



# **Financial Statement Discussion and Analysis**

**For the Year Ended June 30, 2019**

# Introduction

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The following is a discussion and analysis of the School District's financial performance for the fiscal year ending June 30, 2019. 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

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### 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;

				Increase (Decrease) From 2017 - 2018	Increase (Decrease) From Budget Variance
	2018 - 2019 Actual	2017 - 2018 Actual	2018 - 2019 Budget		
School age	20,648.9375	20,448.3750	20,758.8750	200.5625	(109.9375)
Adult	72.3125	71.3750	78.0000	0.9375	(5.6875)
Summer school	446.8750	433.7500	433.7500	13.1250	13.1250
Total FTE	21,168.1250	20,953.5000	21,270.6250	214.6250	(102.5000)

Student enrollment has increased the last three years. FTE growth rates shows increases of 3.6%, 4.0%, and 2.7% in 2016, 2017 and 2018 (Data Source: KPMG Benchmarking Report)

## Financial Highlights

The School Districts revenue is heavily reliant upon the Operating Grant from the Provincial government which is based on enrolment levels and other factors. 73.0% of the District's revenue is from the Operating Grant 10.18% is provincial grant funding within the Special Purpose Fund, 5.74% of revenue is generated from International Education Programs, 3.50% is provincial funding for site purchases, 3.01% 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 2018/2019

	Operating	SPF	Capital	Total
<b>Revenues</b>				
Provincial Grants	186,183,672	25,964,903	8,932,301	221,080,876
Federal Grants	-	-	-	-
Tuition	14,650,229	-	-	14,650,229
Other Revenue	243,181	7,958,756	1,295,694	9,497,631
Rentals and Leases	935,387	-	-	935,387
Investment Income	1,085,399	-	110,183	1,195,582
Gain (Loss) on Disposal of Tangible Capital Asset	-	-	-	-
Amortization of Deferred Capital Revenue	-	-	7,687,489	7,687,489
<b>Total Revenues</b>	<b>203,097,868</b>	<b>33,923,659</b>	<b>18,025,667</b>	<b>255,047,194</b>
<b>Expenses</b>				
Instruction	170,186,167	32,205,546	-	202,391,713
District Administration	8,493,097	477,355	-	8,970,452
Operations and Maintenance	22,789,915	1,199,439	668,039	24,657,393
Transportation and Housing	2,627,775	-	-	2,627,775
Amortization of Tangible Capital Assets	-	-	10,081,269	10,081,269
Debt Services	-	-	-	-
<b>Total Expenses</b>	<b>204,096,954</b>	<b>33,882,340</b>	<b>10,749,308</b>	<b>248,728,602</b>
<b>Surplus (Deficit)</b>	<b>(999,086)</b>	<b>41,319</b>	<b>7,276,359</b>	<b>6,318,592</b>
<b>Net Transfers to/from other Funds</b>				
Local Capital	(2,533,962)	(41,319)	2,575,281	-
<b>Total Net Transfers</b>	<b>(2,533,962)</b>	<b>(41,319)</b>	<b>2,575,281</b>	<b>-</b>
<b>Total Surplus (Deficit) for the year</b>	<b>(3,533,048)</b>	<b>-</b>	<b>9,851,640</b>	<b>6,318,592</b>
<b>Surplus (Deficit) beginning of the year</b>	<b>16,216,875</b>	<b>-</b>	<b>91,737,178</b>	<b>107,954,053</b>
<b>Accumulated Surplus (Deficit)</b>	<b>12,683,827</b>	<b>-</b>	<b>101,588,818</b>	<b>114,272,645</b>

### Operating Accounts

The School District was in a deficit position of \$3,533,048 when factoring in capital from operating and a School Generated Funds adjustment of \$960,061 which went against restricted surplus for School Generated Funds. The deficit would have been \$2,572,987 without the School Generated Funds entry which is below the budgeted deficit of \$3.1M. The following are some explanations for the variances:

- Revenue moved from the operating fund to special purpose fund was lower than the Amended Budget, due to the above mentioned School Generated Funds entry, growth in the International Student Program and increased investment income;
- Other Professionals was \$360K over budget due to vacation payouts and vacation liability adjustment;
- Higher substitute costs due primarily to over expenditures on support staff replacement costs and teacher replacement costs;
- Teacher vacancies resulted in salaries being \$1.1M under budget;
- Benefits rate of 23.5% is lower than the previous year's rate of 23.8% due to lower teacher pension cost because of the pension rule change, which resulted in a \$1.1M savings;
- Spending on Services and Supplies was approximately \$736K over budget mainly due to higher transportation and fuel costs, increased photocopier costs at schools, increased supplies expenses at schools, and higher utilities costs for natural gas due to colder winter and pipeline rupture.

### 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 Langley Fine Arts envelope remediation). The Province provided \$8.27 million to the District to buy 1.89 hectares (4.67 acres) of land at North East Latimer Area, while the District is contributing \$1.29 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. For the 2018-19 school year \$19.12 million was provided to Langley and was utilized for the hiring of 176.97 (annualized) FTE teachers, to pay for an estimated \$4.65 million (2.06M 18/19, \$1.50M Arbitration, \$1.1M 17/18) in remedy and to pay for an estimated \$783K 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, 2019 and 2018.

	Jun 30, 2019 Actual	Jun 30, 2018 Actual	Increase (Decrease)	Change
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 61,073,047	\$ 68,534,445	\$ (7,461,398)	-10.89%
Accounts Receivable				
Due from Province - Ministry of Education	9,091,350	3,749,605	5,341,745	142.46%
Other	2,142,037	1,501,207	640,830	42.69%
<b>Total Financial Assets</b>	<u>72,306,434</u>	<u>73,785,257</u>	<u>(1,478,823)</u>	-2.00%
<b>Liabilities</b>				
Accounts payable and accrued liabilities	33,661,634	26,628,858	7,032,776	26.41%
Unearned revenue	13,332,856	12,804,038	528,818	4.13%
Deferred revenue	2,556,524	4,255,172	(1,698,648)	-39.92%
Deferred capital revenue	214,217,191	174,425,028	39,792,163	22.81%
Employee future benefits	5,621,309	5,548,829	72,480	1.31%
<b>Total Liabilities</b>	<u>269,389,514</u>	<u>223,661,925</u>	<u>45,727,589</u>	20.44%
<b>Net Financial Assets (Debt)</b>	<u>(197,083,080)</u>	<u>(149,876,668)</u>	<u>(47,206,412)</u>	31.50%
<b>Non-Financial Assets</b>				
Tangible capital assets	310,447,630	256,808,188	53,639,442	20.89%
Prepaid expenses	908,095	1,022,533	(114,438)	-11.19%
<b>Total Non-Financial Assets</b>	<u>311,355,725</u>	<u>257,830,721</u>	<u>53,525,004</u>	20.76%
<b>Accumulated surplus</b>	<u>\$114,272,645</u>	<u>\$ 107,954,053</u>	<u>\$ 6,318,592</u>	5.85%
<b>Accumulated Surplus</b>				
Capital	\$101,588,818	\$ 100,455,243	\$ 1,133,575	1.13%
Operating	12,683,827	13,018,215	(334,388)	-2.57%
	<u>\$114,272,645</u>	<u>\$ 113,473,458</u>	<u>\$ 799,187</u>	0.70%

Cash decreased \$7.46 million over the prior year. Cash held in the bank for current operational needs totals \$35.3 million. \$22.1 million is held on deposit with the Ministry of Finance and is available within 1-2 days. These deposits attract interest at 2.95% (as of June 30, 2019), comparable with one year or longer locked in GIC rates.

