



Financial Statement Discussion and Analysis

For the Year Ended June 30, 2018

Introduction

The following is a discussion and analysis of the School District's financial performance for the fiscal year ending June 30, 2018. This report is a summary of the School 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, with an emphasis placed on the current year. This report should be read in conjunction with the School District's Financial Statements for this same period.

SD 35 Langley – Strategic Plan

Purpose – Mission

To inspire all learners to reach their full potential and create a positive legacy for the future.

Vision

An innovative, inspiring and unified learning community.

Core Principles

In serving first our students and each other in the partnership of students, teachers, support staff, administrators, trustees and parents, we are committed to the following principles.

- recognizing, developing and supporting the unique worth of each individual
- enabling each individual to make his or her best possible contribution
- understanding that all have the capacity to learn when given the opportunity
- providing a safe, healthy and caring learning and working environment in which all feel confident and have a sense of belonging
- building interdependent relationships fostering integrity, recognizing diversity, demonstrating respect and nurturing trust
- communicating honestly and openly
- delivering opportunities for informed choices
- valuing learning as a lifelong process for all
- acknowledging personal accountability for our roles and responsibilities

Our financial discussion and outcome is framed by this vision with key outcomes achieved during the year overviewed below.

Enrolment and Staffing

The operations of the School District are dependent on continued grant funding from the Ministry of Education primarily based on student enrolment, students identified with special needs and other demographic and geographical factors. Expenditures are primarily associated with staffing and related compensation and benefits. Student enrolment and staffing levels are reflected below.

Enrolment

Provincial Grant funding is driven by student enrolment, unique student needs and unique geographical requirements, with additional funding for adult and summer school education. School District student enrolment is summarized as follows;

	2017 / 2018 Actual	2016 / 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From 2016 / 2017	Budget Variance
School age	20,882.1250	20,473.6875	20,896.0000	408.4375	13.8750
Adult	71.3750	83.1250	84.5000	(11.7500)	13.1250
Total FTE	20,953.5000	20,556.8125	20,980.5000	396.6875	27.0000

Student enrollment has increased the last three years. FTE growth rates shows increases of 1.2%, 2.4% and 4.0% in 2015, 2016 and 2017 (Data Source: KPMG Benchmarking Report)

Financial Highlights

The Scholl Districts revenue is heavily reliant upon the Operating Grant from the Provincial government which is based on enrolment levels and other factors. 74.3% of the District's revenue is from the Operating Grant 7.78% is provincial grant funding within the Special Purpose Fund, 6.35% of revenue is generated from International Education Programs, 3.15% is provincial funding for site purchases, 3.00% associated with the recognition of deferred capital revenue, and the balance through other revenue programs such as other Special Purpose funding, facility rental and lease income, investment income and summer school programs.

89% of the School District's operating expenditures are associated with salaries and benefits. The balance of expenditures is related to supplies and services including utilities, professional development and maintenance.

Financial Results for 2017/2018

	Operating	SPF	Capital	Total
Revenues				
Provincial Grants	179,124,132	19,150,296	7,580,000	205,854,428
Federal Grants	-	-	-	-
Tuition	15,171,590	-	-	15,171,590
Other Revenue	2,032,205	6,619,048	1,866,093	10,517,346
Rentals and Leases	880,105	-	-	880,105
Investment Income	857,077	-	93,933	951,010
Gain (Loss) on Disposal of Tangible Capital Asset	-	-	(600)	(600)
Amortization of Deferred Capital Revenue	-	-	7,226,767	7,226,767
Total Revenues	198,065,109	25,769,344	16,766,193	240,600,646
Expenses				
Instruction	164,959,257	24,967,141	-	189,926,398
District Administration	7,103,204	368,958	-	7,472,162
Operations and Maintenance	22,199,027	401,473	-	22,600,500
Transportation and Housing	2,466,909	-	-	2,466,909
Amortization of Tangible Capital Assets	-	-	9,439,345	9,439,345
Debt Services	-	-	-	-
Total Expenses	196,728,397	25,737,572	9,439,345	231,905,314
Surplus (Deficit)	1,336,712	31,772	7,326,848	8,695,332
Net Transfers to/from other Funds				
Local Capital	(2,015,555)	(31,772)	2,047,327	-
Total Net Transfers	(2,015,555)	(31,772)	2,047,327	-
Total Surplus (Deficit) for the year	(678,843)	-	9,374,175	8,695,332
Surplus (Deficit) beginning of the year	16,895,718	-	82,363,003	99,258,721
Accumulated Surplus (Deficit)	16,216,875	-	91,737,178	107,954,053

