtful accounts.

e) Portfolio Investments

The school district has investments in GICs with terms to maturity of greater than one year. GICs are reported at cost.

f) Unearned Revenue

Unearned revenue includes tuition fees received for courses to be delivered in future periods and receipt of proceeds for services or products to be delivered in a future period. Revenue will be recognized in that future period when the courses, services, or products are provided.

g) Deferred Revenue

Deferred revenue includes contributions received with stipulations that meet the description of restricted contributions in the Restricted Contributions Regulation 198/2011 issued by Treasury Board. When restrictions are met, deferred revenue is recognized as revenue in the fiscal year in a manner consistent with the circumstances and evidence used to support the initial recognition of the contributions received as a liability as detailed in Note 2 (n).

h) Deferred Capital Revenue

Funding received for the acquisition of depreciable tangible capital assets is recorded as deferred capital revenue and amortized over the life of the asset acquired as revenue in the statement of operations.

This accounting treatment is not consistent with the requirements of Canadian public sector accounting standards, which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability in which case the transfer is recognized as revenue over the period that the liability is extinguished.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Employee Future Benefits

The school district provides certain post-employment benefits including vested and non-vested benefits for certain employees pursuant to certain contracts and union agreements.

The school district accrues its obligations and related costs including both vested and non-vested benefits under employee future benefit plans. Benefits include vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance, vacation, overtime and death benefits. The benefits cost is actuarially determined using the projected unit credit method pro-rated on service and using management's best estimate of expected salary escalation, termination rates, retirement rates and mortality. The discount rate used to measure obligations is based on the cost of borrowing. The cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime (EARSL) of active employees covered under the plan.

The most recent valuation of the obligation was performed at March 31, 2019 and projected to March 31, 2022. The next valuation will be performed at March 31, 2022 for use at June 30, 2022. For the purposes of determining the financial position of the plans and the employee future benefit costs, a measurement date of March 31 was adopted for all periods subsequent to July 1, 2004.

The school district and its employees make contributions to the Teachers' Pension Plan and Municipal Pension Plan. The plans are multi-employer plans where assets and obligations are not separated. The costs are expensed as incurred.

j) Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the school district:
  - is directly responsible; or
  - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Tangible Capital Assets

The following criteria apply:

- Tangible capital assets acquired or constructed are recorded at cost which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost also includes overhead directly attributable to construction as well as interest costs that are directly attributable to the acquisition or construction of the asset.
- Donated tangible capital assets are recorded at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.
- Work-in-progress is recorded as an acquisition to the applicable asset class at substantial completion.
- Tangible capital assets are written down to residual value when conditions indicate they no longer contribute to the ability of the school district to provide services or when the value of future economic benefits associated with the sites and buildings are less than their net book value. The write-downs are accounted for as expenses in the consolidated Statement of Operations.
- Buildings that are demolished or destroyed are written-off.
- Works of art, historic assets and other intangible assets are not recorded as assets in these consolidated financial statements.
- The cost, less residual value, of tangible capital assets (excluding sites), is amortized on a straight-line basis over the estimated useful life of the asset. It is management's responsibility to determine the appropriate useful lives for tangible capital assets. These useful lives are reviewed on a regular basis or if significant events initiate the need to revise. Estimated useful life is as follows:

Buildings	40 years
Furniture & Equipment	10 years
Vehicles	10 years
Computer Software	5 years
Computer Hardware	5 years

l) Prepaid Expenses

Amounts for insurance and other services are included as a prepaid expense and stated at acquisition cost and are charged to expense over the periods expected to benefit from it.

m) Funds and Reserves

Certain amounts, as approved by the Board are set aside in accumulated surplus for future operating and capital purposes. Transfers to and from funds and reserves are an adjustment to the respective fund when approved (see Note 11 – Accumulated Surplus).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

n) Revenue Recognition

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Contributions received or where eligibility criteria have been met are recognized as revenue except where the contribution meets the criteria for deferral as described below. Eligibility criteria are the criteria that the school district has to meet in order to receive the contributions including authorization by the transferring government.

For contributions subject to a legislative or contractual stipulation or restriction as to their use, revenue is recognized as follows:

- Non-capital contributions for specific purposes are recorded as deferred revenue and recognized as revenue in the year related expenses are incurred,
- Contributions restricted for site acquisitions are recorded as revenue when the sites are purchased, and
- Contributions restricted for tangible capital assets acquisitions other than sites are recorded as deferred capital revenue and amortized over the useful life of the related assets.

Donated tangible capital assets other than sites are recorded at fair market value and amortized over the useful life of the assets. Donated sites are recorded as revenue at fair market value when received or receivable.

The accounting treatment for restricted contributions that are government transfers is not consistent with the requirements of Canadian public sector accounting standards, which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that meets the criteria for liability recognition in which case the transfer is recognized as revenue over the period that the liability is extinguished.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Investment income is reported in the period earned. When required by the funding party or related Act, investment income earned on deferred revenue is added to the deferred revenue balance.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o) Expenditures

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Categories of Salaries

- Principals, Vice-Principals, and Directors of Instruction employed under an administrative officer contract are categorized as Principals and Vice-Principals.
- Superintendents, Assistant Superintendents, Secretary-Treasurers, Trustees and other employees excluded from union contracts are categorized as Other Professionals.

Allocation of Costs

- Operating expenses are reported by function, program, and object. Whenever possible, expenditures are determined by actual identification. Additional costs pertaining to specific instructional programs, such as special and aboriginal education, are allocated to these programs. All other costs are allocated to related programs.
- Actual salaries of personnel assigned to two or more functions or programs are allocated based on the time spent in each function and program. School-based clerical salaries are allocated to school administration and partially to other programs to which they may be assigned. Principals and Vice-Principals salaries are allocated to school administration and may be partially allocated to other programs to recognize their other responsibilities.
- Employee benefits and allowances are allocated to the same programs, and in the same proportions, as the individual's salary.
- Supplies and services are allocated based on actual program identification.

p) Financial Instruments

A contract establishing a financial instrument creates, at its inception, rights and obligations to receive or deliver economic benefits. The financial assets and financial liabilities portray these rights and obligations in the financial statements. The school district recognizes a financial instrument when it becomes a party to a financial instrument contract.

Financial instruments consist of cash and cash equivalents, accounts receivable, portfolio investments, and accounts payable and accrued liabilities. All financial assets and liabilities are recorded at cost or amortized cost and the associated transaction costs are added to the carrying value of these investments upon initial recognition. Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a financial liability.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

q) Measurement Uncertainty

Preparation of consolidated financial statements in accordance with the basis of accounting described in Note 2(a) requires management to make estimates and assumptions that impact reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the potential impairment of assets, liabilities for contaminated sites, rates for amortization and estimated employee future benefits. Actual results could differ from those estimates.

r) Comparative Figures

Certain comparative figures presented in the financial statements have been reclassified to conform to the financial statement presentation adopted in the current year.

NOTE 3 ACCOUNTS RECEIVABLE – OTHER RECEIVABLES

	June 30, 2019	June 30, 2018
	$	$
Due from Federal Government	165,730	90,845
Other	150,587	89,581
BCPSEA and PEBT benefit surplus	1,046,798	769,763
	1,363,115	950,189

NOTE 4 PORTFOLIO INVESTMENTS

	June 30, 2019	June 30, 2018
Investments measured at cost:	$	$
GIC's	203,884	199,630

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES – OTHER

	June 30, 2019	June 30, 2018
	$	$
Trade payables	2,181,402	1,374,162
Salaries and benefits payable	6,718,027	5,327,928
Accrued vacation pay	358,821	315,387
	9,258,250	7,017,477

NOTE 6 UNEARNED REVENUE

	June 30, 2019	June 30, 2018
	$	$
Balance, beginning of year	5,000,399	5,285,501
Changes for the year:		
Increase:		
Tuition fees collected	3,438,591	3,230,617
Homestay fees collected	1,766,981	1,755,734
Lease fees collected	-	16,448
Decrease:	5,205,572	5,002,799
Tuition fees recognized as revenue	(3,230,617)	(3,341,971)
Homestay fees recognized as revenue	(1,755,734)	(1,945,930)
Lease fees recognized as revenue	(14,049)	-
Net changes for the year	205,172	(285,102)
Balance, end of year	5,205,571	5,000,399

NOTE 7 DEFERRED REVENUE

Deferred revenue includes unspent grants and contributions received that meet the description of a restricted contribution in the Restricted Contributions Regulation 198/2011 issued by Treasury Board, i.e., the stipulations associated with those grants and contributions have not yet been fulfilled.

	June 30, 2019	June 30, 2018
	$	$
Balance, beginning of year	1,676,342	1,552,100
Changes for the year:		
Increase:		
Provincial Grants	9,132,886	7,341,002
Other	3,967,481	3,880,104
Investment Income	36,804	28,688
	13,137,171	11,249,794
Decrease:		
Transfers to Revenue	(12,927,176)	(11,125,552)
17/18 Adjustments Deducted by MOE	(202,369)	-
Net changes for the year	7,626	124,242
Balance, end of year	1,683,968	1,676,342

NOTE 8 DEFERRED CAPITAL REVENUE

Deferred capital revenue includes grants and contributions received that are restricted by the contributor for the acquisition of tangible capital assets that meet the description of a restricted contribution in the Restricted Contributions Regulation 198/2011 issued by Treasury Board. Once spent, the contributions are amortized into revenue over the life of the asset acquired.

