



Financial Statement Discussion and Analysis

For the Year Ended June 30, 2020

Introduction

The following is a discussion and analysis of the School District's financial performance for the fiscal year ending June 30, 2020. 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.

The COVID 19 outbreak was declared a pandemic by the World Health Organization in March 2020 and has had a significant financial, market and social dislocating impact worldwide. Under the direction of the Provincial Health Officer, all schools suspended in-class instruction in March 2020 and the District remained open to continue to support students and families in a variety of ways. Parents were given the choice to send their children back to school on a gradual and part-time basis beginning June 1 with new health and safety guidelines. The ongoing impact of the pandemic presents uncertainty over future cash flows, may have a significant impact on future operations including decreases in revenue, impairment of receivables, reduction in investment income and possible delays in completing capital project work. As the situation is dynamic and the ultimate duration and magnitude of the impact are not known, an estimate of the future financial effect on the District is not practicable at this time.

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

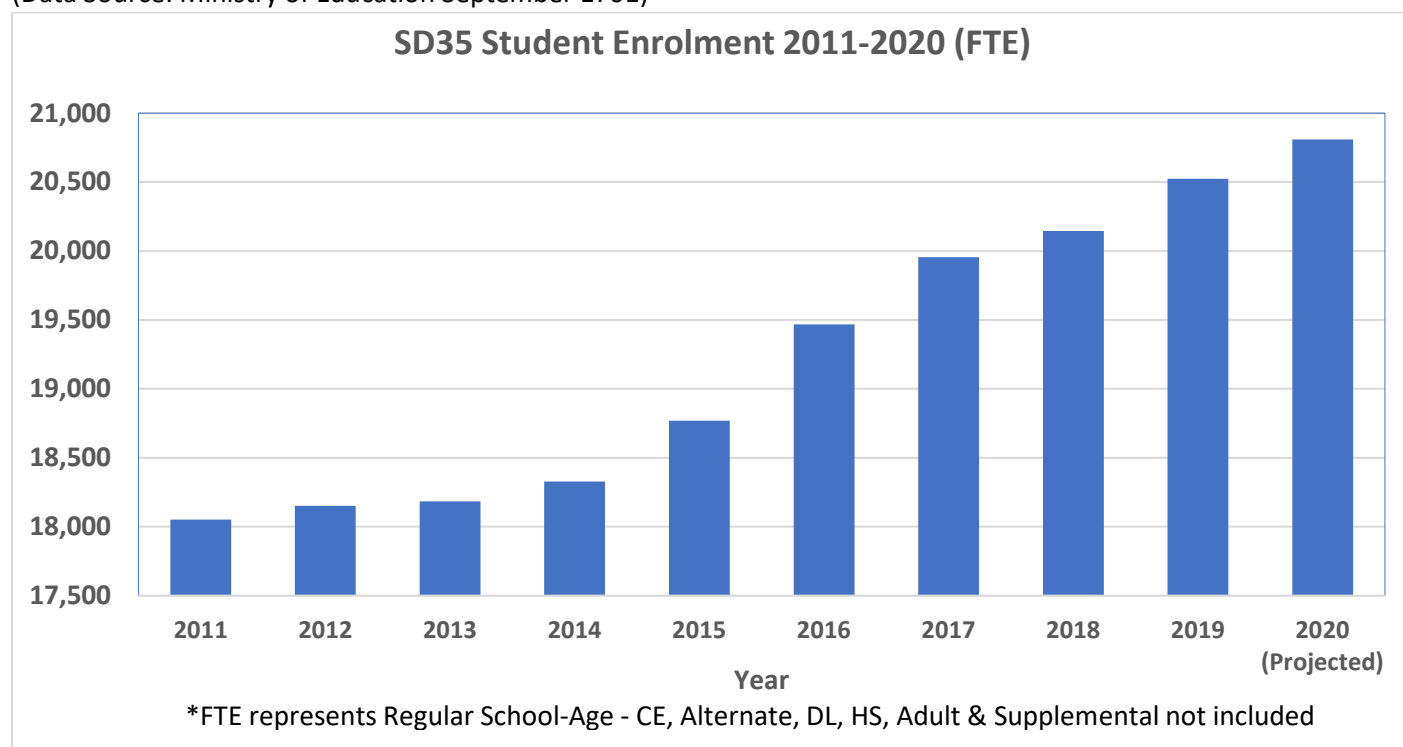
The operations of the School District are dependent on continued grant funding from the Ministry of Education primarily based on student enrolment, students identified with special needs and other demographic and geographical factors. Expenditures are primarily associated with staffing and related compensation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