Operating Accounts

The School District was in a deficit position of \$678,843 when factoring in capital from operating. This is below a budgeted deficit of \$3.3M. The following are some explanations for the variances:

- Revenue marginally higher than the Amended Budget due to higher than expected school generated funds, growth in the International Student Program and increased investment income;
- Other Professionals was \$228K over budget due to vacation payouts and staff transitioning;
- Higher substitute costs due primarily to over expenditures on support staff replacement costs and teacher replacement costs;
- Lower average teacher cost and teacher vacancies resulted in salaries being \$1.6M under budget;
- Benefits rate of 23.8% is lower than the previous year's rate of 24.1% due to lower teacher pension cost because of the pension rule change, which resulted in a 954K savings;
- Spending on Services and Supplies was approximately \$1.29M over budget mainly due to higher supplies costs because of one-time dollars used for resources for schools, increased photocopier costs during transition to new copiers and increased maintenance costs for fuel.

Special Purpose Accounts

All Special Purpose Funds tracked within the Amended budget including the newly created Classroom Enhancement Fund accounts are discussed below.

Capital Accounts

Funding for capital expenditures is primarily through the Ministry of Education with some funding provided through locally generated capital funds.

There were four schools under construction during the year (New R.E. Mountain Secondary, Langley Secondary seismic, Langley Fine Arts envelope remediation, and R.C. Garnett eight classroom addition). The Province provided \$7.6 million to the District to buy 1.86 hectares (4.6 acres) of land at Southwest Yorkson, while the District is contributing \$1.7 million toward the purchase – this site will be a future elementary school.

Classroom Enhancement Fund (CEF)

In the spring of 2017, the Ministry of Education committed funding to school districts to meet the obligations of the restored collective agreement language for class size and composition. The \$17.69 million provided to Langley was utilized for the hiring of 167.5 (annualized) FTE teachers, to pay for an estimated \$1.87 million in remedy and to pay for an estimated \$890K in additional overhead costs.

Student Learning Grant

In February 2017, the Ministry announced a Student Learning Grant of \$50 per FTE student that equated to \$1.027 million for Langley. At the end of the 2016/2017 school year, there was a balance of \$946,675. This balance was utilized in the year for Instructional Supplies, Learning Resources and other classroom materials.

Statement of Financial Position

The following table provides an analysis of the School District's Net Financial Position for the fiscal years ended June 30, 2018 and 2017.

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	Increase (Decrease)	Change
Financial Assets				
Cash and cash equivalents	\$ 68,534,445	\$ 82,589,102	\$ (14,054,657)	-17.02%
Accounts Receivable				
Due from Province - Ministry of Education	3,749,605	1,998,263	1,751,342	87.64%
Other	1,501,207	1,305,187	196,020	15.02%
Total Financial Assets	<u>73,785,257</u>	<u>85,892,552</u>	<u>(12,107,295)</u>	-14.10%
Liabilities				
Accounts payable and accrued liabilities	26,628,858	19,768,355	6,860,503	34.70%
Unearned revenue	12,804,038	13,387,616	(583,578)	-4.36%
Deferred revenue	4,255,172	2,134,505	2,120,667	99.35%
Deferred capital revenue	174,425,028	163,926,736	10,498,292	6.40%
Employee future benefits	5,548,829	5,369,116	179,713	3.35%
Total Liabilities	<u>223,661,925</u>	<u>204,586,328</u>	<u>19,075,597</u>	9.32%
Net Financial Assets (Debt)	<u>(149,876,668)</u>	<u>(118,693,776)</u>	<u>(31,182,892)</u>	26.27%
Non-Financial Assets				
Tangible capital assets	256,808,188	217,285,709	39,522,479	18.19%
Prepaid expenses	1,022,533	666,788	355,745	53.35%
Total Non-Financial Assets	<u>257,830,721</u>	<u>217,952,497</u>	<u>39,878,224</u>	18.30%
Accumulated Surplus	<u>\$107,954,053</u>	<u>\$ 99,258,721</u>	<u>\$ 8,695,332</u>	8.76%
Accumulated Surplus				
Capital	\$ 91,737,178	\$ 82,363,003	\$ 9,374,175	11.38%
Operating	16,216,875	16,895,718	(678,843)	-4.02%
	<u>\$107,954,053</u>	<u>\$ 99,258,721</u>	<u>\$ 8,695,332</u>	8.76%

Cash decreased \$14 million over the prior year. This is due to the District's contributions in the school year towards the construction of the new Willoughby Area Secondary. Cash held in the bank for current operational needs totals \$43 million. \$21.5 million is held on deposit with the Ministry of Finance and is available within 1-2 days. These deposits attract interest at 2.45% (as of June 30, 2018), comparable with one year or longer locked in GIC rates.