	June 30, 2019	June 30, 2018
	$	$
Balance, deferred capital revenue, subject to amortization, beginning of year	115,826,575	111,456,991
Changes for the year:		
Increase:		
Capital Additions	1,914,181	1,215,769
Transfer from work in progress	602,075	7,438,981
Decrease:		
Amortization	(4,416,838)	(4,285,166)
Net changes for the year	(1,900,582)	4,369,584
Balance, deferred capital revenue, subject to amortization, end of year	113,925,993	115,826,575
Balance, deferred capital revenue, not subject to amortization, beginning of year	582,660	5,649,376
Transfer from unspent deferred capital revenue – work in progress	5,477,433	2,372,265
Transfer completed projects to deferred capital revenue	(602,075)	(7,438,981)
Balance, deferred capital revenue not subject to amortization, end of year	5,458,018	582,660
Balance, unspent deferred capital revenue, beginning of year	1,029,047	1,483,469
Changes for the year:		
Increase:		
Provincial Grants, Ministry of Education	5,170,476	2,423,754
Provincial Grants, Other	196,913	193,770
Investment income	17,500	21,750
Receivable from Ministry of Education – COA Draws	1,441,801	494,338
Decrease:		
Transferred to DCR – Capital Additions	(1,914,181)	(1,215,769)
Transferred to DCR – Work in Progress	(5,477,433)	(2,372,265)
Net changes for the year	(564,924)	(454,422)
Balance, unspent deferred capital revenue, end of year	464,123	1,029,047
Balance, end of year	119,848,134	117,438,282

NOTE 9 EMPLOYEE FUTURE BENEFITS

Benefits include vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance, vacation, overtime and death benefits. Funding is provided when the benefits are paid and accordingly, there are no plan assets. Although no plan assets are uniquely identified, the school district has provided for the payment of these benefits.

	June 30, 2019	June 30, 2018
Reconciliation of Accrued Benefit Obligation		
	$	$
Accrued Benefit Obligation – April 1	4,310,285	4,244,454
Service Cost	325,444	291,279
Interest Cost	121,816	119,627
Benefit Payments	(436,800)	(304,056)
Increase in Obligation Due to Plan Amendment	50,172	-
Actuarial Loss (Gain)	40,337	(41,019)
Accrued Benefit Obligation – March 31	4,411,254	4,310,285
Reconciliation of Funded Status at End of Fiscal Year		
Accrued Benefit Obligation – March 31	4,411,254	4,310,285
Market Value of Plan Assets – March 31	-	-
Funded Status – Deficit	(4,411,254)	(4,310,285)
Employer Contributions After Measurement Date	190,024	133,010
Benefits Expense After Measurement Date	(115,888)	(111,815)
Unamortized Net Actuarial Gain	719,636	814,238
Accrued Benefit Liability – June 30	(3,617,482)	(3,474,852)
Reconciliation of Change in Accrued Benefit Liability		
Accrued Benefit Liability – July 1	3,474,852	3,205,960
Net expense for Fiscal Year	636,444	558,995
Employer Contributions	(493,814)	(290,103)
Accrued Benefit Liability – June 30	3,617,482	3,474,852
Components of Net Benefit Expense		
	$	$
Service Cost	331,732	299,820
Interest Cost	119,601	120,175
Immediate Recognition of Plan Amendment	50,172	-
Amortization of Net Actuarial (Gain)/Loss	134,939	139,000
Net Benefit Expense (Income)	636,444	558,995

NOTE 9 EMPLOYEE FUTURE BENEFITS *(continued)*

The significant actuarial assumptions adopted for measuring the school district's accrued benefit obligations are:

	June 30, 2019	June 30, 2018
Discount Rate – April 1	2.75%	2.75%
Discount Rate – March 31	2.50%	2.75%
Long Term Salary Growth – April 1	2.50% + seniority	2.50% + seniority
Long Term Salary Growth – March 31	2.50% + seniority	2.50% + seniority
EARSL – March 31	10.5 years	10.1 years

NOTE 10 TANGIBLE CAPITAL ASSETS

Cost:	Balance at July 1, 2018	Additions	Disposals	Transfers	Balance at June 30, 2019
	$	$	$	$	$
Sites	6,088,418	-	-	-	6,088,418
Buildings	209,508,036	902,233	-	271,690	210,681,959
Work in progress	582,660	5,477,433	-	(602,075)	5,458,018
Furniture & Equipment	5,023,623	1,260,445	600,821	330,385	6,013,632
Vehicles	2,095,266	85,999	398,450	-	1,782,815
Computer Software	240,462	35,461		-	275,923
Computer Hardware	1,448,795	247,351	424,363	-	1,271,783
Total	224,987,260	8,008,922	1,423,634	-	231,572,548

Accumulated Amortization:	Balance at July 1, 2018	Additions	Disposals	Transfers	Balance at June 30, 2019
	$	$	$	$	$
Sites	-	-	-	-	-
Buildings	75,781,332	4,919,756	-	-	80,701,088
Furniture & Equipment	2,670,167	502,363	600,821	-	2,571,709
Vehicles	1,089,481	209,527	398,450	-	900,558
Computer Software	103,691	48,092		-	151,783
Computer Hardware	569,301	289,759	424,363	-	434,697
Total	80,213,972	5,969,497	1,423,634	-	84,759,835

NOTE 10 TANGIBLE CAPITAL ASSETS *(continued)*

Cost:	Balance at July 1, 2017	Additions	Disposals	Transfers	Balance at June 30, 2018
	$	$	$	$	$
Sites	6,088,418	-	-	-	6,088,418
Buildings	200,709,281	1,336,601	-	7,462,154	209,508,036
Work in progress	5,672,549	2,372,265	-	(7,462,154)	582,660
Furniture & Equipment	5,321,616	509,270	(807,263)	-	5,023,623
Vehicles	2,339,258	40,380	(284,372)	-	2,095,266
Computer Software	188,177	52,285	-	-	240,462
Computer Hardware	1,209,815	422,988	(184,008)	-	1,448,795
Total	221,529,114	4,733,789	(1,275,643)	-	224,987,260

Accumulated Amortization:	Balance at July 1, 2017	Additions	Disposals	Transfers	Balance at June 30, 2018
	$	$	$	$	$
Sites	-	-	-	-	-
Buildings	71,070,251	4,711,081	-	-	75,781,332
Furniture & Equipment	2,945,268	532,162	(807,263)	-	2,670,167
Vehicles	1,139,927	233,926	(284,372)	-	1,089,481
Computer Software	66,056	37,635	-	-	103,691
Computer Hardware	511,346	241,963	(184,008)	-	569,301
Total	75,732,848	5,756,767	(1,275,643)	-	80,213,972

Net Book Value:

	Net Book Value June 30, 2019	Net Book Value June 30, 2018
	$	$
Sites	6,088,418	6,088,418
Buildings	129,980,871	133,726,704
Work in Progress	5,458,018	582,660
Furniture & Equipment	3,441,923	2,353,456
Vehicles	882,257	1,005,785
Computer Software	124,140	136,771
Computer Hardware	837,086	879,494
Total	146,812,713	144,773,288

NOTE 11 ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	June 30, 2019	June 30, 2018
	$	$
Invested in tangible capital assets	27,433,511	28,368,862
Local capital surplus	65,323	9,991
Operating surplus	5,240,553	4,197,991
	32,739,387	32,576,844

Inter-fund transfers between the operating, special purpose and capital funds for the year ended June 30, 2019, were as follows:

- $615,580 was transferred from the operating fund to the capital fund for the purchase of capital assets.
- $57,060 was transferred from the operating fund to the local capital fund for future purchases of capital assets.
- $6,947 was transferred from the operating fund to special purpose funds to fund additional expenditures from special purpose fund programs.

The operating surplus has been internally restricted (appropriated) by the Board for:

		June 30, 2019
		$
School Activities	983,039	
District Activities	1,717,364	
Appropriated for 2019/20 Budget	840,150	
Subtotal Internally Restricted		3,540,553
Unrestricted Operating Surplus		1,700,000
Total Available for Future Operations		5,240,553

NOTE 12 CONTRACTUAL OBLIGATIONS

The school district has entered into contracts related to capital projects with a remaining cost of approximately $3,797,580.

The school district has entered into a contract to purchase 1100 computers by September 2019 for a total of $325,700.

The school district leases the Broadmead Learning Centre for an annual cost of $93,288. This lease expires on June 30, 2020 and will be renegotiated at that time.

NOTE 13 CONTRACTUAL RIGHTS

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The school district's contractual rights arise because of contracts entered into for lease of surplus district properties. The following table summarizes the contractual rights of the school district for future assets:

	$					
Contractual Rights	**2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**
Leases of Property	442,562	322,953	322,943	112,263	110,943	99,603

NOTE 14 CONTINGENT LIABILITIES

The school district, in conducting its usual business activities, is involved in various legal claims and litigation. In the event any unsettled claims are successful, management believes that such claims are not expected to have a material effect on the school district's financial position.

Certain schools in the school district contain asbestos. No amount has been recorded in these financial statements with regard to this potential liability since the fair value of future removal costs cannot be reasonably estimated due to unknown timelines.

NOTE 15 BUDGET FIGURES

Budget figures included in the consolidated financial statements were approved by the Board through the adoption of an amended annual budget bylaw on February 20, 2019. The original annual budget was adopted on May 16, 2018. The original and amended budgets are presented below.

	2019 Amended Annual Budget	2019 Annual Budget
Revenues		
	$	$
Provincial Grants	74,531,369	70,324,134
Tuition	4,718,400	4,874,100
Other Revenue	9,952,945	9,830,618
Rentals and Leases	380,000	380,000
Investment Income	198,600	183,600
Amortization of Deferred Capital Revenue	4,370,869	4,370,869
Total Revenue	**94,152,183**	**89,963,321**
Expenses		
Instruction	78,457,258	73,025,366
District Administration	3,029,931	3,268,032
Operations and Maintenance	14,821,443	14,048,669
Transportation and Housing	1,557,170	1,526,953
Total Expense	**97,865,802**	**91,869,020**
Net Revenue (Expense)	**(3,713,619)**	**(1,905,699)**
Budgeted Allocation of Surplus	**2,991,551**	**808,631**
Budgeted Surplus (Deficit) for the year	**(722,068)**	**(1,097,068)**

NOTE 16 EXPENSE BY OBJECT

	June 30, 2019	June 30, 2018
	$	$
Salaries and benefits	75,390,045	70,694,888
Services and supplies	14,542,230	14,024,813
Amortization	5,969,497	5,756,767
	95,901,772	90,476,468

NOTE 17 EMPLOYEE PENSION PLANS

The school district and its employees contribute to the Teachers' Pension Plan and Municipal Pension Plan (jointly trusteed pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at December 31, 2018, the Teachers' Pension Plan has about 46,000 active members and approximately 38,000 retired members. As of December 31, 2018, the Municipal Pension Plan has about 197,000 active members, including approximately 24,000 from school districts.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation of the Teachers' Pension Plan as at December 31, 2017, indicated a $1,656 million surplus for basic pension benefits on a going concern basis. As a result of the 2017 basic account actuarial valuation surplus, plan enhancements and contribution rate adjustments were made; the remaining $644 million surplus was transferred to the rate stabilization account.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2015, indicated a $2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, $1,927 million was transferred to the rate stabilization account and $297 million of the surplus ensured the required contribution rate remained unchanged.