Enrolment

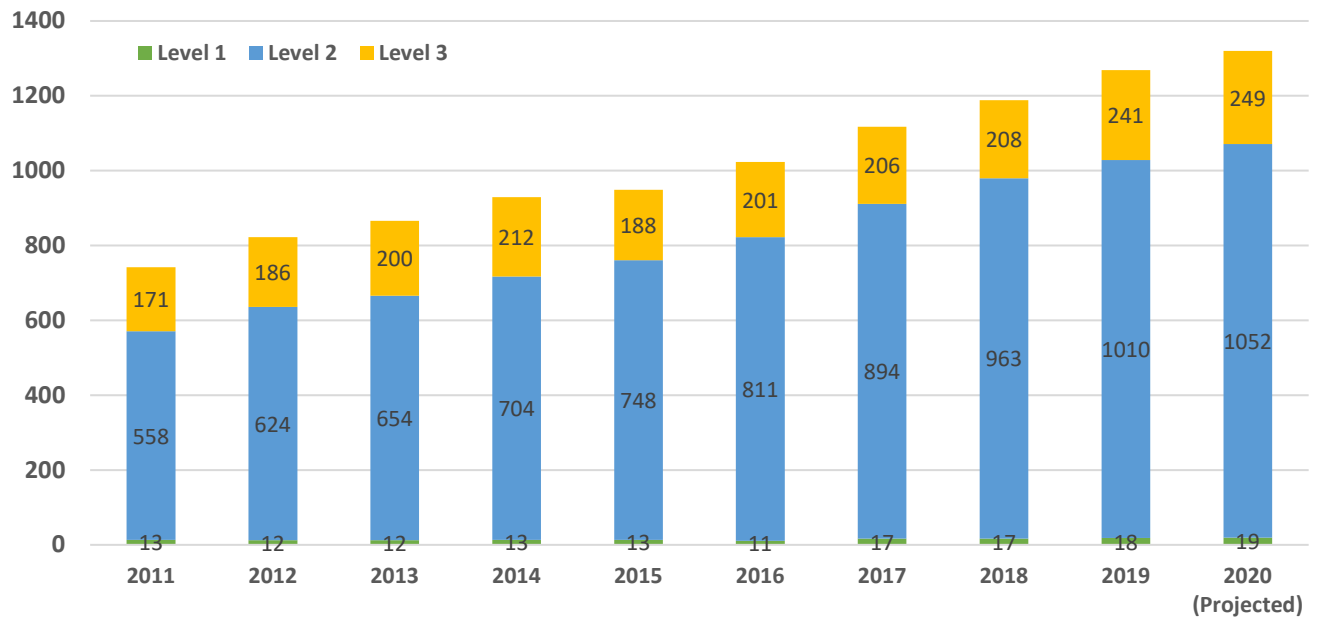
Provincial Grant funding is driven by student enrolment, unique student needs and unique geographical requirements, with additional funding for adult and summer school education. School District student enrolment is summarized as follows.

	2019-20 Actual	2018-19 Actual	2019-20 Budget	Increase (Decrease) From 2018 - 2019	Increase (Decrease) From Budget Variance
School age	20,983.8125	20,648.9375	20,878.0000	334.8750	105.8125
Adult	78.5000	72.3125	73.0000	6.1875	5.5000
Summer school	470.3750	446.8750	446.8750	23.5000	23.5000
Total FTE	21,532.6875	21,168.1250	21,397.8750	364.5625	134.8125

The bar graph shows that regular student enrolment has been increasing at a steady rate over the past few years. FTE growth rates shows increases of 3.7%, 2.5%, 1.0%, and 1.9% in 2016, 2017, 2018, and 2019 (Data Source: Ministry of Education September 1701)

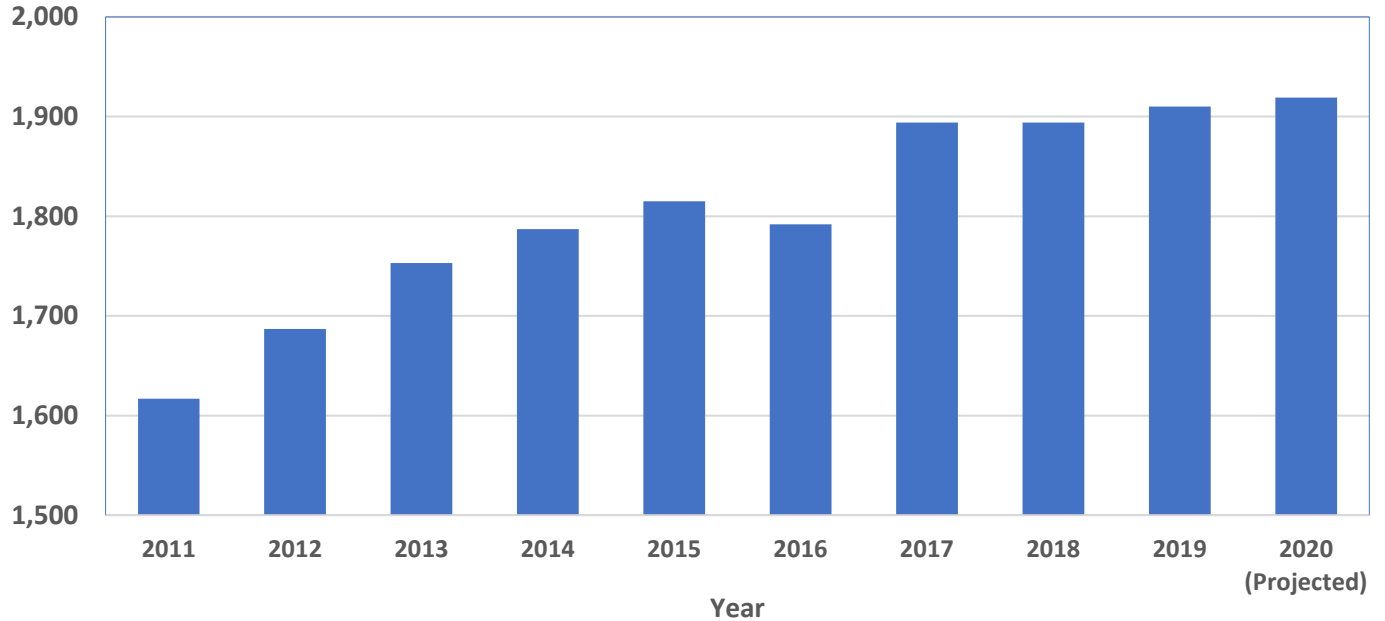


SD35 Special Needs Enrolment by Level (HC)