Cash assets at June 30 are categorized as follows;

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	Increase (Decrease)
Funds deposited with ScotiaBank	\$ 43,363,571	\$ 58,421,082	\$ (15,057,511)
Central deposit - Ministry of Finance	21,503,067	21,023,517	479,550
School generated funds	3,667,807	3,144,503	523,304
	<u>\$ 68,534,445</u>	<u>\$ 82,589,102</u>	<u>\$ (14,054,657)</u>

This cash is required to fulfill the payment and liability obligations as follows;

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	Increase (Decrease)
Obligations			
Trade payables	\$ 8,382,027	\$ 3,576,473	\$ 4,805,554
Salaries and benefits payable	13,915,381	12,180,220	1,735,161
Accrued vacation pay	3,091,378	3,062,998	28,380
Other payable	1,240,065	948,664	291,401
Unearned Revenue - International students Program	12,755,367	13,304,212	(548,845)
Unearned Revenue - Other	48,671	83,404	(34,733)
Deferred Revenue - Special Purpose Funds	4,255,172	2,134,505	2,120,667
Employee Future Benefits	5,548,829	5,369,116	179,713
Deferred Capital Revenue - Unspent	4,986,895	22,903,922	(17,917,027)
Local Capital	4,123,491	5,856,476	(1,732,985)
Other	243,639	243,632	7
			-
Assets			
Receivable - Ministry of Education	(3,749,605)	(1,998,263)	(1,751,342)
Receivable - Other	(1,501,207)	(1,305,187)	(196,020)
Prepaid expense	(1,022,533)	(666,788)	(355,745)
	52,317,570	65,693,384	(13,375,814)
Operating Surplus	16,216,875	16,895,718	(678,843)
	<u>\$ 68,534,445</u>	<u>\$ 82,589,102</u>	<u>\$ (14,054,657)</u>

The difference between the cash assets and the liabilities is reflected as the accumulated surplus.

Accounts Receivable increase is due to the Bylaw Capital funding accrual for draw claims from the Ministry of Education for capital projects and an increase in GST receivable for increased purchase activity in the 4th Quarter.

Accounts Payable and Other Liabilities increased by \$6.9 million; due to increase in capital construction invoice accruals and holdbacks that were payable. Also, the teacher summer savings plan increased due to more members.

Unearned Revenue is related to International Education tuition for subsequent years received in advance.

Deferred Revenues – Special Purpose Funds primarily consists of Classroom Enhancement funding (\$2.75 million) and School Generated Funds (\$0.73 million). CEF balances will form part of the 2018/2019 funding.

Deferred Capital Revenue decreased \$17.2 million, which is primarily associated with the District's contributions from restricted capital for the construction of the new R.E. Mountain Secondary School.

Employee Future Benefits net liabilities increased \$179K.

Financial Analysis – Comparison to Budget and Last Year

Statement of Operations

The Statement of Operations is a consolidation of three funds – Operating, Special Purpose and Capital Funds. Each of these three funds are reviewed separately below.

Statement of Operations – Operating Fund

Revenue

Grant Revenue

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Provincial Grants - Ministry of Education	\$178,863,512	\$ 172,790,662	\$178,585,567	\$ 6,072,850	\$ 277,945
Provincial Grants - Other	260,620	206,323	268,859	54,297	(8,239)
	<u>\$179,124,132</u>	<u>\$ 172,996,985</u>	<u>\$178,854,426</u>	<u>\$ 6,127,147</u>	<u>\$ 269,706</u>

Grant Revenues were \$6.1 million higher than last year due to increased enrollment; a \$83 increase in per student grant funding; higher grants for students with special needs; and of resulting in additional grants combined with higher grants associated with Students with special needs of \$2.2 million and return of administrative savings of \$852K and an additional \$280K Funding for Graduated Adults.

Grant Revenues were \$277K million higher than budget due to higher Carbon Neutral rebate and Economic Stability Dividend.

International Education Revenues

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Tuition - International	14,833,515	13,505,472	14,694,658	1,328,043	138,857

International Education revenues were \$1.33 million higher than last year due to a higher enrolment level of 995 students compared to last year's record enrolment of 932.