The school district paid $6,523,579 for employer contributions to the plans for the year ended June 30, 2019 (2018: $6,801,301)

The next valuation for the Teachers' Pension Plan will be as at December 31, 2020, with results available in 2021. The next valuation for the Municipal Pension Plan will be as at December 31, 2018, with results available in 2019.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

NOTE 18 RELATED PARTY TRANSACTIONS

The school district is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Related parties also include key management personnel and close family members. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

NOTE 19 ECONOMIC DEPENDENCE

The operations of the school district are dependent on continued funding from the Ministry of Education and various governmental agencies to carry out its programs. These consolidated financial statements have been prepared on a going concern basis.

NOTE 20 RISK MANAGEMENT

The School District has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. The Board ensures that the School District has identified its risks and ensures that management monitors and controls them.

a) Credit Risk

Credit risk is the risk of financial loss to an institution if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held consisting of cash and cash equivalents, amounts receivable and investments.

The school district is exposed to credit risk in the event of non-performance by a borrower. This risk is mitigated as most amounts receivable are due from the Province and are collectible.

It is management's opinion that the school district is not exposed to significant credit risk associated with its cash deposits and investments as they are placed in recognized British Columbia institutions and the school district invests solely in guaranteed investment certificates.

b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. It is management's opinion that the school district is not exposed to significant currency risk, as amounts held and purchases made in foreign currency are insignificant.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The school district is exposed to interest rate risk through its investments. It is management's opinion that the school district is not exposed to significant interest rate risk as they invest solely in guaranteed investment certificates that have a maturity date of no more than 3 years.

NOTE 20 RISK MANAGEMENT (continued)

c) Liquidity Risk

Liquidity risk is the risk that the school district will not be able to meet its financial obligations as they become due.

The school district manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the school district's reputation.

Risk Management and insurance services for all school districts in British Columbia are provided by the Risk Management Branch of the Ministry of Finance.

There has been no changes to risk exposures from 2018 related to credit, market or liquidity risks.

School District No. 63 (Saanich)

Schedule of Changes in Accumulated Surplus (Deficit) by Fund
Year Ended June 30, 2019

	Operating Fund	Special Purpose Fund	Capital Fund	2019 Actual	2018 Actual
	$	$	$	$	$
Accumulated Surplus (Deficit), beginning of year	4,197,991		28,378,853	**32,576,844**	31,039,052
Changes for the year					
Surplus (Deficit) for the year	1,722,149	(6,947)	(1,552,659)	**162,543**	1,537,792
Interfund Transfers					
Tangible Capital Assets Purchased	(615,580)		615,580	-	
Local Capital	(57,060)		57,060	-	
Other	(6,947)	6,947		-	
Net Changes for the year	**1,042,562**	-	**(880,019)**	162,543	**1,537,792**
Accumulated Surplus (Deficit), end of year - Statement 2	**5,240,553**	-	**27,498,834**	**32,739,387**	32,576,844

School District No. 63 (Saanich)

Schedule of Operating Operations

Year Ended June 30, 2019

	2019 Budget (Note 15)	2019 Actual	2018 Actual
	$	$	$
Revenues			
Provincial Grants			
Ministry of Education	65,787,225	**66,545,112**	64,735,258
Other	40,800	**133,450**	170,100
Federal Grants			4,711
Tuition	4,718,400	**4,705,976**	4,513,142
Other Revenue	6,537,299	**6,571,962**	6,630,160
Rentals and Leases	380,000	**373,872**	303,662
Investment Income	195,000	**389,929**	244,192
Total Revenue	77,658,724	**78,720,301**	76,601,225
Expenses			
Instruction	66,533,155	**64,158,672**	62,337,082
District Administration	2,977,418	**2,861,982**	2,590,627
Operations and Maintenance	8,858,724	**8,572,441**	7,518,168
Transportation and Housing	1,346,388	**1,405,057**	1,307,859
Total Expense	79,715,685	**76,998,152**	73,753,736
Operating Surplus (Deficit) for the year	(2,056,961)	**1,722,149**	2,847,489
Budgeted Appropriation (Retirement) of Surplus (Deficit)	2,991,551		
Net Transfers (to) from other funds			
Tangible Capital Assets Purchased	(369,750)	**(615,580)**	(694,857)
Tangible Capital Assets - Work in Progress	(30,000)		
Local Capital		**(57,060)**	
Other	(159,840)	**(6,947)**	(50,849)
Total Net Transfers	(559,590)	**(679,587)**	(745,706)
Total Operating Surplus (Deficit), for the year	375,000	**1,042,562**	2,101,783
Operating Surplus (Deficit), beginning of year		**4,197,991**	2,096,208
Operating Surplus (Deficit), end of year		**5,240,553**	4,197,991
Operating Surplus (Deficit), end of year			
Internally Restricted		**3,540,553**	2,991,551
Unrestricted		**1,700,000**	1,206,440
Total Operating Surplus (Deficit), end of year		**5,240,553**	4,197,991

School District No. 63 (Saanich)

Schedule of Operating Revenue by Source

Year Ended June 30, 2019

	2019 Budget (Note 15)	2019 Actual	2018 Actual
	$	$	$
Provincial Grants - Ministry of Education			
Operating Grant, Ministry of Education	68,220,560	**68,251,286**	66,347,331
ISC/LEA Recovery	(3,126,255)	**(2,984,092)**	(2,995,397)
Other Ministry of Education Grants			
Pay Equity	377,315	**377,315**	377,315
Funding for Graduated Adults	111,000	**252,118**	223,107
Transportation Supplement	280,000	**280,000**	280,000
Economic Stability Dividend		**81,181**	43,942
Return of Administrative Savings			296,726
Carbon Tax Grant	44,347	**55,579**	53,770
Employer Health Tax Grant		**177,761**	
Strategic Priorities - Mental Health Grant		**33,000**	
FSA Marking	13,769	**12,964**	12,964
Operating Grant Enrolment Adjustment	(133,511)		
Equity Scan and Access Grants		**8,000**	
Indigenous Language Teaching			10,000
School Seismic Upgrade Program Assessment Funding			85,500
Total Provincial Grants - Ministry of Education	65,787,225	**66,545,112**	64,735,258
Provincial Grants - Other	40,800	**133,450**	170,100
Federal Grants			4,711
Tuition			
International and Out of Province Students	4,718,400	**4,705,976**	4,513,142
Total Tuition	4,718,400	**4,705,976**	4,513,142
Other Revenues			
LEA Funding from First Nations	3,126,255	**2,984,092**	2,995,397
Miscellaneous			
Miscellaneous and School Generated	340,990	**523,137**	607,369
Cafeteria	68,000	**158,687**	158,222
Reading Recovery	75,954	**81,854**	75,954
Textbook Deposits and Distance Ed Fees	140,000	**64,607**	106,253
International and Out of Province Homestay Fees	2,751,100	**2,739,356**	2,646,011
Community Use	35,000	**20,229**	40,954
Total Other Revenue	6,537,299	**6,571,962**	6,630,160
Rentals and Leases	380,000	**373,872**	303,662
Investment Income	195,000	**389,929**	244,192
Total Operating Revenue	77,658,724	**78,720,301**	76,601,225

School District No. 63 (Saanich)

Schedule of Operating Expense by Object
Year Ended June 30, 2019

	2019 Budget (Note 15)	2019 Actual	2018 Actual
	$	$	$
Salaries			
Teachers	31,066,228	**30,756,672**	29,979,151
Principals and Vice Principals	4,230,236	**4,396,163**	4,260,487
Educational Assistants	4,741,171	**4,519,962**	4,528,519
Support Staff	7,846,015	**8,259,295**	7,690,052
Other Professionals	2,536,493	**2,570,896**	2,260,808
Substitutes	2,675,460	**2,900,088**	2,560,914
Total Salaries	53,095,603	**53,403,076**	51,279,931
Employee Benefits	13,457,721	**13,350,241**	12,912,834
Total Salaries and Benefits	66,553,324	**66,753,317**	64,192,765
Services and Supplies			
Services	5,289,908	**4,696,799**	4,340,177
Professional Development and Travel	854,868	**671,213**	624,639
Rentals and Leases	108,000	**94,027**	97,874
Dues and Fees	321,024	**272,919**	240,017
Insurance	168,900	**168,378**	166,092
Supplies	4,822,302	**2,810,119**	2,594,438
Utilities	1,597,359	**1,531,380**	1,497,734
Total Services and Supplies	13,162,361	**10,244,835**	9,560,971
Total Operating Expense	79,715,685	**76,998,152**	73,753,736

School District No. 63 (Saanich)

Operating Expense by Function, Program and Object

Year Ended June 30, 2019

	Teachers Salaries	Principals and Vice Principals Salaries	Educational Assistants Salaries	Support Staff Salaries	Other Professionals Salaries	Substitutes Salaries	Total Salaries
	$	$	$	$	$	$	$
1 Instruction							
1.02 Regular Instruction	23,048,148	460,242	173,021	499,754		2,358,343	**26,539,508**
1.03 Career Programs	283,254		95,611	58,993		2,256	**440,114**
1.07 Library Services	650,760			308,954		17,684	**977,398**
1.08 Counselling	805,047	23,046					**828,093**
1.10 Special Education	3,808,341	249,569	3,973,281	174,320	642,966	247,685	**9,096,162**
1.30 English Language Learning	773,783						**773,783**
1.31 Aboriginal Education	289,192	129,576	278,049	30,640		18,159	**745,616**
1.41 School Administration		3,267,071		1,585,724		18,077	**4,870,872**
1.62 International and Out of Province Students	1,019,987	266,659		383,558		2,494	**1,672,698**
Total Function 1	**30,678,512**	**4,396,163**	**4,519,962**	**3,041,943**	**642,966**	**2,664,698**	**45,944,244**
4 District Administration							
4.11 Educational Administration				37,176	694,901	2,789	**734,866**
4.40 School District Governance					104,442		**104,442**
4.41 Business Administration				367,545	475,450	8,632	**851,627**
Total Function 4	**-**	**-**	**-**	**404,721**	**1,274,793**	**11,421**	**1,690,935**
5 Operations and Maintenance							
5.41 Operations and Maintenance Administration	78,160			101,731	568,983	34,857	**783,731**
5.50 Maintenance Operations				3,582,663		93,245	**3,675,908**
5.52 Maintenance of Grounds				429,192			**429,192**
5.56 Utilities							**-**
Total Function 5	**78,160**	**-**	**-**	**4,113,586**	**568,983**	**128,102**	**4,888,831**
7 Transportation and Housing							
7.41 Transportation and Housing Administration				51,638	84,154		**135,792**
7.70 Student Transportation				647,407		95,867	**743,274**
Total Function 7	**-**	**-**	**-**	**699,045**	**84,154**	**95,867**	**879,066**
9 Debt Services							
Total Function 9	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Functions 1 - 9	**30,756,672**	**4,396,163**	**4,519,962**	**8,259,295**	**2,570,896**	**2,900,088**	**53,403,076**