Cash assets at June 30 are categorized as follows;

	Jun 30, 2019 Actual	Jun 30, 2018 Actual	Increase (Decrease)
Funds deposited with ScotiaBank	\$ 35,330,556	\$ 43,363,571	\$ (8,033,015)
Central deposit - Ministry of Finance	22,126,842	21,503,067	623,775
School generated funds	3,615,649	3,667,807	(52,158)
	<u>\$ 61,073,047</u>	<u>\$ 68,534,445</u>	<u>\$ (7,461,398)</u>

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

	Jun 30, 2019 Actual	Jun 30, 2018 Actual	Increase (Decrease)
<b>Obligations</b>			
Trade payables	\$ 12,709,140	\$ 8,382,027	\$ 4,327,113
Salaries and benefits payable	15,837,133	13,915,381	1,921,752
Accrued vacation pay	3,944,836	3,091,378	853,458
Other payable	1,170,518	1,240,065	(69,547)
Unearned Revenue - International students program	13,304,143	12,755,367	548,776
Unearned Revenue - Other	28,713	48,671	(19,958)
Deferred Revenue - Special Purpose Funds	2,556,524	4,255,172	(1,698,648)
Employee Future Benefits	5,621,309	5,548,829	72,480
Deferred Capital Revenue - Unspent	2,054,672	4,986,895	(2,932,223)
Local Capital	3,060,075	4,123,491	(1,063,416)
Other	243,639	243,639	-
			-
<b>Assets</b>			
Receivable - Ministry of Education	(9,091,350)	(3,749,605)	(5,341,745)
Receivable - Other	(2,142,037)	(1,501,207)	(640,830)
Prepaid expense	(908,095)	(1,022,533)	114,438
	<u>48,389,220</u>	<u>52,317,570</u>	<u>(3,928,350)</u>
<b>LTD Operating Surplus</b>	<u>12,683,827</u>	<u>16,216,875</u>	<u>(3,533,048)</u>
	<u>\$ 61,073,047</u>	<u>\$ 68,534,445</u>	<u>\$ (7,461,398)</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 4<sup>th</sup> Quarter.

**Accounts Payable and Other Liabilities** increased by \$4.33 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 (\$0.964 million) and School Generated Funds (\$1.54 million).

**Deferred Capital Revenue** decreased \$2.93 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 \$72K.



# 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

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Provincial Grants - Ministry of Education	\$ 185,661,678	\$ 178,863,512	\$ 185,194,841	\$ 6,798,166	\$ 466,837
Provincial Grants - Other	196,794	260,620	176,190	(63,826)	20,604
	<u>\$ 185,858,472</u>	<u>\$ 179,124,132</u>	<u>\$ 185,371,031</u>	<u>\$ 6,734,340</u>	<u>\$ 487,441</u>

Grant Revenues were \$6.8 million higher than last year due to increased enrollment and \$122 increase in per student grant funding to fund collective agreements, resulting in higher grants of \$4.56 million. This combined with higher grants for students with special needs resulting in additional grants of \$1.64 million.

Grant Revenues were \$600K million higher than budget mainly due to Employer Health Tax grant announced after the amended budget was finalized.

##### International Education Revenues

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Tuition - International	14,407,076	14,833,515	14,517,565	(426,439)	(110,489)

International Education revenues were \$0.426 million lower than last year due to a lower enrolment level of 998.35 in 2018/19 compared to 1,005.8 in 2017/18 and there was no revenue from student groups from Thailand in 2018/19.

## Other Revenues

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Other Revenue	568,381	2,032,205	1,193,268	(1,463,824)	(624,887)
Rental and Leases	935,387	880,105	922,681	55,282	12,706
Investment Income	1,085,399	857,077	900,000	228,322	185,399
	<b>\$ 2,589,167</b>	<b>\$ 3,769,387</b>	<b>\$ 3,015,949</b>	<b>\$ (1,180,220)</b>	<b>\$ (426,782)</b>

Other Revenues were lower than last year and Amended Budget due mainly to the school generated funds adjusting entry at year-end to Special Purpose Fund deferred for \$960,061. Rental and lease revenue was higher than last year due to higher film rental and daycare revenue. Higher interest rates lead to higher investment income.