Other Revenues

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Other Revenue	2,032,205	1,474,504	1,184,780	557,701	847,425
Rental and Leases	880,105	1,053,776	922,681	(173,671)	(42,576)
Investment Income	857,077	580,864	640,000	276,213	217,077
	\$ 3,769,387	\$ 3,109,144	\$ 2,747,461	\$ 660,243	\$ 1,021,926

Other Revenues were above last year and Amended Budget due to higher than expected revenue from school generated funds. Rental and lease revenue was lower than last year due to the selling of a school site that was rented by a film company (\$100k) and the conversion of some daycare spaces back to classrooms. Higher interest rates lead higher investment income.

Expenses

Teachers

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Teachers	\$ 86,098,575	\$ 83,288,347	\$ 87,740,661	\$ 2,810,228	\$ (1,642,086)

Teacher Salary Expenses were \$2.8 million higher than last year due to 32.26 more FTE; resulting in additional salary expense combined with contractual salary increases and salary increments.

Teacher Salary Expenses were \$1.6M lower than budget due lower than budgeted average teacher cost (lower age demographic due to higher retirements) and vacancies throughout the year.

Principals & Vice Principals

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Principals and Vice-Principals	10,575,486	10,011,441	10,725,334	564,045	(149,848)

Principals and VP Salaries were \$564K higher due to an increase in 4.2 FTE positions over prior year combined with wage increases to new grid levels.

Principals and VP Salaries were \$150K lower than budget due to underutilization of amount set aside for anticipated administrator salary increases and vacancies during the school year.

Education Assistants

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Educational Assistants	16,544,609	15,147,404	17,374,048	1,397,205	(829,439)

Actual expenses were higher than last year as there were approximately 26.79 more FTE EA's required to meet higher enrollment of Level 1, 2 and 3 students. The FTE increase combined with the Economic Stability Dividend (0.4%) and contractual wage increase (1%) resulted in an additional \$1.4M in expenses.

Actual expenses were lower than budget by \$829K due to late starts at the beginning and vacancies, this is offset by higher casual EA costs.

Support Staff

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Support Staff	15,254,017	14,685,220	15,308,114	568,797	(54,097)

Actual expenses were \$569K higher than last year due to lower than budgeted maintenance work within the Annual Facilities Grant. The Economic Stability Dividend (0.4%) and contractual wage increase (1%) ESD accounts for the balance.

Actual expenditures are within budgeted amount.

Other Professionals

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Other Professionals	4,085,592	3,863,831	3,857,577	221,761	228,015

Actual expenses were \$222K higher than last year due to a combination of 2% in wage increases and staff transitioning.

Actual expenses were \$228K above budget due to vacation payouts, wage increases, and staff transitioning costs.

Substitutes

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Substitutes	8,263,560	7,836,200	7,193,168	427,360	1,070,392

Actual expenses were \$427K above last year due to TTOCs for vacancies \$389K and the balance was related to higher expenditures for casual and TTOC replacement \$39K.

Actual expenses were higher than budget mostly due to casual replacement costs for maintenance, SEAs, and clerical \$453K. Teacher illness and contractual absence costs \$287K higher than budget and TTOCs replacement costs for vacancies was over by \$330K

Benefits

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Employee Benefits	33,582,971	32,436,437	34,536,630	1,146,534	(953,659)

Actual expenses were higher than last year due to an increase in overall staffing FTE. Overall increase was less due to a reduction in Medical Services premiums effective January 1, 2018 and a decrease in teacher pension contribution rate.

Actual expenses were lower than budget due to vacancies and late starts, as well as the lower average teacher cost; this directly impacted the wage sensitive benefits (CPP, EI, WCB, & Pension).

Services and Supplies

Services and supplies represent approximately 11% of the operating budget expenditures. Overall Services and supplies are \$1.42 million over budget.

Services and Supplies

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Services	5,022,005	4,221,207	5,516,148	800,798	(494,143)
Supplies	11,361,605	8,208,471	9,445,671	3,153,134	1,915,934
	16,383,610	12,429,678	14,961,819	3,953,932	1,421,791

Actual expenses were \$3.95M above last year due to higher medical costs for ISP students (\$481K); onetime costs for parking lot for YCMS (\$250K); higher professional and legal fees (\$112K), increase in telephone and alarm systems (\$45K); increase in innovative projects at schools (\$77K); higher vehicle / equipment repair and fuel costs in maintenance area (\$362K); higher photocopier costs (\$337K); increased supply costs at schools due to one-time budgetary dollars from late starts (\$1.07M); and, increased expenditure on learning resources for schools for the redesigned curriculum (\$1.22M).