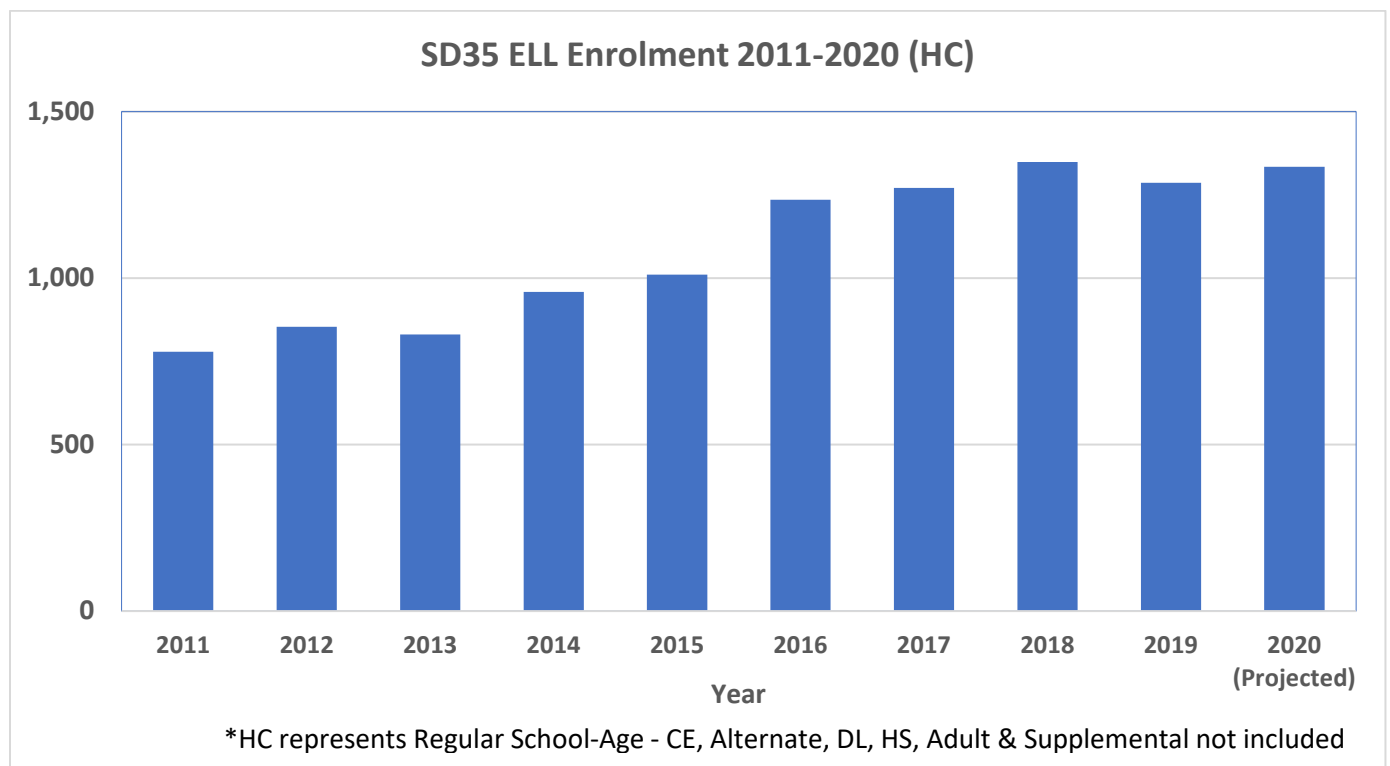


*HC represents Regular School-Age - CE, Alternate, DL, HS, Adult & Supplemental not included

SD35 Indigenous Enrolment 2011-2020 (HC)



*HC represents Regular Schools-Age - CE, Alternate, DL, HS, Adult & Supplemental not included



Financial Highlights

The School District's revenue is heavily reliant upon the Operating Grant from the provincial government which is based on enrolment levels and other factors. 76.7% of the District's revenue is from the Operating Grant, 10.1% is provincial grant funding within the Special Purpose Fund, 5.9% of revenue is generated from International Education Programs, 3.6% 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.

90% 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 2019/2020

	Operating	SPF	Capital	Total
Revenues				
Provincial Grants	196,991,997	25,965,441	926,097	223,883,535
Federal Grants	-	-	-	-
Tuition	15,303,450	-	-	15,303,450
Other Revenue	944,655	5,458,012	43,979	6,446,646
Rentals and Leases	744,430	-	-	744,430
Investment Income	921,902	-	72,354	994,256
Gain (Loss) on Disposal of Tangible Capital Asset	-	-	-	-
Amortization of Deferred Capital Revenue	-	-	9,315,572	9,315,572
Total Revenues	214,906,434	31,423,453	10,358,002	256,687,889
Expenses				
Instruction	176,161,846	30,193,387	-	206,355,233
District Administration	8,155,324	399,327	-	8,554,651
Operations and Maintenance	22,753,440	830,739	926,097	24,510,276
Transportation and Housing	2,294,133	-	-	2,294,133
Amortization of Tangible Capital Assets	-	-	11,935,535	11,935,535
Debt Services	-	-	-	-
Total Expenses	209,364,743	31,423,453	12,861,632	253,649,828
Surplus (Deficit)	5,541,691	-	(2,503,630)	3,038,061
Net Transfers to/from other Funds				
Local Capital	(2,178,139)	-	2,178,139	-
Total Net Transfers	(2,178,139)	-	2,178,139	-
Total Surplus (Deficit) for the year	3,363,552	-	(325,491)	3,038,061
Surplus (Deficit) beginning of the year	12,683,827	-	101,588,818	114,272,645
Accumulated Surplus (Deficit)	16,047,379	-	101,263,327	117,310,706