## Expenses

### Teachers

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Teachers	89,424,568	86,098,575	90,516,695	3,325,993	(1,092,127)

Teacher Salary Expenses were \$3.32 million higher than last year due to 23.20 more FTE; resulting in additional salary increments per the collective agreement (0.5% July 1, 1.75% May 1 (incl ESD), grid step increases, full year effect of prior year wage increments that took place on May 1, 2018.

Teacher Salary Expenses were \$1.1M lower than budget due to vacancies throughout the year, the impact of this was higher TTOC costs for vacancies

### Principals & Vice Principals

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Principals and Vice-Principals	10,889,984	10,575,486	11,092,886	314,498	(202,902)

Principals and VP Salaries were \$314K higher due to wage increases provided during the year.

Principals and VP Salaries were \$203K lower than budget due to vacancies during the school year and timing of wage increases.

## Education Assistants

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Educational Assistants	18,456,091	16,544,609	19,110,045	1,911,482	(653,954)

Actual expenses were higher than last year as there were approximately 24 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 \$1.9M in expenses.

Actual expenses were lower than budget by \$654K due to late starts at the beginning and vacancies, this is offset by higher casual EA costs.

## Support Staff

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Support Staff	16,081,259	15,254,017	16,315,709	827,242	(234,450)

Actual expenses were \$827K higher than last year due to addition of Bus Driver 2.0 FTE, Custodial 1.0 FTE, and other maintenance staff of 0.5 FTE. The Economic Stability Dividend (0.4%) and contractual wage increase (1%) accounts for the balance.

Actual expenditures were below budget due to vacancies for certain trades positions in the maintenance department.

## Other Professionals

	Jun 30, 2019 Actual	Jun 30, 2018 Actual	2018 - 2019 Budget	Increase (Decrease) From Jun 30, 2018	Budget Variance
Other Professionals	4,614,935	4,085,592	4,254,492	529,343	360,443

Actual expenses were \$529K higher than last year due to the addition of a Purchasing Position, HR Manager position, vacation accrual entry combined with a 1.75% in wage increases.

Actual expenses were \$360K above budget due to vacation liability accrual entry, and vacation payouts.

## Substitutes

	Jun 30, 2019 Actual	Jun 30, 2018 Actual	2018 - 2019 Budget	Increase (Decrease) From Jun 30, 2018	Budget Variance
Substitutes	8,913,979	8,263,560	7,730,000	650,419	1,183,979

Actual expenses were \$650K above last year due to TTOC costs of \$548K and the balance was related to higher expenditures for casual costs of \$102K

Actual expenses were higher than budget mostly due to casual replacement costs for maintenance, SEAs, and clerical \$705K. Teacher illness and contractual absence costs \$163K higher than budget and TTOCs replacement costs for vacancies was over by \$316K

## Benefits

	Jun 30, 2019 Actual	Jun 30, 2018 Actual	2018 - 2019 Budget	Increase (Decrease) From Jun 30, 2018	Budget Variance
Employee Benefits	34,896,776	33,582,971	36,044,275	1,313,805	(1,147,499)

Actual expenses were higher than last year due to an increase in overall staffing FTE. Overall increase was less due to a reduction in the teacher pension contribution rate; 13.23% to 11.30%

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

## Supplies

Supplies categories represent approximately 10% of the operating budget expenditures. Overall Services and supplies are \$736K over budget. More details below for each supply category.