Actual expenses were \$1.42M higher than budget due to District initiatives for schools relating to learning resources for the continued implementation of the redesigned curriculum (\$1,230); higher gas costs (\$163K); maintenance supplies and repair categories greater than budget by (\$432K); transition to new copiers was over budget by (\$222K); other services categories over budget (\$48K); higher professional fees (\$42K); supply spending at school was under by (\$100K); lower than budgeted medical costs in International (\$169K); savings in repair contracts (\$102K); lower than budgeted printing and lease costs (\$312K); and, combined savings in other supply categories of (\$32K).

Transportation

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Student transportation	221,459	213,013	197,074	8,446	24,385

Actual transportation expenses were \$8K higher due to higher number of field trips.

Actual expenses were \$24K higher than budget due to increased field trips.

Professional Development & Travel

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Professional development and travel	1,269,515	1,044,643	1,189,547	224,872	79,968

Actual Pro-D costs were \$224K higher than last year due to increased spending in mentoring, contractual PRO-D, and Aboriginal reconciliation training. Increased travel for International program.

Actual expenses were \$80K higher than budget due to higher than budgeted expenditures for contract PRO-D, staff development, and travel and conferences.

Rentals & Leases

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Rentals and leases	22,126	16,074	23,900	6,052	(1,774)

Increased equipment rentals by the maintenance area was the \$6K increase over last year.

Rentals and leases are within budget.

Dues and Fees

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Dues and fees	1,081,368	986,446	1,337,682	94,922	(256,314)

Dues and Fees expenses were \$95K higher due to increase in International Program agent fees as a result of higher enrollment/revenues than the prior year

Dues and Fees were \$256K lower than budget as International payments for agent fees were not as high as anticipated.

Insurance

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Insurance	460,908	446,692	486,800	14,216	(25,892)

The increase to last year is mostly due to increased insurance premiums.

Savings were realized for insurance premiums as increases from 2016/2017 were not as high as expected.

Utilities

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	2017 / 2018 Budget	Increase (Decrease) From Jun 30, 2017	Budget Variance
Utilities	2,872,495	3,081,871	2,838,000	(209,376)	34,495

Decrease in Natural Gas costs from a milder and shortened winter and spring season resulting in lower usage than prior year.

Higher water/sewer, propane, and electricity than budgeted. Part of this is due to additional portables on school sites.

Statement of Operations – Special Purpose Fund

Special Purpose Funds are utilized to capture funding designated for specific purposes and balances can be deferred to subsequent years for the intended use. Grant revenues are only recognized as expenses are incurred. Any unused grants or funds remaining at the end of the year are treated as deferred revenue.

			Increase (Decrease) From Jun 30, 2017	Deferred Revenue Balance Jun 30, 2018
	Jun 30, 2018 Actual	Jun 30, 2017 Actual		
Provincial Grants - Ministry of Education				
Annual Facility Grant	\$ 324,840	\$ 738,076	\$ (413,236)	\$ 355,338
Learning Improvement Fund	709,773	3,320,069	(2,610,296)	81,009
Special Education Equipment	31,772	51,180	(19,408)	41,319
Service Delivery Transformation	42,591	31,080	11,511	39,905
Strong Start	289,746	288,462	1,284	-
Ready, Set, Learn	75,950	99,006	(23,056)	-
Official Languages in Education Protocol	210,848	210,428	420	-
CommunityLINK	1,983,967	1,980,329	3,638	177,983
Coding and Curriculum Implementation	111,561	-	111,561	21,144
Priority Measures	797,029	927,418	(130,389)	-
Classroom Enhancement Fund - Overhead	884,158	-	884,158	12,300
Classroom Enhancement Fund - Staffing	13,256,869	-	13,256,869	2,738,146
	18,719,104	7,646,048	11,073,056	3,467,144
Provincial Grants - Other				
Settlement Workers in Schools	431,192	441,327	(10,135)	60,416
	431,192	441,327	(10,135)	60,416
Other				
School Generated Funds	6,619,048	6,672,304	(53,256)	727,612
	6,619,048	6,672,304	(53,256)	727,612
Total	\$ 25,769,344	\$ 14,759,679	\$ 11,009,665	\$ 4,255,172

Statement of Operations - Capital Funds

Capital Fund Balances are as Follows:

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	Increase (Decrease) From Jun 30, 2017
Bylaw Capital			
Provincial Grants - Ministry of Education	\$ 25,465,892	\$ 6,184,627	\$ 19,281,265
Transfer project surplus to MEd Restricted	(96,029)	(98,210)	2,181
Reclassify revenue for AFG expense projects	-	(250,251)	250,251
Vehicle purchases	(1,053,551)	(130,629)	(922,922)
Work in progress	(16,953,769)	(5,862,150)	(11,091,619)
Site acquisitions	(7,580,000)	(10,178)	(7,569,822)
Net Change for the Year	(217,457)	(166,791)	(50,666)
Opening Balance	226,797	393,588	(166,791)
Closing Balance	9,340	226,797	(217,457)

(Ministry) Bylaw capital balance: These are funds from the Ministry of Education and targeted for capital purchases and projects. The balance decreased by \$217,457. These funds were for bus purchases, capital projects (LSS & LFAS) and for the purchase of the Southwest Yorkson land for the future elementary school.

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	Increase (Decrease) From Jun 30, 2017
Ministry of Education - Restricted Capital			
Investment income	211,103	109,054	102,049
Net proceeds from the disposal of sites and buildings	(1,808)	17,859,209	(17,861,017)
Transfer project surplus from Bylaw Capital	96,029	98,210	(2,181)
Other	-	44,046	(44,046)
Work in progress	(16,959,338)	(1,608,241)	(15,351,097)
Net Change for the Year	(16,654,014)	16,502,278	(33,156,292)
Opening Balance	20,646,050	4,143,772	16,502,278
Closing Balance	3,992,036	20,646,050	(16,654,014)

(Ministry) Restricted Capital Balance: These are funds held on behalf of the Ministry of Education. The balance decreased by \$16.65 million as part of the District's contribution towards the construction of the new R.E. Mountain Secondary school. The District is still required to contribute another \$2.9 million for the new R.E. Mountain Secondary in 2018/2019 and \$426K for Langley Secondary School right sizing project from Ministry Restricted capital. The original funds in MOE Restricted were mainly derived from the sale of schools in 2016/2017.

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	Increase (Decrease) From Jun 30, 2017
Land Capital			
School site acquisition fees	727,593	834,296	(106,703)
Investment income	23,966	11,560	12,406
Site acquisitions	(1,866,093)	(1,018)	(1,865,075)
Net Change for the Year	(1,114,534)	844,838	(1,959,372)
Opening Balance	1,958,876	1,114,038	844,838
Closing Balance	844,342	1,958,876	(1,114,534)

SSAC capital balance: decreased by \$1.1 million, as funds were collected by the District from the Township and City as part of the school site acquisition charge and these funds were used for future school site land (Southwest Yorkson) purchase as identified in the capital plan.

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	Increase (Decrease) From Jun 30, 2017
Other Provincial Capital			
Provincial Grants - Other	257,365	78,711	178,654
Equipment purchases	(188,387)	(6,512)	(181,875)
Net Change for the Year	68,978	72,199	(3,221)
Opening Balance	72,199	-	72,199
Closing Balance	141,177	72,199	68,978

Other Provincial Capital: These funds were provided by the Ministry of Jobs, Tourism and Skills Training to purchase trades training equipment in support of Industrial Training Authority Youth Trades programs.

	Jun 30, 2018 Actual	Jun 30, 2017 Actual	Increase (Decrease) From Jun 30, 2017
Local Capital			
Investment income	93,933	81,996	11,937
Capital Lease Interest		(53,798)	53,798
Net proceeds from the disposal of sites and buildings		5,953,051	(5,953,051)
Transfer from Operating fund	2,015,555	1,668,897	346,658
Capital Lease payment		237,086	(237,086)
Other	(600)		(600)
Capital Assets purchased	(2,928,448)	(1,969,753)	(958,695)
Capital Lease payment		(183,289)	183,289
Work in progress	(913,425)		(913,425)
Net Change for the Year	(1,732,985)	5,734,190	(7,467,175)
Opening Balance	5,856,476	122,286	5,734,190
Closing Balance	4,123,491	5,856,476	(1,732,985)

Local Capital Balance: Decreased by \$1.73 million as local capital funded the renovation of the small gym at Langley Secondary School (\$913K) and other capital purchases. The District will be allocating \$500K of local capital towards the Langley Meadows Elementary boiler project and roughly \$420K towards furniture and equipment to the Langley Secondary School project from Local capital.

Major Capital Projects

The following is a summary of some of the major capital projects undertaken during the year.

