

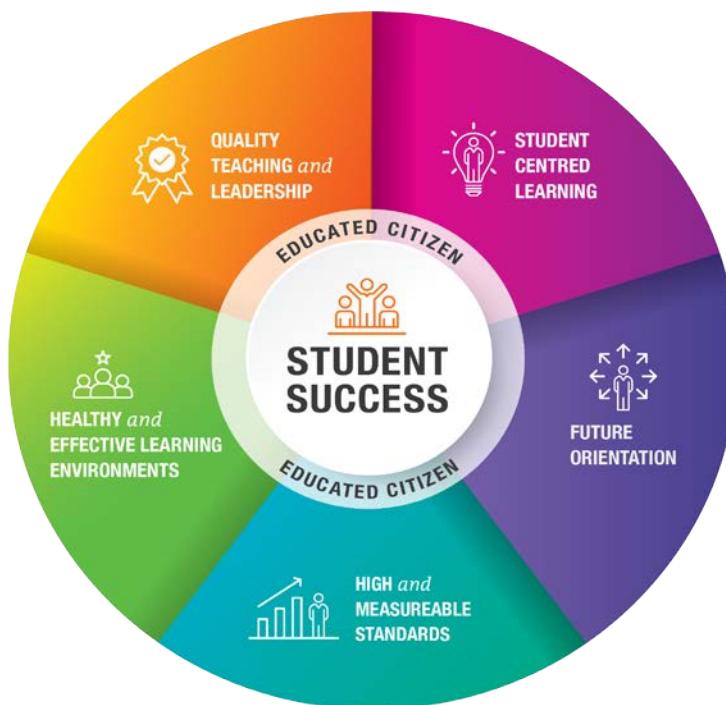
Financial Statement Discussion & Analysis



2019/2020 Year End Financial Statements

Develop in our students the following attributes of the educated citizen:

strong character and cultural identity,
effective communicator,
critical and creative thinker, contributor, collaborator,
personally and socially responsible.



Focus all talents, efforts and resources on improving student success.

Our success will not be measured by the amount of investment, legislative changes, the number of programs or the amount of new construction, but rather on how well all students, regardless of their background or where they live in B. C., are succeeding in life.

Management Discussion and Analysis

2019/2020 Year End Financial Statements

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Introduction

The following is a discussion and analysis of the Coquitlam School District's (SD43) financial performance for the fiscal year ending June 30, 2020. This report is a description and explanation of the significant events and conditions that shaped the information presented in the School District's financial statements.

A highlight section will provide a summary of the significant events, followed by an analysis section that includes a detailed variance analysis as well as information about risks, uncertainties, and trends. This report should be read in conjunction with the School District's financial statements for the same reporting period.

A separate document '**Guide to Financial Statements**' has been developed to assist users of School District financial statements to increase understanding of the information provided.

School District Overview

SD43 is the third largest school district in the province of British Columbia, located in the Metro Vancouver region and one of sixty BC Public School Districts responsible for the delivery of K-12 public education.

SD43 serves over 32,000 students through: 71 schools (46 elementary, 14 middle schools, 9 secondary schools, and 2 alternative education centers); the Distributed Learning program; Coquitlam Open Learning (COL); the Continuing Education program; and the Coquitlam International Student Program.



These students are supported by nearly 4,100 teaching, administrative, managerial and support staff positions: providing educational learning services to the communities of Coquitlam, Port Coquitlam, Port Moody, Anmore, and Belcarra.

The Coquitlam School Board (the Board) is comprised of nine elected Trustees. Four are elected from the City of Coquitlam, two each from Port Moody and Port Coquitlam and one from the Villages of Anmore and Belcarra. Collectively, the Board is responsible for making major policy decisions governing all aspects of education within the School District through its Strategic Vision and as mandated in the School Act.



School District Strategic Framework; *Directions 2020*

The Board of Education has adopted a strategic vision known as Directions 2020. It is the fulfillment of the Learning without Boundaries strategic framework that was created through extensive consultation and feedback from several thousand stakeholders.

At School District No. 43 (Coquitlam), it is our firm belief that the operation of the District is more effective with a clear vision and purpose that is aligned and integrated through all areas of the organization.

This vision, known as Directions 2020, will direct and enable the:

- fulfillment of our mission and goals and provide direction for future plans
- prioritization and articulation of annual priorities and allocation of resources, and
- effective communication of results to allow for reflection, feedback, and ongoing enhancement.