### Services and Supplies

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Services	5,914,306	5,022,005	5,838,863	892,301	75,443
Supplies	8,627,010	11,361,605	8,098,007	(2,734,595)	529,003
	14,541,316	16,383,610	13,936,870	(1,842,294)	604,446

Actual expenses for Services & Supplies were \$1.84M below last year. 2017/18 was a unique year with one-time dollars in the system due to late starts and increased expenditures on learning resources for the redesigned curriculum. There was also roughly \$1.0M of Student Learning Grant funding. This has resulted in lower expenditures of these items in the 2018/19. Services have increased by \$892K. Part of this is for IT software, licensing, and consulting cost increases of \$322K to maintain expanding systems and networks. \$561K increased leasing costs for computers and the SD's portion for the copier equipment.

Actual expenses were \$604K higher than budget. Transportation and repair costs over budget (\$138K); photocopier costs at schools are over budget by (\$85K); other services categories over budget (\$75K); supply spending at schools was over by (\$193K); Maintenance supply accounts were over by (\$128K); Educational Admin supplies were (\$55K) over budget and there was combined savings in other supply categories of \$70K.

## Transportation

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Student transportation	194,426	221,459	210,523	(27,033)	(16,097)

Actual transportation expenses were \$27K lower due to fewer numbers of field trips compared to 2017/18.

Actual expenses were \$16K lower than budget due to less field trips.

## Professional Development & Travel

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Professional development	1,236,424	1,269,515	1,205,318	(33,091)	31,106

Actual Pro-D costs were \$33K lower than last year due to decreased spending on travel and training, and contractual PRO-D.

Actual expenses were \$31K higher than budget due to higher than budgeted expenditures for contract PRO-D, staff development, and conferences. Mileage costs increased due new IT Helpdesk work order system.

## Rentals & Leases

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Rentals and leases	14,342	22,126	44,100	(7,784)	(29,758)

Decreased equipment rentals by the maintenance area was the \$8K decrease from last year.

Rentals and leases were \$30k below budget as maintenance area rented less equipment than budgeted.

## Dues and Fees

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Dues and fees	1,115,033	1,081,368	1,102,546	33,665	12,487

Dues and Fees expenses were \$34K higher due to increases in professional dues and increases for licenses and permits in the maintenance area.

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

## Insurance

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Insurance	400,135	460,908	486,800	(60,773)	(86,665)

The decrease to last year is mostly due to a decrease in the facilities insurance premiums.

Savings were realized for insurance premiums and deductibles as increases from 2017/2018 were not as high as expected.

## Utilities

	<b>Jun 30, 2019 Actual</b>	<b>Jun 30, 2018 Actual</b>	<b>2018 - 2019 Budget</b>	<b>Increase (Decrease) From Jun 30, 2018</b>	<b>Budget Variance</b>
Utilities	3,303,010	2,872,495	3,095,508	430,515	207,502

Increase in Natural Gas costs from a colder and extended winter and spring season resulting in higher usage than prior year. The main driver for the increase was due to pipeline rupture and impact on per unit costs.

\$330K higher than budgeted Natural Gas costs due to Enbridge pipeline rupture and colder than normal winter. Electricity costs were \$118K below budget. Water/sewer was \$20K over budget and there were savings in waste removal costs.