Seismic Remediation / Rightsizing

- **Langley Secondary School:** Project is 45% complete. Estimated project value is \$26.2 million with \$426K from restricted capital to support project. The District will also use \$1.3 million of local capital for the work done on the small gym and furniture and equipment for the new classroom space.

New School Construction

- **New R.E. Mountain Secondary School:** Project is 35% complete. Estimated project value is 58.9 million. Restricted capital of \$21.4 million will be used in support of this project. School is on schedule for September 2019 occupancy.

School Enhancement Funded Projects (SEP)

<u>Facility</u>	<u>Project Description</u>	<u>Cost</u>
Langley Meadows Elementary School	Boiler Equipment Phase 1	500,000
Betty Gilbert Middle School	Gym floor replacement	100,000
Parkside Centennial Elementary School	Paving replacement	75,000
Parkside Centennial Elementary School	Security shutter installation	78,000
Parkside Centennial Elementary School	Flooring replacement and abatement	80,000
Fort Langley Elementary School	Security shutters	107,000
Alice Brown Elementary School	DDC installation	60,000
Uplands Elementary School	DDC installation	60,000
Dorothy Peacock Elementary School	DDC upgrade	17,000
James Hill Elementary School	DDC upgrade	18,000
James Kennedy Elementary School	DDC upgrade	32,000
Belmont Elementary School	DDC upgrade	35,000
R.E. Mountain Secondary School	DDC upgrade	2,000
Shortreed Community Elementary School	DDC upgrade	12,000
Topham Elementary School	DDC upgrade	12,000
Nicomekl Elementary School	DDC upgrade	35,000
Noel Booth Elementary School	DDC upgrade	12,000
		1,235,000

Classroom Additions

- **R.C. Garnett Elementary:** Eight-classroom addition for increased enrolment. \$4.7 million funding provided by the province. Project is completed and occupied.

Carbon Neutral Capital Funded Projects (CNCF)

- **Walnut Grove Secondary:** Funding provided for boiler upgrades. The project amount was \$436K and \$317K of the funding was provided by the province. The balance, \$119K, was funded by Local Capital and Fortis provided funding after year-end for \$36K. This project was completed during the school year.

Building Envelope Program Funding (BEP)

- **Langley Fine Arts Secondary:** Project is 70% complete. Funding approved by Ministry of Education for \$2.48 million. This project, administered by BC Housing, will cover extensive building envelope repairs.

Classroom Enhancement Funding (CEF)

- **SCC (Additional space funding):** As at year end, funding had been provided for 9 portable classrooms spaces requiring conversion into classrooms for September 2018.

Annual Facility Grant (AFG)

The Annual Facility Grant funding is provided by the Ministry of Education for designated school capital or maintenance upgrades. \$3.4 million was provided by the Ministry of Education to fund the following projects in 2017/2018.

- Roof replacement major sections: three schools, eight portables re-roofed
- Exterior painting: three schools
- Flooring: various classrooms and main hallways, two new gym floors, seven school gyms floors resurfaced
- Lighting upgrade: 13 schools
- Watermain conversion from well: DW Poppy
- Heating System Boiler system replacement: one school
- High Voltage vaults: three schools Serviced
- Emergency Generator load testing: four sites
- Duct Cleaning: six schools
- Paving, Drainage, and Site upgrades: four schools
- Window and skylight replacements: two schools
- Plumbing upgrades: four schools
- Information Technology upgrades, Optic Fiber: four schools
- Filtered Drinking water stations: six schools
- Asbestos Abatement: (removal) various schools
- PLNet : all sites
- Functional Improvements, Office renovations: two schools

Surplus (Operations)

The School Board has established an Operating Surplus Policy that allows the District to budget for expenditure in excess of revenue in a given year. The Board of Education is responsible for ensuring the District is protected financially from financial risk and unforeseen circumstances which could negatively affect the education of students;

To the extent that there is an excess of revenues to expenditures (operating surplus) in any fiscal year that:

- The Board will establish a restricted portion of its accumulated operating surplus as per Policy No. 3205 – Use of Restricted Surplus to mitigate any negative impact such circumstances might cause*
- The Board will also annually internally restrict funds for projects and programs that will be spent in the next three years when approving the Audited Financial Statements and will disclose the internally restricted funds in the notes to the Financial Statements.*

The Board reviews this policy annually and provides further details in the Audited Financial Statements as to how restricted surplus funds are planned to be utilized in subsequent years.