Operating Accounts

The School District was in a surplus position of \$3,363,552 when factoring in capital from operating. This is favorable when compared to a deficit budget of 3.74M. The following are some explanations for the variances:

- Revenue is higher than the Amended budget due to 2.4M in Ministry funding for retro payments for teacher salary increases;
- Other Professionals was \$35K over budget due to vacation payouts and Principals & Vice-principals was \$72K over due to additional administrative expenditures;
- Lower substitute costs due primarily to the impact of COVID-19 resulting in lower expenditures on support staff replacement costs and teacher replacement costs;
- Support Staff salary was \$914K under budget due to a number of employees taking leaves to collect the Canada Emergency Response Benefit from the Federal Government, there were also unfilled vacancies in the maintenance area and some clerical positions;
- Teacher retro pay was a factor in salaries being \$520K over budget;
- Benefits rate of 23.9% is higher than the previous year's rate of 23.5% due to the CUPE MSP arbitration payment of \$513,790;
- Spending on Services and Supplies was approximately \$1.88 million under budget due to the impact of COVID -19 resulting in lower spending patterns for schools and at the district level; as well as energy savings resulting from in-class instruction not taking place for most of the last quarter. The District also put in cost control measures to limit spending to critical and essential items to maintain operations at schools and central cost centres.

Special Purpose Accounts

All Special Purpose Funds tracked within the Amended Budget including the Classroom Enhancement Fund accounts 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 three schools under construction during the year (New R.E. Mountain Secondary, Langley Secondary seismic, and new Southwest Yorkson Elementary school). R.E. Mountain Secondary opened for instruction in September 2019.

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. For the 2019-20 school year \$23.31 million was provided to Langley and was utilized for the hiring of 220.04 (annualized) FTE teachers, to pay for an estimated \$1.35 million in remedy and to pay for an estimated \$1.00 million in additional overhead costs.

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, 2020 and 2019.

Cash increased \$7.85 million over the prior year. Cash held in the bank for current operational needs totals \$30.7 million. \$34.7 million is held on deposit with the Ministry of Finance and is available within 1-2 days. These deposits attract interest at 1.45% (as of June 30, 2020), comparable with one year or longer locked in GIC rates. These rates have declined from a rate of 2.95% at the beginning of March.

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	Increase (Decrease)	Change
Financial Assets				
Cash and cash equivalents	\$ 68,927,115	\$ 61,073,047	\$ 7,854,068	12.86%
Accounts Receivable				
Due from Province - Ministry of Education	4,376,520	9,091,350	(4,714,830)	-51.86%
Other	1,289,807	2,142,037	(852,230)	-39.79%
Total Financial Assets	<u>74,593,442</u>	<u>72,306,434</u>	<u>2,287,008</u>	<u>3.16%</u>
Liabilities				
Accounts payable and accrued liabilities	32,246,839	33,661,634	(1,414,795)	-4.20%
Unearned revenue	12,175,509	13,332,856	(1,157,347)	-8.68%
Deferred revenue	3,282,723	2,556,524	726,199	28.41%
Deferred capital revenue	226,835,269	214,217,191	12,618,078	5.89%
Employee future benefits	5,960,764	5,621,309	339,455	6.04%
Total Liabilities	<u>280,501,104</u>	<u>269,389,514</u>	<u>11,111,590</u>	<u>4.12%</u>
Net Financial Assets (Debt)	<u>(205,907,662)</u>	<u>(197,083,080)</u>	<u>(8,824,582)</u>	<u>4.48%</u>
Non-Financial Assets				
Tangible capital assets	321,030,898	310,447,630	10,583,268	3.41%
Prepaid expenses	2,187,470	908,095	1,279,375	140.89%
Total Non-Financial Assets	<u>323,218,368</u>	<u>311,355,725</u>	<u>11,862,643</u>	<u>3.81%</u>
Accumulated surplus	<u>\$117,310,706</u>	<u>\$ 114,272,645</u>	<u>\$ 3,038,061</u>	<u>2.66%</u>
Accumulated Surplus				
Capital	\$101,263,327	\$ 101,588,818	\$ (325,491)	-0.32%
Operating	16,047,379	12,683,827	3,363,552	26.52%
	<u>\$117,310,706</u>	<u>\$ 114,272,645</u>	<u>\$ 3,038,061</u>	<u>2.66%</u>

Cash assets at June 30 are categorized as follows.

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	Increase (Decrease)
Funds deposited with ScotiaBank	\$ 30,660,969	\$ 35,330,556	\$ (4,669,587)
Central deposit - Ministry of Finance	34,717,789	22,126,842	12,590,947
School generated funds	3,548,357	3,615,649	(67,292)
	<u>\$ 68,927,115</u>	<u>\$ 61,073,047</u>	<u>\$ 7,854,068</u>