School District No. 63 (Saanich)

Operating Expense by Function, Program and Object

Year Ended June 30, 2019

	Total Salaries	Employee Benefits	Total Salaries and Benefits	Services and Supplies	2019 Actual	2019 Budget (Note 15)	2018 Actual
	$	$	$	$	$	$	$
1 Instruction							
1.02 Regular Instruction	**26,539,508**	6,534,527	**33,074,035**	2,210,761	**35,284,796**	37,878,610	35,894,134
1.03 Career Programs	**440,114**	113,388	**553,502**	298,719	**852,221**	1,028,648	800,728
1.07 Library Services	**977,398**	256,668	**1,234,066**	57,762	**1,291,828**	1,273,200	1,186,407
1.08 Counselling	**828,093**	202,959	**1,031,052**	169	**1,031,221**	1,072,837	1,056,269
1.10 Special Education	**9,096,162**	2,454,739	**11,550,901**	554,590	**12,105,491**	11,805,206	10,426,797
1.30 English Language Learning	**773,783**	190,245	**964,028**	4,554	**968,582**	982,766	759,123
1.31 Aboriginal Education	**745,616**	156,078	**901,694**	96,230	**997,924**	1,157,279	1,031,591
1.41 School Administration	**4,870,872**	1,134,447	**6,005,319**	110,937	**6,116,256**	5,866,157	5,738,754
1.62 International and Out of Province Students	**1,672,698**	416,482	**2,089,180**	3,421,173	**5,510,353**	5,468,452	5,443,279
Total Function 1	**45,944,244**	**11,459,533**	**57,403,777**	**6,754,895**	**64,158,672**	66,533,155	62,337,082
4 District Administration							
4.11 Educational Administration	**734,866**	145,989	**880,855**	90,019	**970,874**	993,560	842,426
4.40 School District Governance	**104,442**	4,006	**108,448**	110,762	**219,210**	271,451	138,070
4.41 Business Administration	**851,627**	319,617	**1,171,244**	500,654	**1,671,898**	1,712,407	1,610,131
Total Function 4	**1,690,935**	**469,612**	**2,160,547**	**701,435**	**2,861,982**	2,977,418	2,590,627
5 Operations and Maintenance							
5.41 Operations and Maintenance Administration	**783,731**	153,880	**937,611**	305,424	**1,243,035**	1,397,016	871,651
5.50 Maintenance Operations	**3,675,908**	923,343	**4,599,251**	669,822	**5,269,073**	5,297,669	4,783,510
5.52 Maintenance of Grounds	**429,192**	120,359	**549,551**	206,089	**755,640**	739,458	585,688
5.56 Utilities	**-**		**-**	1,304,693	**1,304,693**	1,424,581	1,277,319
Total Function 5	**4,888,831**	**1,197,582**	**6,086,413**	**2,486,028**	**8,572,441**	8,858,724	7,518,168
7 Transportation and Housing							
7.41 Transportation and Housing Administration	**135,792**	32,483	**168,275**	4,746	**173,021**	179,467	156,698
7.70 Student Transportation	**743,274**	191,031	**934,305**	297,731	**1,232,036**	1,166,921	1,151,161
Total Function 7	**879,066**	**223,514**	**1,102,580**	**302,477**	**1,405,057**	1,346,388	1,307,859
9 Debt Services							
Total Function 9	-	-	-	-	-	-	-
Total Functions 1 - 9	**53,403,076**	**13,350,241**	**66,753,317**	**10,244,835**	**76,998,152**	79,715,685	73,753,736

School District No. 63 (Saanich)

Schedule of Special Purpose Operations
Year Ended June 30, 2019

	2019 Budget (Note 15)	2019 Actual	2018 Actual
	$	$	$
Revenues			
Provincial Grants			
Ministry of Education	8,703,344	**9,066,815**	7,176,139
Other	-		-
Other Revenue	3,415,646	**3,823,557**	3,944,962
Investment Income	3,600	**36,804**	4,451
Total Revenue	12,122,590	**12,927,176**	11,125,552
Expenses			
Instruction	11,924,103	**12,275,701**	10,428,180
District Administration	52,513	**352,608**	231,971
Operations and Maintenance	305,814	**305,814**	305,814
Total Expense	12,282,430	**12,934,123**	10,965,965
Special Purpose Surplus (Deficit) for the year	(159,840)	**(6,947)**	159,587
Net Transfers (to) from other funds			
Tangible Capital Assets Purchased			(210,436)
Other	159,840	**6,947**	50,849
Total Net Transfers	159,840	**6,947**	(159,587)
Total Special Purpose Surplus (Deficit) for the year	-	**-**	-
Special Purpose Surplus (Deficit), beginning of year			
Special Purpose Surplus (Deficit), end of year		**-**	-

School District No. 63 (Saanich)

Changes in Special Purpose Funds and Expense by Object

Year Ended June 30, 2019

	Annual Facility Grant	Learning Improvement Fund	Special Education Equipment	Scholarships and Bursaries	Service Delivery Transformation	School Generated Funds	Strong Start	Ready, Set, Learn	OLEP	CommunityLINK	Coding and Curriculum Implementation	Classroom Enhancement Fund - Overhead	Classroom Enhancement Fund - Staffing
	$	$	$	$	$	$	$	$	$	$	$	$	$
Deferred Revenue, beginning of year		45,042	16,206		41,969	1,329,480		3,371		8,820	29,085		64,871
Add: Restricted Grants													
Provincial Grants - Ministry of Education	305,814	261,083					96,000	19,600	222,038	395,617		952,000	5,662,824
Other				78,714		3,888,767							
Investment Income				4,920		31,884							
	305,814	261,083	-	83,634	-	3,920,651	96,000	19,600	222,038	395,617	-	952,000	5,662,824
Less: Allocated to Revenue	305,814	275,269	5,507	83,634	-	3,776,727	96,000	16,740	222,038	404,437	25,867	952,000	5,545,233
17/18 Adjustments deducted by Ministry of Education													64,871
Deferred Revenue, end of year	-	30,856	10,699	-	41,969	1,473,404	-	6,231	-	-	3,218	-	117,591
Revenues													
Provincial Grants - Ministry of Education	305,814	275,269	5,507				96,000	16,740	222,038	404,437	25,867	952,000	5,545,233
Other Revenue				78,714		3,744,843							
Investment Income				4,920		31,884							
	305,814	275,269	5,507	83,634	-	3,776,727	96,000	16,740	222,038	404,437	25,867	952,000	5,545,233
Expenses													
Salaries													
Teachers									28,376				4,401,678
Principals and Vice Principals										56,629		139,420	
Educational Assistants		220,296							74,933			191,321	
Support Staff	23,789						49,719			257,085		76,529	
Other Professionals												156,559	
Substitutes							1,621		34,555			194,501	
	23,789	220,296	-	-	-	-	51,340	-	137,864	313,714	-	758,330	4,401,678
Employee Benefits	2,709	53,880					13,381		26,881	77,731		193,670	1,143,555
Services and Supplies	279,316	1,093	5,507	83,634		3,776,727	38,226	16,740	57,293	12,992	25,867		
	305,814	275,269	5,507	83,634	-	3,776,727	102,947	16,740	222,038	404,437	25,867	952,000	5,545,233
Net Revenue (Expense) before Interfund Transfers	-	-	-	-	-	-	(6,947)	-	-	-	-	-	-
Interfund Transfers													
Other							6,947						
	-	-	-	-	-	-	6,947	-	-	-	-	-	-
Net Revenue (Expense)	-	-	-	-	-	-	-	-	-	-	-	-	-

School District No. 63 (Saanich)
Changes in Special Purpose Funds and Expense by Object
Year Ended June 30, 2019

	Classroom Enhancement Fund - Remedies	TOTAL
	$	$
Deferred Revenue, beginning of year	137,498	1,676,342
Add: Restricted Grants		
Provincial Grants - Ministry of Education	1,217,910	9,132,886
Other		3,967,481
Investment Income		36,804
	1,217,910	13,137,171
Less: Allocated to Revenue	1,217,910	12,927,176
17/18 Adjustments deducted by Ministry of Education	137,498	202,369
Deferred Revenue, end of year	-	1,683,968
Revenues		
Provincial Grants - Ministry of Education	1,217,910	9,066,815
Other Revenue		3,823,557
Investment Income		36,804
	1,217,910	12,927,176
Expenses		
Salaries		
Teachers	190,944	4,620,998
Principals and Vice Principals		196,049
Educational Assistants		486,550
Support Staff		407,122
Other Professionals		156,559
Substitutes	793,205	1,023,882
	984,149	6,891,160
Employee Benefits	233,761	1,745,568
Services and Supplies		4,297,395
	1,217,910	12,934,123
Net Revenue (Expense) before Interfund Transfers	-	(6,947)
Interfund Transfers		
Other		6,947
	-	6,947
Net Revenue (Expense)	-	-

School District No. 63 (Saanich)