	June 30, 2018	June 30, 2017
Total Capital Fund Surplus	\$ 91,737,178	\$ 82,363,003
Restricted Operating Surplus		
Internally restricted (appropriated) by the Board	3,388,260	3,188,260
Internally restricted to balance 2017 / 2018 budget	-	899,442
Internally restricted to balance 2018 / 2019 budget	2,377,257	-
Internally restricted for infrastructure replacement	1,300,000	1,800,000
Internally restricted for student capacity needs	500,000	500,000
Student Learning Grant	-	946,675
Internally Restricted for capacity issues at LSS/LEC	1,600,000	-
Internally Restricted for Admin development	250,000	-
School Generated Funds	3,139,442	2,453,231
School surpluses	396,407	475,909
District initiative to support technology	450,000	900,000
District initiative in support of schools	300,000	750,000
Internally restricted surplus	13,701,366	11,913,517
Unrestricted Operating Surplus	2,515,509	4,982,201
Total Operating Surplus	16,216,875	16,895,718
Accumulated Surplus	\$ 107,954,053	\$ 99,258,721

Potential Future Financial impact on the District

There are several factors that could impact the District's stable and healthy financial situation during the 2018/2019 school year and beyond.

Risk Assessment

During the past year a risk assessment was completed that identified 20 areas of risk. The School District staff continue to work on mitigating the risks identified within the report. The following are the top three risk factors that could have potential financial and non-financial impact on the school district:

1. Labour Disruption – upcoming 2019 bargaining
2. Delivery of capital projects – That the District is unable to secure adequate funding to successfully deliver highly complex capital projects.
3. Supporting students and families with mental health issues - The risk that, due to limited funding, the District and supporting agencies may not have sufficient or appropriate tools and resources to address the needs of students and families with mental health issues.

Classroom Enhancement Fund/Restored Teacher Collective Agreement Language

BCPSEA and BCTF reached an agreement earlier this year on the restored language arising from the Supreme Court of Canada ruling early 2017. The restoration has been categorized into four areas:

- Non-Enrolling Teacher Staffing ratios;
- Class Size Provisions;
- Class Composition Provisions;
- Process and Ancillary Language.

Interim funding was provided for this agreement during 2016/2017 and annualized for 2017/2018. In addition, the Education Fund (EF or LIF) is being repurposed into a Classroom Enhancement Fund.

A related issue is timely and sustainable funding from the Ministry of Education to create required classroom spaces for subsequent years. Local capital funds are not sufficient to support this level of capital outlay. Delays between identified needs and required funding add to uncertainty and place stress on the School District's capacity to fulfill requirements.

Grant Funding Model Review

During the year, the Ministry of Education initiated a review of the current grant-funding model that has been in place since 2002. The Ministry has advised that a new funding model will be announced in the spring of 2019 and be implemented for the 2019/2020 school year. The risk is that there will be no new funding adding to the block funding for education and the new funding model seeks rectify inequity issues across the province.

International Education

The School District is heavily reliant on International Education programs to provide a significant source of revenue funding to reduce the gap on grant funding shortfalls. The restored teacher collective agreement has added space constraints for attracting more International students. While we do not envision negative events that would interrupt these programs, International Education is an important stabilizing financial influence on the School District.

Upcoming Bargaining

Both the CUPE and teachers' contracts expire at the end of the 2018/2019 school year. Bargaining remains a concern due to the unknowns around bargaining at the provincial level and the potential impact on districts. During bargaining there is always the risk of disruption to the system with potential job action. There is always the risk during bargaining of relationships being strained between stakeholders.

Facilities – Capital Funds

There continues to be an increasing demand for enrolment space in the Willoughby area. The long-term facilities plan has identified the need for a number of schools in the area. The capital approval process takes time and resources to get new capital projects up and running. The Ministry continues to request that school districts contribute more local funds towards capital projects. Additionally, the requirement to comply with collective agreement restored language places an increased burden and demand on class space.

Technology Requirements

The demand for technology hardware, software, and system utilization continues at a rapid pace. Providing the required services and ensuring that information is secure and protected necessitates increased financial resources. Technology in support of education will allow us to implement the paradigm shift and transformational education required to be at the forefront and on the cutting-edge in the 21st-century. Technology in support of the framework for enhancing student learning and more real-time reporting on student progress is a crucial undertaking. MyEdBC student administration system requires enhancements in order to meet the ongoing needs for improved data and reporting.

Contacting Management

This financial report is designed to provide the School District's stakeholders with a general but more detailed overview of the School District's finances and to demonstrate increased accountability for the public funds received by the School District.

If you have questions about this financial report, please contact the Office of the Secretary– Treasurer.



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