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

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	Increase (Decrease)
Obligations			
Trade payables	\$ 6,223,770	\$ 12,709,140	\$ (6,485,370)
Salaries and benefits payable	20,801,424	15,837,133	4,964,291
Accrued vacation pay	4,145,024	3,944,836	200,188
Other payable	1,076,614	1,170,518	(93,904)
Unearned Revenue - International students progra	12,077,750	13,304,143	(1,226,393)
Unearned Revenue - Other	97,759	28,713	69,046
Deferred Revenue - Special Purpose Funds	3,282,723	2,556,524	726,199
Employee Future Benefits	5,960,764	5,621,309	339,455
Deferred Capital Revenue - Unspent	3,287,766	2,054,672	1,233,094
Local Capital	3,536,300	3,060,075	476,225
Other	243,639	243,639	-
			-
Assets			
Receivable - Ministry of Education	(4,376,520)	(9,091,350)	4,714,830
Receivable - Other	(1,289,807)	(2,142,037)	852,230
Prepaid expense	(2,187,470)	(908,095)	(1,279,375)
	<u>52,879,736</u>	<u>48,389,220</u>	<u>4,490,516</u>
Accumulated Operating Surplus	<u>16,047,379</u>	<u>12,683,827</u>	<u>3,363,552</u>
	<u>\$ 68,927,115</u>	<u>\$ 61,073,047</u>	<u>\$ 7,854,068</u>

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

Accounts Receivable decrease is due to the lower Bylaw Capital Funding Accrual for draw claims from the Ministry of Education for capital projects and also a decrease in GST receivable for decreased purchase activity in the 4th Quarter.

Accounts Payable and Other Liabilities decreased by \$1.41 million (decrease in accruals under Trades Payable for construction invoices \$6.48 million, decrease in Other Payables \$0.094 million, increase in Salaries and Benefits payable of \$4.96 million due to timing and cutoffs and an increase in Accrued vacation pay \$0.200 million).

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 (\$1.79 million) and School Generated Funds (\$1.42 million).

Deferred Capital Revenue increased \$12.62 million, associated with the current capital projects and the capital portion of the Annual Facilities Grant work.

Employee Future Benefits net liabilities increased \$339K.

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, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Provincial Grants - Ministry of Education	\$ 196,913,365	\$ 185,986,878	\$ 193,969,310	\$ 10,926,487	\$ 2,944,055
Provincial Grants - Other	78,632	196,794	43,451	(118,162)	35,181
	<u>\$ 196,991,997</u>	<u>\$ 186,183,672</u>	<u>\$ 194,012,761</u>	<u>\$ 10,808,325</u>	<u>\$ 2,979,236</u>

Grant Revenues were \$10.8 million higher than last year due to increased enrollment and increases in funding levels for per student amounts to fund collective agreements, resulting in higher grants. This combined with higher grants for students with special needs resulting in additional grants of \$6.49 million. The other main contributor to increases were \$2.37 million in Teacher labour settlement funding, \$0.843 million for Support staff wage increases, \$1.12 million increase for the Employer Health Tax Grant and \$0.272 million increase for Graduated Adults. This was offset by the elimination of the Economic Stability Dividend of \$236K.

Grant Revenues were \$2.98 million higher than budget mainly due to the \$2.37 million for Teachers' Labour Settlement Funding after the amended budget was finalized. Also, Funding for Graduated Adults came in \$283k higher than budgeted.

International Education Revenues

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Tuition - International	15,037,872	14,407,076	15,136,625	630,796	(98,753)

International Education revenues were \$0.631 million higher than last year due mainly to the ISP per student tuition increase by \$1,000 per student.

Other Revenues

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Tuition - Other	265,578	243,153	269,500	22,425	(3,922)
Other Revenue	944,655	243,181	851,471	701,474	93,184
Rental and Leases	744,430	935,387	922,681	(190,957)	(178,251)
Investment Income	921,902	1,085,399	1,050,000	(163,497)	(128,098)
	\$ 2,876,565	\$ 2,507,120	\$ 3,093,652	\$ 369,445	\$ (217,087)

Other Revenues were higher than last year and Amended Budget due mainly to not having the impact of the one-time school generated funds adjusting entry this year-end. Rental and lease revenue was lower than last year due to COVID-19, resulting in lower film, daycare, and community rental revenues. The impact of COVID-19 resulted in lower interest rates for the last quarter and lead to lower investment income.

Expenses

Teachers

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Teachers	\$ 94,501,758	\$ 89,424,568	\$ 93,982,080	\$ 5,077,190	\$ 519,678

Teacher Salary Expenses were \$5.07 million higher than last year due to 14.00 more FTE, additional salary increments per the collective agreement, grid step increases, full year effect of prior year wage increments that took place on May 1, 2019. There was also the \$2.37M retroactive payment as part of the new collective agreement. As part of the teacher collective agreement Teacher prep time increased – this added \$240K in 19/20.

Teacher Salary Expenses were \$0.520M higher than budget due mainly to the \$2.37M retroactive payment for the collective agreement; this was offset by vacancies throughout the year.

Principals & Vice Principals

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Principals and Vice-Principals	11,552,405	10,889,984	11,480,004	662,421	72,401

Principals and VP Salaries were \$662K higher due to additional VP for Peter Ewart and District Principal positions in HR and Instructional Services; and wage increases provided during the year.

Principals and VP Salaries were \$72K higher than budget due to additional administrative expenditures.

Education Assistants

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Educational Assistants	19,506,389	18,456,091	20,114,952	1,050,298	(608,563)

Actual expenses were \$1.05M higher than last year. Added 2 additional Aboriginal Support Workers (\$75K); District Support Team of 1 SEA & 1 YCW (\$65K); Additional SEAs to schools from contingency and term allocation (\$225K). The 2% contractual wage increase combined with the full year impact of the 1.75% increase from May 2019 accounted for \$630K change from last year. Other minor increases for Library Tech., ISP assistants and other accounted for the additional \$55K.

Actual expenses were lower than budget by \$609K due to late starts and vacancies, this is offset by higher casual EA costs and higher cost vacation payouts and sick day payouts.