Schedule of Capital Operations
Year Ended June 30, 2019

	2019 Budget (Note 15)	2019 Actual Invested in Tangible Capital Assets	2019 Actual Local Capital	2019 Actual Fund Balance	2018 Actual
	$	$	$	$	$
Revenues					
Provincial Grants					
Ministry of Education				-	
Other				-	-
Investment Income				-	2,317
Amortization of Deferred Capital Revenue	4,370,869	4,416,838		4,416,838	4,285,166
Total Revenue	4,370,869	4,416,838	-	4,416,838	4,287,483
Expenses					
Amortization of Tangible Capital Assets					
Operations and Maintenance	5,656,905	5,759,971		5,759,971	5,545,985
Transportation and Housing	210,782	209,526		209,526	210,782
Total Expense	5,867,687	5,969,497	-	5,969,497	5,756,767
Capital Surplus (Deficit) for the year	(1,496,818)	(1,552,659)	-	(1,552,659)	(1,469,284)
Net Transfers (to) from other funds					
Tangible Capital Assets Purchased	369,750	615,580		615,580	905,293
Local Capital	30,000		57,060	57,060	
Total Net Transfers	399,750	615,580	57,060	672,640	905,293
Other Adjustments to Fund Balances					
Tangible Capital Assets Purchased from Local Capital		1,728	(1,728)	-	
Total Other Adjustments to Fund Balances		1,728	(1,728)	-	
Total Capital Surplus (Deficit) for the year	(1,097,068)	(935,351)	55,332	(880,019)	(563,991)
Capital Surplus (Deficit), beginning of year		28,368,862	9,991	28,378,853	28,942,844
Capital Surplus (Deficit), end of year		27,433,511	65,323	27,498,834	28,378,853

School District No. 63 (Saanich)

Tangible Capital Assets
Year Ended June 30, 2019

	Sites	Buildings	Furniture and Equipment	Vehicles	Computer Software	Computer Hardware	Total
	$	$	$	$	$	$	$
Cost, beginning of year	6,088,418	209,508,036	5,023,623	2,095,266	240,462	1,448,795	**224,404,600**
Changes for the Year							
Increase:							
Purchases from:							
Deferred Capital Revenue - Bylaw		818,629	875,791				**1,694,420**
Deferred Capital Revenue - Other		-	219,761				**219,761**
Operating Fund		83,604	163,165	85,999	35,461	247,351	**615,580**
Local Capital			1,728				**1,728**
Transferred from Work in Progress		271,690	330,385				**602,075**
	-	1,173,923	1,590,830	85,999	35,461	247,351	**3,133,564**
Decrease:							
Deemed Disposals			600,821	398,450		424,363	**1,423,634**
	-	-	600,821	398,450	-	424,363	**1,423,634**
Cost, end of year	6,088,418	210,681,959	6,013,632	1,782,815	275,923	1,271,783	**226,114,530**
Work in Progress, end of year		5,297,903	160,115				**5,458,018**
Cost and Work in Progress, end of year	6,088,418	215,979,862	6,173,747	1,782,815	275,923	1,271,783	**231,572,548**
Accumulated Amortization, beginning of year		75,781,332	2,670,167	1,089,481	103,691	569,301	**80,213,972**
Changes for the Year							
Increase: Amortization for the Year		4,919,756	502,363	209,527	48,092	289,759	**5,969,497**
Decrease:							
Deemed Disposals			600,821	398,450		424,363	**1,423,634**
		-	600,821	398,450	-	424,363	**1,423,634**
Accumulated Amortization, end of year		80,701,088	2,571,709	900,558	151,783	434,697	**84,759,835**
Tangible Capital Assets - Net	**6,088,418**	**135,278,774**	**3,602,038**	**882,257**	**124,140**	**837,086**	**146,812,713**

School District No. 63 (Saanich)

Tangible Capital Assets - Work in Progress
Year Ended June 30, 2019

	Buildings	Furniture and Equipment	Computer Software	Computer Hardware	Total
	$	$	$	$	$
Work in Progress, beginning of year	582,660	-			**582,660**
Changes for the Year					
Increase:					
Deferred Capital Revenue - Bylaw	4,406,494	160,115			**4,566,609**
Deferred Capital Revenue - Other	580,439	330,385			**910,824**
	4,986,933	490,500	-	-	**5,477,433**
Decrease:					
Transferred to Tangible Capital Assets	271,690	330,385			**602,075**
	271,690	330,385	-	-	**602,075**
Net Changes for the Year	4,715,243	160,115	-	-	**4,875,358**
Work in Progress, end of year	**5,297,903**	**160,115**	-	-	**5,458,018**

School District No. 63 (Saanich)

Deferred Capital Revenue

Year Ended June 30, 2019

	Bylaw Capital	Other Provincial	Other Capital	Total Capital
	$	$	$	$
Deferred Capital Revenue, beginning of year	107,111,225	7,998,907	716,443	**115,826,575**
Changes for the Year				
Increase:				
Transferred from Deferred Revenue - Capital Additions	1,694,420	219,761		**1,914,181**
Transferred from Work in Progress	22,625	579,450		**602,075**
	1,717,045	799,211	-	**2,516,256**
Decrease:				
Amortization of Deferred Capital Revenue	4,143,344	251,134	22,360	**4,416,838**
	4,143,344	251,134	22,360	**4,416,838**
Net Changes for the Year	(2,426,299)	548,077	(22,360)	**(1,900,582)**
Deferred Capital Revenue, end of year	104,684,926	8,546,984	694,083	**113,925,993**
Work in Progress, beginning of year	547,422	35,238		**582,660**
Changes for the Year				
Increase				
Transferred from Deferred Revenue - Work in Progress	4,566,609	910,824		**5,477,433**
	4,566,609	910,824	-	**5,477,433**
Decrease				
Transferred to Deferred Capital Revenue	22,625	579,450		**602,075**
	22,625	579,450	-	**602,075**
Net Changes for the Year	4,543,984	331,374	-	**4,875,358**
Work in Progress, end of year	5,091,406	366,612	-	**5,458,018**
Total Deferred Capital Revenue, end of year	**109,776,332**	**8,913,596**	**694,083**	**119,384,011**

School District No. 63 (Saanich)

Changes in Unspent Deferred Capital Revenue
Year Ended June 30, 2019

	Bylaw Capital	MEd Restricted Capital	Other Provincial Capital	Land Capital	Other Capital	Total
	$	$	$	$	$	$
Balance, beginning of year	226,406	646,000	153,097		3,544	**1,029,047**
Changes for the Year						
Increase:						
Provincial Grants - Ministry of Education	6,612,277					**6,612,277**
Provincial Grants - Other			196,913			**196,913**
Investment Income		12,300	5,200			**17,500**
Transfer project surplus to MEd Restricted (from) Bylaw	(472,534)	472,534				**-**
	6,139,743	484,834	202,113	-	-	**6,826,690**
Decrease:						
Transferred to DCR - Capital Additions	1,694,420	-	219,761			**1,914,181**
Transferred to DCR - Work in Progress	4,566,609	910,824				**5,477,433**
	6,261,029	910,824	219,761	-	-	**7,391,614**
Net Changes for the Year	(121,286)	(425,990)	(17,648)	-	-	**(564,924)**
Balance, end of year	**105,120**	**220,010**	**135,449**	-	**3,544**	**464,123**

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 surplus[1] 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.

Operating Fund 2019 Revenues: $78.7 million	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.
Special Purpose Fund 2019 Revenues: $12.9 million	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.
Capital Fund 2019 Capital Funding Received or Receivable: $6.8 million 2019 Capital Assets Purchased: $7.4 million	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. In short, capital fund revenues, expenses and annual deficit are not a meaningful indicator of annual financial performance.

FINANCIAL HIGHLIGHTS

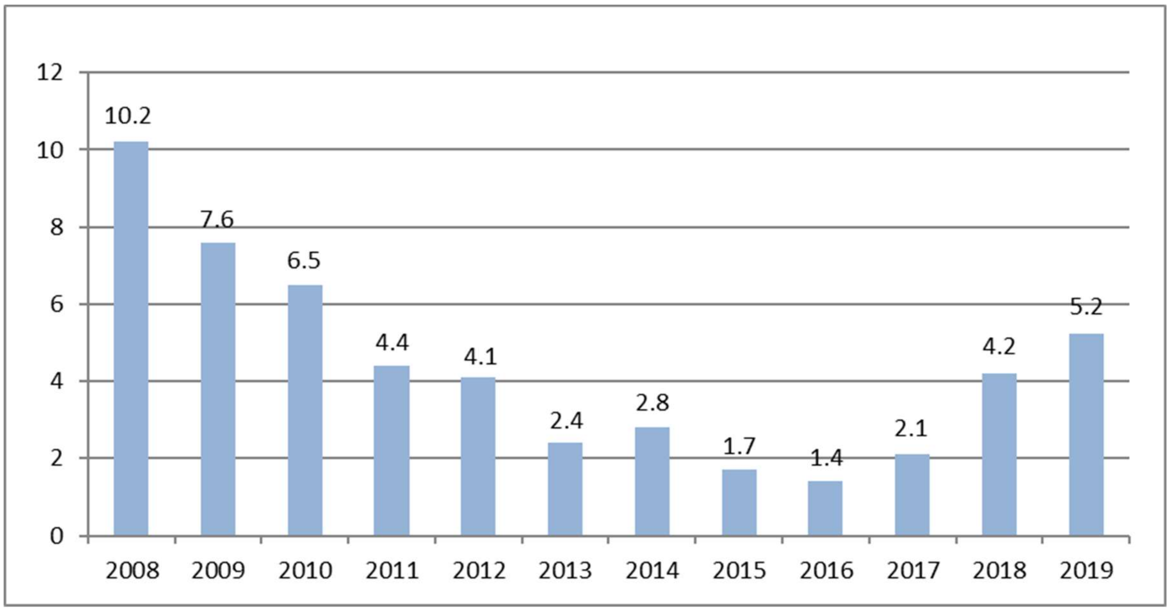
As reported in the Statement of Operations, for the year ended June 30, 2019 the district's revenues exceeded its expenses resulting in an annual surplus of $162,543 (2018 result was a surplus of $1,537,792). This was comprised of the combined financial results of the operating fund and the capital fund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