## 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, 2019 Actual	Jun 30, 2018 Actual	Increase (Decrease) From Jun 30, 2018	Deferred Revenue Balance Jun 30, 2019
<b>Provincial Grants - Ministry of Education</b>				
Annual Facility Grant	\$ 1,035,516	\$ 324,840	\$ 710,676	\$ -
Learning Improvement Fund	783,902	709,773	74,129	7,016
Special Education Equipment	41,319	31,772	9,547	-
Service Delivery Transformation	39,905	42,591	(2,686)	-
Strong Start	288,000	289,746	(1,746)	-
Ready, Set, Learn	75,950	75,950	-	-
Official Languages in Education Protocol	198,459	210,848	(12,389)	12,389
CommunityLINK	2,168,817	1,983,967	184,850	-
Coding and Curriculum Implementation	21,145	111,561	(90,416)	-
Priority Measures	-	797,029	(797,029)	-
Classroom Enhancement Fund - Overhead	791,534	884,158	(92,624)	-
Classroom Enhancement Fund - Staffing	15,378,088	13,256,869	2,121,219	964,239
Classroom Enhancement Fund - Remedies	4,654,344	-	4,654,344	-
	<u>25,476,979</u>	<u>18,719,104</u>	<u>6,757,875</u>	<u>983,644</u>
<b>Provincial Grants - Other</b>				
Settlement Workers in Schools	487,924	431,192	56,732	29,566
	<u>487,924</u>	<u>431,192</u>	<u>56,732</u>	<u>29,566</u>
<b>Other</b>				
School Generated Funds	7,958,756	6,619,048	1,339,708	1,543,314
	<u>7,958,756</u>	<u>6,619,048</u>	<u>1,339,708</u>	<u>1,543,314</u>
<b>Total</b>	<u>\$ 33,923,659</u>	<u>\$ 25,769,344</u>	<u>\$ 8,154,315</u>	<u>\$ 2,556,524</u>



## Statement of Operations - Capital Funds

### Capital Fund Balances are as Follows:

	Jun 30, 2019 Actual	Jun 30, 2018 Actual	Increase (Decrease) From Jun 30, 2018
<b>Bylaw Capital</b>			
Provincial Grants - Ministry of Education	\$ 55,711,734	\$ 25,465,892	\$ 30,245,842
Transfer project surplus to MEd Restricted	(371,324)	(96,029)	(275,295)
Reclassify revenue for AFG expense projects	(668,039)	-	(668,039)
Vehicle purchases	(770,401)	(1,053,551)	283,150
Work in progress	(45,647,048)	(16,953,769)	(28,693,279)
Site acquisitions	(8,264,262)	(7,580,000)	(684,262)
Net Change for the Year	(9,340)	(217,457)	208,117
Opening Balance	9,340	226,797	(217,457)
Closing Balance	-	9,340	(9,340)

**(Ministry) Bylaw capital balance:** These are funds from the Ministry of Education and targeted for capital purchases and projects. The balance decreased by \$9,340. These funds were for capital projects (LSS & REMS) and for the purchase of the Northeast Latimer land for the future elementary school.

	Jun 30, 2019 Actual	Jun 30, 2018 Actual	Increase (Decrease) From Jun 30, 2018
<b>Ministry of Education - Restricted Capital</b>			
Investment income	32,746	211,103	(178,357)
Net proceeds from the disposal of sites and buildings	-	(1,808)	1,808
Transfer project surplus from Bylaw Capital	371,324	96,029	275,295
Other	-	-	-
Work in progress	(3,294,464)	(16,959,338)	13,664,874
Net Change for the Year	(2,890,394)	(16,654,014)	13,763,620
Opening Balance	3,992,036	20,646,050	(16,654,014)
Closing Balance	1,101,642	3,992,036	(2,890,394)

**(Ministry) Restricted Capital Balance:** These are funds held on behalf of the Ministry of Education. The balance decreased by \$0.109 million. The District contributed \$2.9 million (\$21.4 million total contribution) 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.

		Increase (Decrease) From Jun 30, 2018
Jun 30, 2019 Actual	Jun 30, 2018 Actual	

#### Land Capital

School site acquisition fees	1,361,227	727,593	633,634
Investment income	11,245	23,966	(12,721)
Site acquisitions	(1,295,694)	(1,866,093)	570,399
Net Change for the Year	76,778	(1,114,534)	1,191,312
Opening Balance	844,342	1,958,876	(1,114,534)
Closing Balance	921,120	844,342	76,778

**SSAC capital balance:** decreased by \$1.04 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 (Northeast Latimer) purchase as identified in the capital plan.