Support Staff

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Support Staff	16,410,493	16,081,259	17,324,983	329,234	(914,490)

Actual expenses were \$329K higher than last year due to additional clerical at new middle school (PEMS) and additional custodial at new secondary school (REMSS); also, there was contractual wage increase of 2%

Actual expenditures were below budget due to vacancies for certain trades positions in the maintenance department. Also, the impact of COVID-19 resulted in employee leaves in May and June as employees collected the Canada Emergency Response Benefits.

Other Professionals

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Other Professionals	4,936,527	4,614,935	4,901,217	321,592	35,310

Actual expenses were \$322K higher than last year due to the full year impact of Exempt positions hired part way through the year; combined with a wage increase.

Actual expenses were \$35K above budget which is within an acceptable range.

Substitutes

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Substitutes	7,091,680	8,913,979	7,865,951	(1,822,299)	(774,271)

Actual expenses were \$1.82M lower than last year due to the impact of COVID-19 which resulted in savings in casual support staff and TTOC replacement costs.

Actual expenses were \$774K lower than budgeted mostly due to the impact of COVID-19.

Benefits

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Employee Benefits	36,746,654	34,896,776	37,795,553	1,849,878	(1,048,899)

Actual expenses were higher than last year due to an increase in overall staffing FTE and increases for wage sensitive benefits. Also, there was CUPE arbitration for MSP that resulted in a \$514K settlement payout. There were rate increases for CPP & EI as well as premium increases for EHB & Dental.

Actual expenses were lower than budget due to vacancies and late starts; this directly impacted the wage sensitive benefits (CPP, EI, WCB, & Pension). The major contributor was the impact of COVID-19 for

Supplies

Supplies categories represent approximately 10% of the operating budget expenditures. Overall Services and supplies are \$1.88 million under budget due to the impact of COVID -19 resulting in lower spending patterns for schools and at the district level; as well as energy savings resulting from in-class instruction not taking place for most of the last quarter. The District put in cost control measures to limit spending to critical and essential items to maintain operations at schools and central cost centres. More details below for each supply category.

Services and Supplies

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Services	5,573,549	5,914,306	5,911,463	(340,757)	(337,914)
Supplies	7,465,560	8,627,010	8,017,040	(1,161,450)	(551,480)
	13,039,109	14,541,316	13,928,503	(1,502,207)	(889,394)

Actual expenses for Services & Supplies were \$1.5M below last year. 2019/20 was a unique school year with the impact of COVID-19 on the last quarter of the year and minimal in class instruction in June only. This has resulted in lower expenditures for Photocopying of \$645K and \$879K lower expenditures for supplies at schools. Transportation department fuel and repair costs were \$145K lower. Medical Services cost have increased by \$120K for the International Students Program due to changes in Medical Services Plan coverage. \$100K Increased Teams licenses cost for IT to support online learning due to COVID-19. Maintenance costs are \$140K higher than last year partly due to additional cleaning and equipment costs related to COVID-19.

Actual expenses were \$889K lower than budget. School supplies and services under budget (\$609K); photocopier costs at schools are under budget by (\$109K); other central fees, supplies, services and equipment under budget (\$448K); Maintenance supplies accounts were over by (\$277K) – some of this is related to additional expenditures for COVID-19.

Transportation

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Student transportation	120,043	194,426	196,588	(74,383)	(76,545)

Actual transportation expenses were \$74K lower due to fewer numbers of field trips compared to 2018/19 – this is a direct result of COVID-19 as most of the fieldtrips would be in the last quarter of the year.

Actual expenses were \$77K lower than budget due to less field trips as the result COVID-19.

Professional Development & Travel

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Professional development	1,055,595	1,236,424	1,304,850	(180,829)	(249,255)

Actual Pro-D costs were \$181K lower than last year due to decreased spending on travel and training, and contractual PRO-D – this is a direct result of COVID-19 as travel and events were halted.

Actual expenses were \$249K lower than budget due to lower than budgeted expenditures for contract PRO-D, staff development, and conferences.

Rentals & Leases

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Rentals and leases	28,167	14,342	42,100	13,825	(13,933)

Increased space rental from the Township of Langley for different events was the \$14K increase from last year.

Rentals and leases were \$14k below budget as maintenance area rented less equipment than budgeted.

Dues and Fees

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Dues and fees	1,201,953	1,115,033	1,287,284	86,920	(85,331)

Dues and Fees expenses were \$87K higher due mainly to commissions expenses for the International Student Program. This was due to higher rates of commission paid to the higher producing agents, these agents charged a higher rate per student in the 19/20 school year.

Dues and Fees were \$12K lower than budget as International payments for agent fees were not as high as anticipated.

Insurance

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Insurance	472,488	400,135	450,600	72,353	21,888

Insurance premiums increased by \$72K over 2018/19. \$27K related to increases in rates for the bus fleet and the balance related to an increase the number of insurance claims at schools.

Insurance deductibles were higher relating to the increase in the number of insurance claims at schools compared to last school year.

Utilities

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	2019 - 2020 Budget	Increase (Decrease) From Jun 30, 2019	Budget Variance
Utilities	2,673,426	3,303,010	3,285,000	(629,584)	(611,574)

Utilities declined by a total of \$630K compared to the 2018/19 school year. The main driver for the decrease was due to the impact of COVID-19 and lack of in class

Utilities were \$612K lower than budgeted due to the impact of COVID-19. Electricity costs were \$370K below budget. Natural Gas costs were \$200K below budget and

instruction for the last quarter. Natural Gas decreased \$483K; Electricity was down \$110K; Water & Sewer declined by \$27K and Garbage collection costs decreased by \$17K. Propane costs increased by \$3K and Hazardous materials disposals increased \$5K

there were \$30K savings for garbage collection.