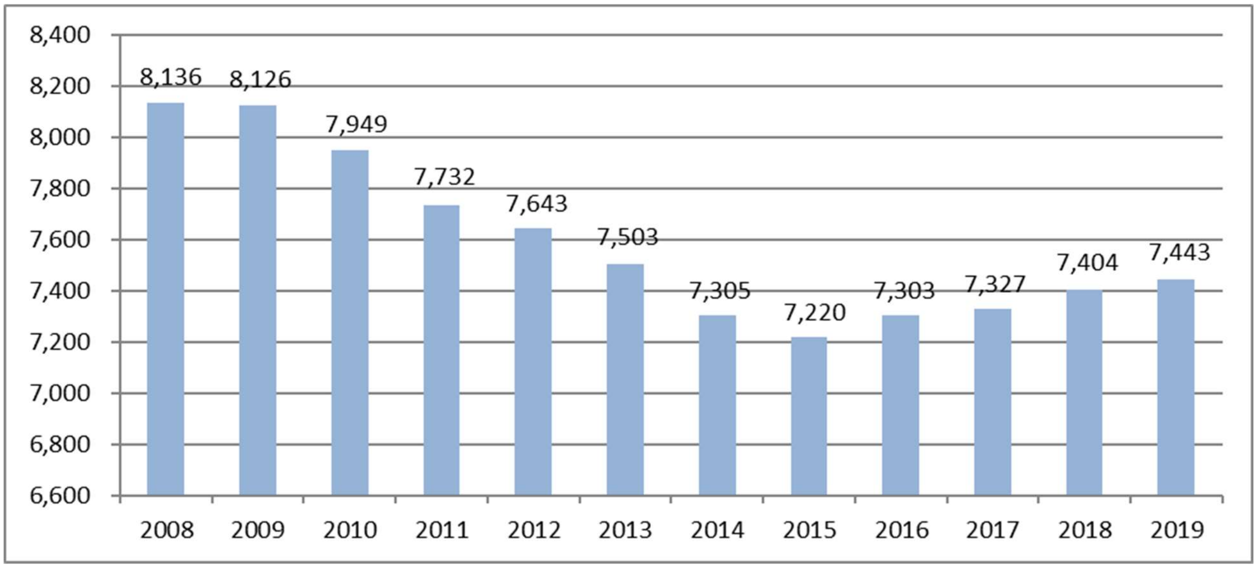
Exhibit 1: Accumulated Operating Surplus ($ millions) by Fiscal Year



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 capital[2] ($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 $594,869[3] 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.

<u>Operating Fund Revenues</u>

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 budged 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)	399,750	672,640	551,343	905,293
Change in Accumulated Surplus	(1,097,068)	(880,019)	(918,014)	(563,991)
Opening Accumulated Surplus	28,378,853	28,378,853	28,942,844	28,942,844
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.

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School District 63 Business Company
ANNUAL GENERAL MEETING

Wednesday, August 28, 2019, 4:15 pm
Saanich School Board Office, Board Room,
2125 Keating Cross Road
Saanichton, BC

AGENDA

1. Call to order Annual General Meeting

2. Confirmation of publication of notice

3. Presentation of Annual Report to the Minister of Education, including audited financial statements, to the Member for approval

4. Presentation and receipt of the CEO's report

5. Appointment of directors for the upcoming fiscal year:
   (i) Mark Fraser
   (ii) Timothy Dunford
   (iii) Greg Bunyan
   (iv) Jason Reid
   (v) Robert Lee

6. Appointment of CEO

7. Appointment of auditor for 2019-20

8. Adjournment

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SCHOOL DISTRICT NO. 63 BUSINESS COMPANY
2125 Keating Cross Road, Saanichton, B.C., V8M 2A5

ANNUAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2019

CONTENTS:

1. Business Activities in the Previous Fiscal Year

School District No. 63 Business Company (the "**Business Company**") is a holding company and has no active business operations. The Company owns all the issued shares of two British Columbia corporations: Saanich International Distributed Learning Services Inc. ("**Distributed Learning**") and Saanich International Student Recruiting Services Inc. ("**Student Recruiting**").

Distributed Learning was incorporated on July 20, 2012 to provide distance education services in exchange for registration and course fees. For the fiscal year ended June 30, 2019, Distributed Learning lost $51,622 on gross revenue of $27,578 in its seventh year of operation.

Distributed Learning renewed two loans with School District No. 63 (Saanich) into one loan of $120,000 effective April 1, 2017 for a three-year term at an interest rate of 4.7%. Distributed Learning paid interest of $5,640 to the school district on March 31, 2019.

Student Recruiting was incorporated on July 20, 2012 to provide student recruiting services for fees. Student Recruiting did not have any business activities in the fiscal year ended June 30, 2019.

2. Planned Business Activities

The Business Company will continue to be a holding company only, without active business operations.

Distributed Learning plans to expand course offerings to students in other countries and to work with other BC school districts and to look at other opportunities to generate revenue.

Student Recruiting plans not to be active at this time.

3. Auditor's Report and Financial Statements for Previous Fiscal Year

See attached.

August 28, 2019

Consolidated Financial Statements of

SCHOOL DISTRICT NO. 63 BUSINESS COMPANY

Year ended June 30, 2019

***DRAFT** - August 23, 2019*

INDEPENDENT AUDITORS' REPORT

To the Shareholder of School District No. 63 Business Company

Opinion

We have audited the consolidated financial statements of School District No. 63 Business Company (the Entity), which comprise:

- the consolidated statement of financial position as at June 30, 2019
- the consolidated statement of comprehensive income (loss) for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the statements of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Victoria, Canada
August 28, 2019

SCHOOL DISTRICT NO. 63 BUSINESS COMPANY

Consolidated Statement of Financial Position

June 30, 2019, with comparative information for 2018

		2019		2018
Assets				
Current assets:				
Cash and cash equivalents (note 4)	$	14,789	$	68,179
Interest receivable		-		191
Prepaid expenses		3,004		2,905
Total Assets	$	17,793	$	71,275
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	$	3,500	$	5,360
Interest payable		1,425		1,425
Due to School District No. 63 (Saanich) (note 5)		120,000		-
		124,925		6,785
Due to School District No. 63 (Saanich) (note 5)		-		120,000
Total Liabilities		124,925		126,785
Equity				
Share capital (note 6):				
Authorized:				
1 common share without par value				
Issued and outstanding:				
1 common share without par value		1		1
Accumulated deficit		(107,133)		(55,511)
Total Equity		(107,132)		(55,510)
Total Liabilities and Equity	$	17,793	$	71,275

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the director:

__________________________ Director

SCHOOL DISTRICT NO. 63 BUSINESS COMPANY

Consolidated Statement of Comprehensive Income (Loss)

Year ended June 30, 2019, with comparative information for 2018

	2019	2018
Revenues:		
Course fees and registration	$ 27,394	$ 83,205
Interest revenue	184	375
	27,578	83,580
Expenses:		
General and administrative	17,124	40,866
Professional fees	18,064	68,445
Refund of course fees and registration	38,372	68,445
Interest expense	5,640	5,640
	79,200	114,951
Net loss and comprehensive loss for the year	$ (51,622)	$ (31,371)

The accompanying notes are an integral part of these consolidated financial statements.

DRAFT - August 23, 2019

SCHOOL DISTRICT NO. 63 BUSINESS COMPANY

Consolidated Statement of Changes in Equity

Year ended June 30, 2019, with comparative information for 2018

	Share capital	Accumulated deficit	Total
Balance at June 30, 2017	$ 1	$ (24,140)	$ (24,139)
Net loss for the year	-	(31,371)	(31,371)
Balance at June 30, 2018	1	(55,511)	(55,510)
Net loss for the year		(51,622)	(51,622)
Balance at June 30, 2019	$ 1	$ (107,133)	$ (107,132)

The accompanying notes are an integral part of these consolidated financial statements.

SCHOOL DISTRICT NO. 63 BUSINESS COMPANY

Consolidated Statement of Cash Flows

Year ended June 30, 2019, with comparative information for 2018

	2019	2018
Cash and cash equivalents provided by (used in):		
Operating activities:		
Net loss for the year	$ (51,622)	$ (31,371)
Changes in non-cash working capital:		
Interest receivable	191	-
Prepaid expenses	(99)	-
Accounts payable and accrued liabilities	(1,860)	1,860
	(53,390)	(29,511)
Decrease in cash and cash equivalents	(53,390)	(29,511)
Cash and cash equivalents, beginning of year	68,179	97,690
Cash and cash equivalents, end of year	$ 14,789	$ 68,179

The accompanying notes are an integral part of these consolidated financial statements.

1. Reporting entity:

School District No. 63 Business Company (the "Company") was incorporated on July 16, 2012 to provide educational services. Its address is 10640 McDonald Park Road, Sidney BC. The consolidated financial statements comprise the Company and its wholly-owned subsidiaries, Saanich International Student Recruiting Services Inc. and Saanich International Distributed Learning Services Inc.

2. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis. No items in the statement of financial position are presented at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. Significant accounting policies (continued):

(b) Financial instruments:

(*i*) *Non-derivative financial assets:*

Financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs less provision for impairment.

Cash and cash equivalents and Interest receivable are non-derivative financial assets with payments which are not quoted on an active market. Subsequent to initial recognition, non-derivative financial assets are measured at amortized cost. The provision established against non-derivative financial assets represents lifetime expected credit losses ("ECL") and is updated at each reporting date. Any increase in the provision is recognized in net income or loss for the year. Financial assets are de-recognized when the contractual rights to the cash flows from those assets expire or when the risks and rewards of ownership are transferred to another party.

(*ii*) *Non-derivative financial liabilities:*

The Company initially recognizes financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or upon expiry.

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method.

Accounts payable and accrued liabilities, interest payable and Due to School District No.63 (Saanich) are non-derivative financial liabilities.

(iii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(c) Revenue recognition:

The Company provides distance educational programs for high school students living outside of Canada who are planning to come to British Columbia to attend high school. Each program delivered has been determined to have distinct performance obligations. The services are provided based on contracts with students that include fixed or determinable prices. Contract terms do not include the provision of post-service obligations. Revenue is measured at the fair value of the consideration received or receivable using a "point in time" basis, taking into account contractually defined performance obligations, terms of payment, excluding taxes.

3. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Course fees and registrations are recognized upon the Company satisfying contractually defined performance obligations based on observable outputs such as date of course commencement. Course fees and registrations are recognized using a "point in time" basis.