Our Mission

To ensure quality learning opportunities for all students of all ages.

Strategic Goals

The fulfilment of the Learning Without Boundaries strategic framework has resulted in these three strategic high-level goals and several objectives.

Goal #1

Achieve Student Success: Our core work and common goal is educational excellence.



Goal #2

Enhance Learning Through Technology: Cultivate the use of technology to improve learning and working experiences for all.

Goal #3

Foster a Sustainable Educational Organization: Ensure that our human, financial and physical resources are sustainable.

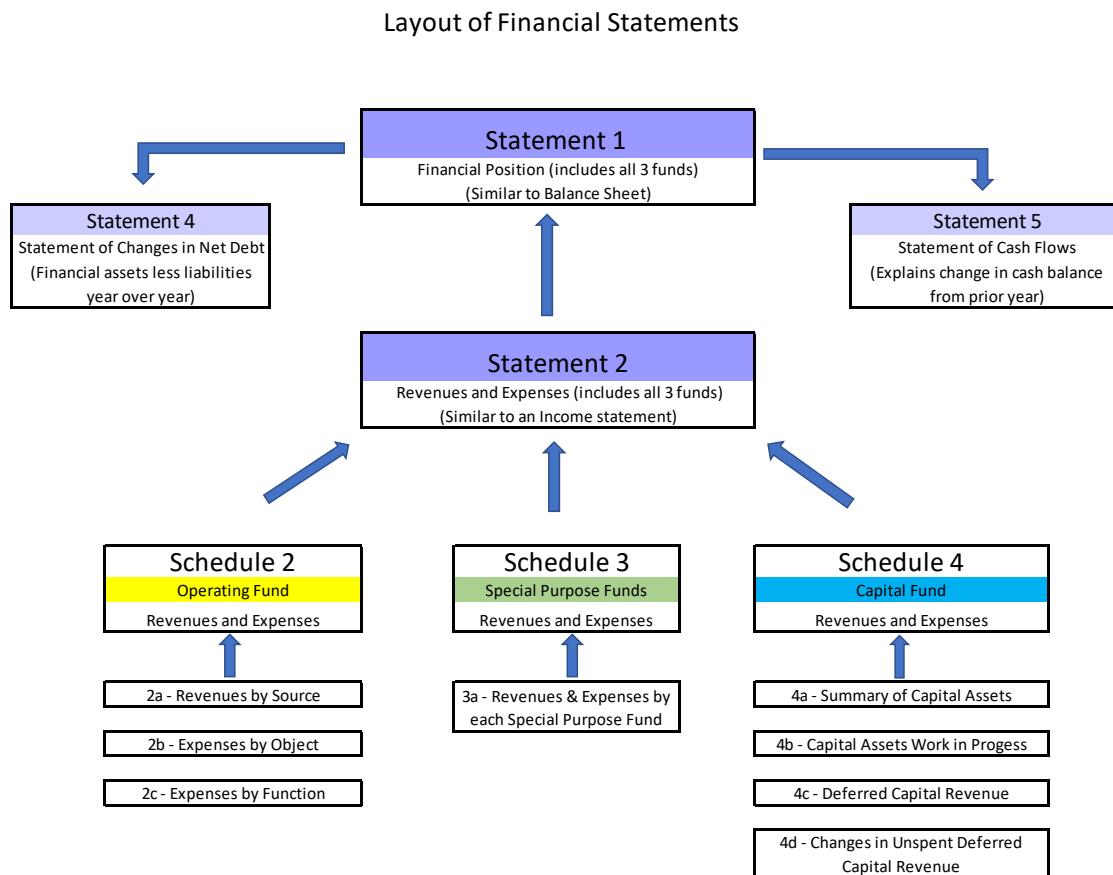


Our strategic vision drives the expenditure budget plans of the district, while our strategic goals determine which expenditures are approved for the current year.

Read the complete [*Directions 2020 document here*](#).

Financial Statement Reporting

As a Government organization, School Districts across the province must prepare their financial statements under the Canadian Public Sector Accounting Standards (PSAS) framework. The financial statements are comprised of multiple Statements and notes to the financial statements (including a summary of significant accounting policies) which are audited each year. It also includes several unaudited schedules which support the information presented in the audited statements. The diagram below provides an overview of how some of the schedules flow into the statements that comprise the audited financial statements.