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.

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	Increase (Decrease) From Jun 30, 2019	Deferred Revenue Balance Jun 30, 2020
Provincial Grants - Ministry of Education				
Annual Facility Grant	\$ 680,178	\$ 1,035,516	\$ (355,338)	\$ -
Learning Improvement Fund	701,497	783,902	(82,405)	12,105
Special Education Equipment	-	41,319	(41,319)	-
Service Delivery Transformation	-	39,905	(39,905)	-
Strong Start	287,338	288,000	(662)	2,084
Ready, Set, Learn	76,457	75,950	507	368
Official Languages in Education Protocol	215,465	198,459	17,006	7,772
CommunityLINK	1,999,729	2,168,817	(169,088)	10,464
Coding and Curriculum Implementation	-	21,145	(21,145)	-
Priority Measures	-	-	-	-
Classroom Enhancement Fund - Overhead	1,008,011	791,534	216,477	-
Classroom Enhancement Fund - Staffing	19,170,901	15,378,088	3,792,813	1,775,509
Classroom Enhancement Fund - Remedies	1,332,332	4,654,344	(3,322,012)	18,062
First Nation Student Transportation	7,772	-	7,772	13,803
Mental Health in Schools	19,013	-	19,013	5,487
Changing Results for Young Children	3,556	-	3,556	10,295
	<u>25,502,249</u>	<u>25,476,979</u>	<u>25,270</u>	<u>1,855,949</u>
Provincial Grants - Other				
Settlement Workers in Schools	463,192	487,924	(24,732)	3,377
	<u>463,192</u>	<u>487,924</u>	<u>(24,732)</u>	<u>3,377</u>
Other				
School Generated Funds	5,458,012	7,958,756	(2,500,744)	1,423,397
	<u>5,458,012</u>	<u>7,958,756</u>	<u>(2,500,744)</u>	<u>1,423,397</u>
Total	<u>\$ 31,423,453</u>	<u>\$ 33,923,659</u>	<u>\$ (2,500,206)</u>	<u>\$ 3,282,723</u>

Statement of Operations - Capital Funds

Capital Fund Balances are as Follows:

	Jun 30, 2020 Actual	Jun 30, 2019 Actual	Increase (Decrease) From Jun 30, 2019
Bylaw Capital			
Provincial Grants - Ministry of Education	\$ 19,890,444	\$ 55,711,734	\$ (35,821,290)
Transfer project surplus to MEd Restricted	(2,745)	(371,324)	368,579
Transfer prior year surplus in MEd Restricted back to Bylaw	14,442	-	14,442
Reclassify revenue for AFG expense projects	(926,096)	(668,039)	(258,057)
Vehicle purchases	-	(770,401)	770,401
Work in progress	(18,976,045)	(45,647,048)	26,671,003
Site acquisitions	-	(8,264,262)	8,264,262
Net Change for the Year	-	(9,340)	9,340
Opening Balance	-	9,340	(9,340)
Closing Balance	-	-	-

(Ministry) Bylaw capital balance: These are funds from the Ministry of Education and targeted for capital purchases and projects. These funds were for capital projects (LSS, REMSS, SW Yorkson, AFG, Playground Equipment & School Enhancement Projects).

Ministry of Education - Restricted Capital			
Investment income	17,155	32,746	(15,591)
Net proceeds from the disposal of sites and buildings	-	-	-
Transfer project surplus from Bylaw Capital	2,745	371,324	(368,579)
Transfer prior year surplus in MEd Restricted back to Bylaw	(14,442)	-	(14,442)
Other	-	-	-
Work in progress	-	(3,294,464)	3,294,464
Net Change for the Year	5,458	(2,890,394)	2,895,852
Opening Balance	1,101,642	3,992,036	(2,890,394)
Closing Balance	1,107,100	1,101,642	5,458

(Ministry) Restricted Capital Balance: These are funds held on behalf of the Ministry of Education. The balance increased \$5,458. There was minimal activity during the 2019/20 school year relating to Restricted Capital. The original funds in MOE Restricted were mainly derived from the sale of schools in 2016/2017. Per the Ministry agreement, we will be contributing 1.0 million from restricted capital towards the construction of SW Yorkson Elementary School.

Land Capital

School site acquisition fees	1,285,165	1,361,227	(76,062)
Investment income	17,892	11,245	6,647
Site acquisitions	(43,979)	(1,295,694)	1,251,715
Net Change for the Year	1,259,078	76,778	1,182,300
Opening Balance	921,120	844,342	76,778
Closing Balance	2,180,198	921,120	1,259,078

SSAC capital balance: Increased by \$1.26 million, as funds were collected by the District from the Township and City as part of the school site acquisition charge and these funds will be used for future school site land purchases as identified in the capital plan.

Other Provincial Capital

Provincial Grants - Other	-	170,407	(170,407)
Equipment purchases	(31,442)	(279,674)	248,232
Net Change for the Year	(31,442)	(109,267)	77,825
Opening Balance	31,910	141,177	(109,267)
Closing Balance	468	31,910	(31,442)

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.