Amounts received in advance of the performance of services are classified as contract liabilities until the student begins the course. Amounts recorded in contract liabilities are recognized as revenue in subsequent period.

(d) Foreign currency translation:

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are adjusted at the balance sheet date to reflect the exchange rate in effect at that date. The resulting exchange gains and losses are included in the determination of earnings or loss.

(e) New reporting standards issued and adopted:

IFRS 9 *Financial Instruments* ("IFRS 9")

In 2014, the IASB issued the completed version of IFRS 9 *Financial Instruments*, replacing IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), and related interpretations. IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. The standard became effective for annual periods beginning on or after January 1, 2018.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

The Company adopted the standard on July 1, 2018 which did not have a material impact on the measurement of the Company's financial instruments, however additional disclosures have been provided.

3. Significant accounting policies (continued):

(e) New reporting standards issued and adopted (continued):

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

In 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers*, replacing IAS 18 – Revenue, IAS 11 - *Construction Contracts*, and other related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much, and when revenue is recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other standards. The standard became effective for annual periods beginning on or after January 1, 2018.

The Company adopted the standard on April 1, 2018 using the cumulative effect method (without practical expedients), with the effect of applying this standard at the date of initial application. Accordingly, the information presented for 2018 has not been restated and is presented, as previously reported, under IAS 18. The adoption of the new standard did not have a material impact on the Company's financial statements, however disclosures have been updated to reflect the requirements of the standard.

4. Cash and cash equivalents:

A cashable GIC of $51,108, earning interest at 0.65% per annum matured on December 16, 2018 and was not reinvested.

5. Due to School District No. 63 (Saanich):

The Company renewed its $120,000 loan from its ultimate parent company School District No. 63 (Saanich) on April 1, 2017 as operating funding for program development and administration costs. The loan bears interest at 4.7% per annum and is payable on March 31, 2020.

In order to meet its business objectives, the Company is dependent on the continuing support of School District No. 63 (Saanich).

6. Share capital:

		2019		2018
Authorized:				
1 common share with no par value				
Issued:				
1 common share with no par value	$	1	$	1

Under the School Act (British Columbia) the share issued to the School District No. 63 (Saanich) is deemed to be issued without consideration.

7. Deferred tax assets:

Deferred tax assets in respect of tax losses of $105,006 have not been recognized because it is not yet probable that future taxable profit will be available against which the Company can utilize the benefits. The losses begin to expire in 2033.

8. Financial instruments - risk exposure and management:

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company is exposed to credit and liquidity risk from the use of its financial instruments.

(a) Credit risk:

The Company is at risk of financial loss if it is unable to collect amounts due from receivables. Risk is managed by regular review of outstanding amounts, collection action, and allowance for losses where impairment has been established.

(b) Liquidity risk:

The Company is exposed to liquidity risk if it encounters difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Risk is managed by holding sufficient cash to meet regular obligations.

9. Related party transactions:

During the period, $4,500 (2018 - $14,700) was paid to the Chief Executive Officer for contract services. These transactions were in the normal course of operations and measured at the exchange amount, which is the amount of consideration agreed to by the related party.

10. Capital management:

The Company is not subject to externally imposed capital requirements. Its capital needs and use of capital are determined by its Board of Directors.

12. Date of issue:

These financial statements were approved and authorized for issue by the Board of Directors on August 28, 2019.

Financial Statements of

SAANICH INTERNATIONAL DISTRIBUTED LEARNING SERVICES INC.

Year ended June 30, 2019

***DRAFT** - August 23, 2019*

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Saanich International Distributed Learning Services Inc.

Opinion

We have audited the financial statements of Saanich International Distributed Learning Services. (the Entity), which comprise:

- the statement of financial position as at June 30, 2019
- the statement of comprehensive income (loss) for the year then ended
- the statement of changes in equity for the year then ended
- the statements of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Victoria, Canada
August 28, 2019

SAANICH INTERNATIONAL DISTRIBUTED LEARNING SERVICES INC.
Statement of Financial Position

June 30, 2019, with comparative information for 2018

		2019		2018
Assets				
Current assets:				
Cash and cash equivalents (note 4)	$	14,693	$	68,083
Interest receivable		-		191
Prepaid expenses		3,004		2,905
Due from Saanich International Student Recruiting Services Inc. (note 5)		200		200
Due from School District No. 63 Business Company (note 5)		200		200
Total Assets	$	18,097	$	71,579
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	$	3,500	$	5,360
Interest payable		1,425		1,425
Due to School District No. 63 (Saanich) (note 6)	$	120,000	$	-
		124,925		6,785
Due to School District No. 63 (Saanich) (note 6)		-		120,000
Total Liabilities		124,925		126,785
Equity				
Share capital (note 7):				
Authorized:				
Unlimited Class A common shares without par value				
Issued and outstanding:				
100 Class A common shares		1		1
Accumulated deficit		(106,829)		(55,207)
Total Equity		(106,828)		(55,206)
Total Liabilities and Equity	$	18,097	$	71,579

The accompanying notes are an integral part of these financial statements.

Approved by the director:

_______________________________ Director

SAANICH INTERNATIONAL DISTRIBUTED LEARNING SERVICES INC.

Statement of Comprehensive Loss

Year ended June 30, 2019, with comparative information for 2018

	2019	2018
Revenues:		
Course fees and registration	$ 27,394	$ 83,205
Interest revenue	184	375
	27,578	83,580
Expenses:		
General and administrative	17,124	40,866
Professional fees	18,064	68,445
Refund of course fees and registration	38,372	-
Interest expense	5,640	5,640
	79,200	114,951
Net loss and comprehensive loss for the year	$ (51,622)	$ (31,371)

The accompanying notes are an integral part of these financial statements.

SAANICH INTERNATIONAL DISTRIBUTED LEARNING SERVICES INC.
Statement of Changes in Equity

Year ended June 30, 2019, with comparative information for 2018

	Share capital	Accumulated deficit	Total
Balance, June 30, 2017	$ 1	$ (23,836)	$ (23,835)
Net loss for the year	-	(31,371)	(31,371)
Balance, June 30, 2018	1	(55,207)	(55,206)
Net loss for the year	-	(51,622)	(51,622)
Balance, June 30, 2019	$ 1	$ (106,829)	$ (106,828)

The accompanying notes are an integral part of these financial statements.

SAANICH INTERNATIONAL DISTRIBUTED LEARNING SERVICES INC.

Statement of Cash Flows

Year ended June 30, 2019, with comparative information for 2018

	2019	2018
Cash and cash equivalents provided by (used in):		
Operating activities:		
Net loss for the year	$ (51,622)	$ (31,371)
Changes in non-cash working capital:		
Interest receivable	191	-
Prepaid expenses	(99)	-
Accounts payable and accrued liabilities	(1,860)	1,860
	(53,390)	(29,511)
Decrease in cash and cash equivalents	(53,390)	(29,511)
Cash and cash equivalents, beginning of year	68,083	97,594
Cash and cash equivalents, end of year	$ 14,693	$ 68,083

The accompanying notes are an integral part of these financial statements.

1. Reporting entity:

Saanich International Distributed Learning Services Inc. (the "Company") was incorporated on July 20, 2012 to provide educational services. Its address is 10640 McDonald Park Road, Sidney, BC.

2. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis. No items in the Statement of Financial Position are presented at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(*i*) *Non-derivative financial assets:*

Financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs less provision for impairment.

Cash and cash equivalents, Interest receivable, Due from School District No. 63 Business Company and Due from Saanich International Student Recruiting Services Inc. are non-derivative financial assets with payments which are not quoted on an active market. Subsequent to initial recognition, non-derivative financial assets are measured at amortized cost. The provision established against non-derivative financial assets represents lifetime expected credit losses ("ECL") and is updated at each reporting date. Any increase in the provision is recognized in net income or loss for the year. Financial assets are de-recognized when the contractual rights to the cash flows from those assets expire or when the risks and rewards of ownership are transferred to another party.

(*ii*) *Non-derivative financial liabilities:*

The Company initially recognizes financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or upon expiry.

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method.

Accounts payable, interest payable and Due to School District No.63 (Saanich) are non-derivative financial liabilities.

(*iii*) *Share capital:*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

3. Summary of significant accounting policies (continued):

(b) Revenue recognition:

The Company provides distance educational programs for high school students living outside of Canada who are planning to come to British Columbia to attend high school. Each program delivered has been determined to have distinct performance obligations. The services are provided based on contracts with students that include fixed or determinable prices. Contract terms do not include the provision of post-service obligations. Revenue is measured at the fair value of the consideration received or receivable using a "point in time" basis, taking into account contractually defined performance obligations, terms of payment, excluding taxes.

Course fees and registrations are recognized upon the Company satisfying contractually defined performance obligations based on observable outputs such as date of course commencement. Course fees and registrations are recognized using a "point in time" basis.

Amounts received in advance of the performance of services are classified as contract liabilities until the student begins the course. Amounts recorded in contract liabilities are recognized as revenue in subsequent period.

(c) Foreign currency translation:

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are adjusted at the balance sheet date to reflect the exchange rate in effect at that date. The resulting exchange gains and losses are included in the determination of earnings or loss.

(d) New accounting standards issued and adopted:

IFRS 9 *Financial Instruments* ("IFRS 9")

In 2014, the IASB issued the completed version of IFRS 9 *Financial Instruments*, replacing IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), and related interpretations. IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. The standard became effective for annual periods beginning on or after January 1, 2018.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

The Company adopted the standard on July 1, 2018 which did not have a material impact on the measurement of the Company's financial instruments, however additional disclosures have been provided.

3. Summary of significant accounting policies (continued):

(d) New accounting standards issued and adopted (continued):

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

In 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers*, replacing IAS 18 – *Revenue,* IAS 11 - *Construction Contracts,* and other related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much, and when revenue is recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other standards. The standard became effective for annual periods beginning on or after January 1, 2018.

The Company adopted the standard on April 1, 2018 using the cumulative effect method (without practical expedients), with the effect of applying this standard at the date of initial application. Accordingly, the information presented for 2018 has not been restated and is presented, as previously reported, under IAS 18. The adoption of the new standard did not have a material impact on the Company's financial statements, however disclosures have been updated to reflect the requirements of the standard.