The financial statements also include comparative columns for budget and prior year amounts. Since our vision and strategic goals shape the district's budget and where financial resources are allocated, the Financial Statement Discussion and Analysis includes a variance analysis of both budget-to-actual and prior year-to-actual comparisons. Given the magnitude of information included within the financial statements, only the largest and most significant variances are explained.

Please note the Financial Statement Discussion and Analysis (FSD&A) are intended to be read in conjunction with the Audited Financial Statements for the year ended June 30, 2020.

Financial Highlights (Consolidated Summary)

Below are the financial highlights for SD 43 (Coquitlam) fiscal year ending June 30, 2020. Given the significant impact of COVID-19 pandemic on our financial results, a separate **COVID Financial Impact** section has been provided to summarize the impact on our Operating Fund Revenues and Expenditures.

Overview

79.2% of the School District's revenue comes from the Provincial government with the largest in the form of an Operating Grant which is based on enrolment levels and other student and geographical factors, other Ministry of Education grants as well as Special Purpose Funds which are targeted funding for specified programs. 8.2% of revenue is generated from International Education programs, 3.12% is associated with the recognition of deferred capital revenue, and the balance through other revenue programs such as facility rentals and lease income, investment income, school generated funds, other educational services and capital transactions.

91.35% of the School District's operating expenditures are associated with salaries and benefits. The balance of expenditures is related to supplies and services.

Description	Prior Year	Budget	Actual	Actual to Budget	Actual to Prior Year
Revenue	383,323,733	392,308,886	416,918,396	24,609,510	33,594,663
Expenses	375,005,692	395,803,291	387,187,324	(8,615,967)	12,181,632
Net Change for the Year	8,318,041	(3,494,405)	29,731,072	33,225,477	21,413,031
Accumulated Surplus – Capital	176,732,688	177,380,188	199,806,577	22,426,389	23,073,889
Accumulated Surplus - Operations	13,090,775	8,948,870	14,610,921	5,662,051	1,520,146
Pension Stabilization Account	13,265,348	13,265,348	18,402,385	5,137,037	5,137,037
Total Accumulated Surplus	203,088,811	199,594,406	232,819,883	33,225,477	29,731,072

The surplus for the current year was primarily due to expense savings resulting from current COVID-19 pandemic, higher international education revenues, lower salary expenditures due to timing of filling vacancies and gain on sale capital assets. The accumulated surplus balance is further segregated to reflect amounts paid into the solvency reserve account for the closed non-teaching pension plan discussed below. Additional items that contribute to the current year's surplus are also summarized below.

The Budgeted deficit for the current year reflects the planned use of a portion of the accumulated operating surplus discussed in the Accumulated Surplus (Operations) segment.

Operating Accounts

Our actual financial outcome for the 2019/20 school year is aligned with our previous reporting at the end of the 3rd quarter. The influences that contributed to our realized surplus include:

- Increased revenues from Strong 2nd semester of International Education enrolment
- Confirmation of February enrollment count and funding
- Full retention of the budgeted contingency fund
- Impact of COVID-19 from March to June

Special Purpose Accounts

Special Purpose Funds (SPF) consist of targeted funding allocated to school districts for a specific purpose. SPF's account for 12% of the School Districts expenses and are made up approximately 20 different funds. A full description of each of the funds is described in the Special Purpose Funds section.

One of the more significant funds included in the special purpose classification is the Classroom Enhancement Fund. This fund was established as an outcome of the restored collective agreement language pertaining to the class size and composition language. The funding is provided thru a grant from the Ministry of Education to cover related staffing, overhead and remedy costs.

Capital Accounts

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

There were two schools under various stages of construction during the year (Centennial and Minnekhada). Two schools recently obtained building permits (Irvine Elementary and Sheffield Elementary). There are classroom additions currently in progress at Westwood Elementary and soon to be underway at Panorama Elementary and Charles Best Secondary. Final permit for an Education Learning Centre providing for the consolidation of many school district support services and replacement of the 60-year-old board office was received in early July 2020.

With respect to other capital developments, the first part of the Glen Elementary Land exchange sale for \$3.5 million with the City of Coquitlam was completed on June 12, 2020 and the Lincoln property sale to BC Christian Academy for \$16.2 million was completed on June 15, 2020.