		Increase (Decrease) From Jun 30, 2019
Jun 30, 2020 Actual	Jun 30, 2019 Actual	

Local Capital

Investment income	72,354	110,183	(37,829)
Transfer from Operating Fund	2,178,139	2,533,962	(355,823)
Other	-	-	-
Capital assets purchased	(1,482,226)	(3,707,561)	2,225,335
Work in progress	(292,042)	-	(292,042)
Net change for the year	476,225	(1,063,416)	1,539,641
Opening balance	3,060,075	4,123,491	(1,063,416)
Closing balance	3,536,300	3,060,075	476,225

Local Capital Balance: Increased by \$0.476 million as we moved funds from Local Capital to Bylaw Capital for the construction of SW Yorkson. Per the Ministry agreement, we will be contributing 2.5 million from Local Capital towards the construction of SW Yorkson Elementary School. There is also an additional \$426K to cover off capital equipment expenditures for the Langley Secondary Seismic project.

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 97% complete. The total value of the project was originally \$26.2 million, and the current forecasted final project cost is \$27.4 million dollars. The School District will need to fund the additional \$1.2 million dollars from Ministry Restricted Capital, Local Capital and the remaining from Operating Accumulated Surplus.

New School Construction

- **New R.E. Mountain Secondary School:** Project is 100% complete. Estimated project value is \$58.9 million. Restricted capital of \$21.4 million was used in support of this project. School is on schedule and is now open for September 2019.

New School Construction

- **Southwest Yorkson Elementary School:** The total value of the project is \$27.6 million. Construction of the school commenced in February of 2020 and the school is scheduled to open in September 2021. The School District will be contributing \$2.5 million of the capital cost from Local Capital and \$1.0 million from Restricted Capital. The School District has estimated costs remaining of \$23.1 million

Annual Facility Grant (AFG)

The Annual Facility Grant funding is provided by the Ministry of Education for designated school capital or maintenance upgrades. \$3.3 million was provided by the Ministry of Education to fund the following projects in 2019/2020.

- Roof replacement major sections: three schools
- Exterior painting: seven schools
- Flooring: various classrooms and main hallways, one gym floor, six school gyms floors resurfaced
- Lighting upgrade: three schools
- Custodial Room Upgrade: two schools
- Washroom Renovations: one school
- Heating System Boiler system replacement: one school
- High Voltage vaults: one schools serviced
- Emergency Generator load testing: four sites
- Panel Switch Over: three schools
- Duct Cleaning: three schools
- Paving, Drainage, and Site upgrades: six schools
- Window and skylight replacements: one school
- Plumbing upgrades: five schools
- Information Technology upgrades, Optic Fiber: two schools
- Filtered Drinking water stations: three schools
- Asbestos Abatement: (removal) various schools
- PLNet : all sites
- Functional Improvements, Door & Hardware replacement: LFA & PEMS

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, 2020	June 30, 2019
Total Capital Fund Surplus	\$ 101,263,327	\$ 101,588,818
Restricted Operating Surplus		
Internally restricted (appropriated) by the Board	3,388,260	3,388,260
Internally restricted to balance 2019/2020 budget	-	2,184,978
Internally restricted to balance 2020/2021 budget	2,382,381	-
Internally restricted to balance future budgets	812,602	2,382,381
Internally restricted for infrastructure replacement	1,007,004	1,150,000
Internally restricted for student capacity needs	500,000	500,000
Internally restricted for capacity issues at LSS/LEC	-	300,000
Internally restricted for admin development	-	125,000
School Generated Funds	2,220,943	2,179,381
School surpluses	488,628	323,827
Internally restricted for Indigenous Education 2019/2020	37,561	-
Internally restricted for commitments 2019/2020	210,000	-
Internally restricted for COVID-19 contingency	5,000,000	-
District initiative in support of schools	-	150,000
Internally restricted surplus	16,047,379	12,683,827
Unrestricted Operating Surplus	-	-
Total Operating Surplus	16,047,379	12,683,827
Accumulated Surplus	\$ 117,310,706	\$ 114,272,645

Potential Future Financial impact on the District

There are several factors that could impact the District's stable and healthy financial situation during the 2019/2020 school year and beyond.

Risk Assessment

In 2017/2018, 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 – has been mitigated as both CUPE and Teachers have entered into binding collective agreements that are in place until the end of the 2021/2022 school year.
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.

COVID 19

The ongoing impact of the pandemic presents uncertainty over future cash flows and may have a significant impact on future operations including decreases in revenue, impairment of receivables, reduction in investment income and potential delays in completing capital project work.

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.

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 2018, the Ministry of Education initiated a review of the current grant-funding model that has been in place since 2002. The review involved input and consultation from all 60 school districts and over 350 education stakeholders. Final Working Group reports were completed in October 2019, and partners noted that some of the recommendations would be relatively straightforward to implement while others would not. Upon completion of the review, the Ministry will implement recommendations with a two-phase plan, beginning with 12 of the 22 recommendations (specifically, 2, 3, 12, 13, 14, 15, 16, 17, 19, 20,

21 and 22). Phase 1 of the model was implemented, and funding adjustments were reflected in the 2020-21 Preliminary Budget. Phase 2 still needs to be implemented and at the current time the impact on funding levels to the school district remains unknown.

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. The outbreak of COVID-19 worldwide has had an impact on current and future enrolment for the program. The projected numbers for 2020/21 students was 990 FTE and these were adjusted by 240 FTE for the preliminary budget down to 750 FTE. The full impact will not be known until later this fall.

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.

Vehicle Fleet & Equipment Replacement

The School District currently has an aging fleet in place which will require replacement, upgrade or additional vehicles. Vehicles have been replaced or added as funds become available through facilities department cost savings or allocation of operating budget surplus.

A sustainable, cost effective model for replacement, upgrades and maintenance of the School District's fleet vehicles is needed and will provide recommendations under a proposed new fleet renewal plan.

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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