4. Cash and cash equivalents:

A cashable GIC of $51,108, earning interest at 0.65% per annum matured on December 16, 2018 and was not reinvested.

5. Due from Saanich International Student Recruiting Services Inc. and School District No. 63 Business Company:

These amounts arose from expenses recoverable in the normal course of business, are unsecured, and are usually settled within 30 days of occurrence.

6. Due to School District No. 63 (Saanich):

The Company renewed its loan with its ultimate parent company School District No. 63 (Saanich) on April 1, 2017 as operating funding for program development and administration costs. The loan bears interest at 4.7% per annum and is payable on March 31, 2020.

In order to meet its business objectives, the Company is dependent on the continuing support of School District No. 63 (Saanich).

7. Share capital:

		2019		2018
Authorized:				
Unlimited Class A common shares with no par value				
Issued:				
100 Class A common shares issued at $0.01 per share	$	1	$	1

8. Deferred tax assets:

Deferred tax assets in respect of tax losses of $104,704 have not been recognized because it is not yet probable that future taxable profit will be available against which the Company can utilize the benefits. The losses begin to expire in 2033.

9. Financial instruments - risk exposure and management:

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company is exposed to credit risk and liquidity risk from the use of its financial instruments.

(a) Credit risk:

The Company is at risk of financial loss if it is unable to collect amounts due from receivables. Risk is managed by regular review of outstanding amounts, collection action, and allowance for losses where impairment has been established.

(b) Liquidity risk:

The Company is exposed to liquidity risk if it encounters difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Risk is managed by holding sufficient cash to meet regular obligations.

10. Related party transactions:

During the period, $4,500 (2018 – $14,700) was paid to the Chief Executive Officer for contract services. These transactions were in the normal course of operations and measured at the exchange amount, which is the amount of consideration agreed to by the related party.

11. Capital management:

The Company is not subject to externally imposed capital requirements. Its capital needs and use of capital are determined by its Board of Directors.

13. Date of issue:

These financial statements were approved and authorized for issue by the Board of Directors on August 28, 2019.

Financial Statements of

SAANICH INTERNATIONAL STUDENT RECRUITING SERVICES INC.

Year ended June 30, 2019

***DRAFT** - August 23, 2019*

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Saanich International Student Recruiting Services Inc.

Opinion

We have audited the financial statements of Saanich International Student Recruiting Services. (the Entity), which comprise:

- the statement of financial position as at June 30, 2019
- the statement of comprehensive income (loss) for the year then ended
- the statement of changes in equity for the year then ended
- the statements of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Victoria, Canada
August 28, 2019

SAANICH INTERNATIONAL STUDENT RECRUITING SERVICES INC.

Statement of Financial Position

June 30, 2019, with comparative information for 2018

		2019		2018
Assets				
Current assets:				
Cash	$	50	$	50
Total Assets	$	50	$	50
Liabilities				
Current liabilities:				
Due to Saanich International Distributed Learning Services Inc. (note 4)	$	200	$	200
Total Liabilities		200		200
Equity				
Share capital (note 5):				
Authorized:				
Unlimited Class A common shares without par value				
Issued and outstanding:				
100 Class A common shares		1		1
Accumulated deficit		(151)		(151)
Total Equity		(150)		(150)
Total Liabilities and Equity	$	50	$	50

The accompanying notes are an integral part of these financial statements.

Approved by the director:

_________________________ Director

***DRAFT** - August 23, 2019*

SAANICH INTERNATIONAL STUDENT RECRUITING SERVICES INC.
Statement of Comprehensive Income (Loss)

Year ended June 30, 2019, with comparative information for 2018

		2019		2018
Revenues	$	-	$	-
Expenses		-		-
Net loss and comprehensive loss for the year	$	-	$	-

The accompanying notes are an integral part of these financial statements.

SAANICH INTERNATIONAL STUDENT RECRUITING SERVICES INC.
Statement of Changes in Equity

Year ended June 30, 2019, with comparative information for 2018

	Share capital	Accumulated deficit	Total
Balance on June 30, 2017	$ 1	$ (151)	$ (150)
Net loss for the year	-	-	-
Balance at June 30, 2018	1	(151)	(150)
Net loss for the year	-	-	-
Balance at June 30, 2019	$ 1	$ (151)	$ (150)

The accompanying notes are an integral part of these financial statements.

SAANICH INTERNATIONAL STUDENT RECRUITING SERVICES INC.

Statement of Cash Flows

Year ended June 30, 2019, with comparative information for 2018

	2019	2018
Operating activities:		
Net loss for the year	$ -	$ -
Increase in cash	-	-
Cash, beginning of year	50	50
Cash, end of year	$ 50	$ 50

The accompanying notes are an integral part of these financial statements.

1. Reporting entity:

Saanich International Student Recruiting Services Inc. (the "Company") was incorporated on July 20, 2012 to provide start-up funding necessary to incorporate and start the operations of Saanich Distributed Learning Services Inc. Its address is 2125 Keating Cross Road, Saanichton, BC.

2. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis. No items in the statement of financial position are presented at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(*i*) *Non-derivative financial assets:*

Financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs less provision for impairment.

Cash are non-derivative financial assets with payments which are not quoted on an active market. Subsequent to initial recognition, non-derivative financial assets are measured at amortized cost. The provision established against non-derivative financial assets represents lifetime expected credit losses ("ECL") and is updated at each reporting date. Any increase in the provision is recognized in net income or loss for the year. Financial assets are de-recognized when the contractual rights to the cash flows from those assets expire or when the risks and rewards of ownership are transferred to another party.

(*ii*) *Non-derivative financial liabilities:*

The Company initially recognizes financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or upon expiry.

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method.

The Company has the following non-derivative financial liabilities: due to Saanich International Distributed Learning Services Inc.

(*iii*) *Share capital:*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

3. Significant accounting policies (continued):

(b) New reporting standards issued and adopted:

IFRS 9 Financial Instruments ("IFRS 9")

In 2014, the IASB issued the completed version of IFRS 9 *Financial Instruments*, replacing IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), and related interpretations. IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. The standard became effective for annual periods beginning on or after January 1, 2018.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

The Company adopted the standard on July 1, 2018 which did not have a material impact on the measurement of the Company's financial instruments, however additional disclosures have been provided.

4. Due to Saanich International Distributed Learning Services Inc.:

These amounts arose from expenses recoverable in the normal course of business, are unsecured, and are usually settled within 30 days of occurrence.

5. Share capital:

	2019	2018
Authorized:		
Unlimited Class A common shares with no par value		
Issued:		
100 Class A common shares issued at $0.01 per share	$ 1	$ 1

6. Deferred tax assets:

Deferred tax assets in respect of tax losses of $151 have not been recognized because it is not yet probable that future taxable profit will be available against which the Company can utilize the benefits. The losses begin to expire in 2033.

7. Financial instruments - risk exposure and management:

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company is exposed to liquidity risk from the use of its financial instruments.

Liquidity risk:

The Company is exposed to liquidity risk if it encounters difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Risk is managed by holding sufficient cash to meet regular obligations.

8. Capital management:

The Company is not subject to externally imposed capital requirements. Its capital needs and use of capital are determined by its Board of Directors.

9. Date of issue:

These financial statements were approved and authorized for issue by the Board of Directors on August 28, 2019.

August 2019

CEO Report for School District 63 Business Company
Submitted by Greg Bunyan

Introduction

Although the Business Company continues to have a positive reputation and some significant business opportunities, the last year has been frustrating due to BC Ministry of Education directives and world politics. Therefore the company has not had the opportunity to continue to develop initiatives that have been successful in previous years.

BC Ministry of Education directives

Eighteen months ago, the Business Company began discussions with the Ministry of Education regarding the continuation and expansion of the use of Ministry graduation program courses. We shared our successful program in Brazil. Although the Ministry appreciated the quality of the program and the success of the students, we were told that the current position of the Ministry was that the Business Company did not have Ministry permission to offer these courses, despite the agreement that the SD 63 Business Company had with the SD 73 Business Company who had the sole right to offer Distributed Learning courses to international students. The Ministry told us that they were reviewing our program, but we were required to cease the delivery of Ministry courses until the review was complete. In subsequent months we have learned that the Ministry is reviewing all international DL programs. Also, the Ministry is reviewing all domestic DL programs in the province. This review has been underway for many months, and the Ministry has given us no indication as to when the review will be complete. Therefore, we have been unable to offer Ministry courses for over a year.

This delay has resulted in the demise of the Brazilian program. As several students were "mid program" and had no guarantee of completion by the Ministry, we needed to end the program and agree on a settlement with the Brazilian agency.

The Business Company is not offering Ministry of Education courses at this time, and we continue to wait for information from the Ministry.

World politics

The current tension between the Canadian and Chinese governments has not created a positive environment for Canadian businesses in China. We have been affected, as Chinese agents and parents have concerns that have little to do with our operations, but they have options other than Canada. Our Chinese program this year was successful, but lower in enrollment.

As the Saanich International Student Program has room for more Chinese students next year, we are hopeful that calm will prevail and that we can successfully expand our offerings to those students next year.

Financial summary

The Business Company has always had a significant reserve and is financially stable. However, to facilitate the termination of the Brazilian program, our legal advice was to agree on a financial settlement and an agreement for termination. This was successfully done, but required a reduction in our reserves.

The company still has sufficient reserves to continue operation.

The future

As we are still waiting for a reply from the Ministry of Education regarding their position on the company's ability to offer Ministry courses, this program is on hold. We continue to offer our newly developed English Language Learning and Going to Canada courses, as they are BAA courses, not Ministry prescribed courses.

The company is developing new opportunities that can be explained later.

Although the last year has been challenging, the SD 63 Business Company is a provincial leader, and is in an excellent position to develop new opportunities and create revenue.

As many are aware, I have indicated that this is a suitable time for a change of leadership. I have indicated that I am resigning my position as CEO for all three companies, and motions to effect this change are part of the AGM meetings. I am very pleased that Mark Fraser has agreed to become CEO, subject to approval at the AGM meetings. I have also indicated, that I am willing to continue as a Director should the new CEO and company desire that to happen.

Thank you for the opportunity to be CEO for the last years. It has been an interesting, challenging and mostly successful experience.