		Increase (Decrease) From Jun 30, 2018
Jun 30, 2019 Actual	Jun 30, 2018 Actual	

#### Other Provincial Capital

Provincial Grants - Other	170,407	257,365	(86,958)
Equipment purchases	(279,674)	(188,387)	(91,287)
Net Change for the Year	(109,267)	68,978	(178,245)
Opening Balance	141,177	72,199	68,978
Closing Balance	31,910	141,177	(109,267)

**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, 2018
Jun 30, 2019 Actual	Jun 30, 2018 Actual	

#### Local Capital

Investment income	110,183	93,933	16,250
Transfer from Operating Fund	2,533,962	2,015,555	518,407
Other	-	(600)	600
Capital assets purchased	(3,707,561)	(2,928,448)	(779,113)
Work in progress	-	(913,425)	913,425
Net change for the year	(1,063,416)	(1,732,985)	669,569
Opening balance	4,123,491	5,856,476	(1,732,985)
Closing balance	3,060,075	4,123,491	(1,063,416)

**Local Capital Balance:** Decreased by \$1.063 million as local capital funded the boiler project at Langley Meadows Elementary (\$362K); boiler upgrade at Walnut Grove Secondary School (\$119K); Furniture and Equipment for Langley Secondary and Langley Education Centre (\$420K); and other capital purchases.

## 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 95% 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 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.

### Building Envelope Program Funding (BEP)

- **Langley Fine Arts Secondary:** Project is 100% complete. Funding approved by Ministry of Education for \$2.48 million. This project, administered by BC Housing, covered extensive building envelope repairs.

### 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 2019/2020.

- Roof replacement major sections: three schools
- Exterior painting: nine schools
- Flooring: various classrooms and main hallways, two new gym floors, eight school gyms floors resurfaced
- Lighting upgrade: 17 schools
- Foods Room Upgrade: Brookwood
- Heating System Boiler system replacement: one school
- High Voltage vaults: three schools serviced
- Emergency Generator load testing: four sites
- Duct Cleaning: eight schools
- Paving, Drainage, and Site upgrades: eight 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, 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, 2019	June 30, 2018
Total Capital Fund Surplus	\$ 101,588,818	\$ 91,737,178
Restricted Operating Surplus		
Internally restricted (appropriated) by the Board	3,388,260	3,388,260
Internally restricted to balance 2018 / 2019 budget	-	2,377,257
Internally restricted to balance 2019 / 2020 budget	2,184,978	-
Internally restricted to balance future budgets	2,382,381	-
Internally restricted for infrastructure replacement	1,150,000	1,300,000
Internally restricted for student capacity needs	500,000	500,000
Internally restricted for capacity issues at LSS/LEC	300,000	1,600,000
Internally restricted for admin development	125,000	250,000
School Generated Funds	2,179,381	3,139,442
School surpluses	323,827	396,407
District initiative to support technology	-	450,000
District initiative in support of schools	150,000	300,000
Internally restricted surplus	12,683,827	13,701,366
Unrestricted Operating Surplus	-	2,515,509
Total Operating Surplus	12,683,827	16,216,875
<b>Accumulated Surplus</b>	<b>\$ 114,272,645</b>	<b>\$ 107,954,053</b>

## Potential Future Financial impact on the District

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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

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 – 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 2018, the Ministry of Education initiated a review of the current grant-funding model that has been in place since 2002. The Ministry had advised that a new funding model would be announced in the spring of 2019 and be implemented for the 2019/2020 school year. The implementation timeline has been delayed until the 2020/2021 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 to rectify inequity issues across the province. This may impact funding levels to the District.

### **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. Recent economic and political events in China could have an impact on future enrolment for the program.

### **Upcoming Bargaining**

Both the CUPE and teachers' contracts expired 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.

### **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

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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.



School District No. 35 (Langley)  
4875 - 222 Street  
Langley, British Columbia  
V3A 3Z7