Other Significant Funding and Expense Activities

COVID-19

On March 17, 2020, following the World Health Organization (WHO) declaration of COVID-19 as pandemic, under the direction of the Provincial Health Officer, all schools were ordered to immediately suspend in-class instruction and provide continuity of learning thru remote/online instruction until further notice. While the situation was closely monitored, a Provincial Restart plan was developed for all sectors. As part of the K-12 Education Sector Restart Plan, the Ministry developed a five-stage approach to resuming in-class instruction based on density targets. School districts began in stage 5 and moved to into stage 4 in April and into stage 3 on June 1st.

STAGE 1	STAGE 2	STAGE 3	STAGE 4	STAGE 5
School Density Targets 100%	School Density Targets K-7: 100% Grade 8-12: 40%	School Density Targets K-5: 50% Grade 6-12: 20%	School Density Targets K-12: 20% Limited	School Density Targets K-12: None

As a subsequent event, the Ministry of Education updated the Five Stage Framework moving in-class instruction from density based targets to cohort sizes by each school level (Elementary, Middle, Secondary). Each stage is guided by health and safety guidelines, measures, and protocols.

As the school district moved thru the stages in conjunction with the Provincial restart plan, there was a corresponding financial impact on the school district operations. The financial impact of the COVID-19 pandemic is expected to be long lasting until schools return to Phase 1 and the ongoing threat of the Coronavirus has been eliminated.

The financial impact of COVID-19 on School District operations began in mid-March and continued to the end of the fiscal year. This included lost rental and investment income of \$1.13 million, increased supplies expense related to hand sanitizer, safety equipment and laptops of \$1.23 million. Expense savings related to staffing, benefits, and services of approximately \$4.9 million. These savings were offset by \$12.8 million in Non-Teaching pension plan increased solvency liabilities due to decrease in interest rates. The net financial impact of COVID-19 was a loss of \$10.2 million as of June 30, 2020. More detail has been provided under the COVID financial impact section.

International Education revenues were not impacted in the current fiscal year but are expected to be adversely affected for the 2020-21 fiscal year due to ongoing travel restrictions and denial or delay of study permits to new student applicants.

Medical Services Premiums (MSP) & Employer Health Tax (EHT)

Effective January 1, 2018, MSP employer contributions were reduced by 50%. The February 2018 Provincial budget subsequently announced the elimination of MSP premiums (effective January 1, 2020) and moved to introduce a new Employer Health Tax (EHT) effective January 1, 2019. The current fiscal 2019-20 is the last year in the phasing out of MSP premiums and replacing it with EHT. Starting with the previous fiscal year, the Provincial Government provided additional grant monies to partially offset the EHT. For the period July 1 to June 30, 2020, SD43 paid \$3,734,000 in EHT (net of the MSP savings) and received \$2,429,893 in EHT grant funding, thus resulting in an additional net cost to the district of \$1,304,000. These costs were absorbed within the Operating Fund.

NTPP Solvency Reserve Account (SRA) Contributions

The Non-Teaching Pension Plan (NTPP) is the SD 43 legacy pension plan for non-teaching staff. The plan was closed to new members effective January 1, 2018 when active members were transferred to the Municipal Pension Plan. The Board continues to be responsible for its financial obligations for the legacy plan. These obligations are calculated on a “Going concern” basis which assumes the Plan will continue to function with no end date and on a “Solvency” basis which assumes that the Plan ends on the date of the valuation. While the Plan is fully funded on a “Going concern” basis, it is underfunded on a “Solvency basis”. As a result, the school district is required to make solvency deficiency payments.

The solvency contributions are determined by the outcome of an Actuarial Valuation (AV). The last AV on December 31, 2018 reflected a solvency deficiency in the amount of \$25M. \$17.5M of this deficiency is covered by a Letter of Credit (LoC). The balance is amortized over 7 years with annual required payments of \$1.15 million

The board is also required to contribute another payment to ‘make up’ for the lost investment income that would have otherwise been earned had the amount covered by the Letter of Credit been invested in the Pension Plan. This totals \$857,500 annually. Total annual solvency reserve payments are approximately \$2.0M.

As at June 30, 2019, there was \$13.27M in Solvency Reserve Account (SRA) contributions. A further \$5.14M has been contributed to the SRA during the current school year with a year-end balance of \$18.40M reflected in SD43 financial statements. This payment is captured in the financial statements of the school district on *Schedule 2 – Schedule of Operating Operations – Pension Stabilization Account*.

Enrolment and Staffing

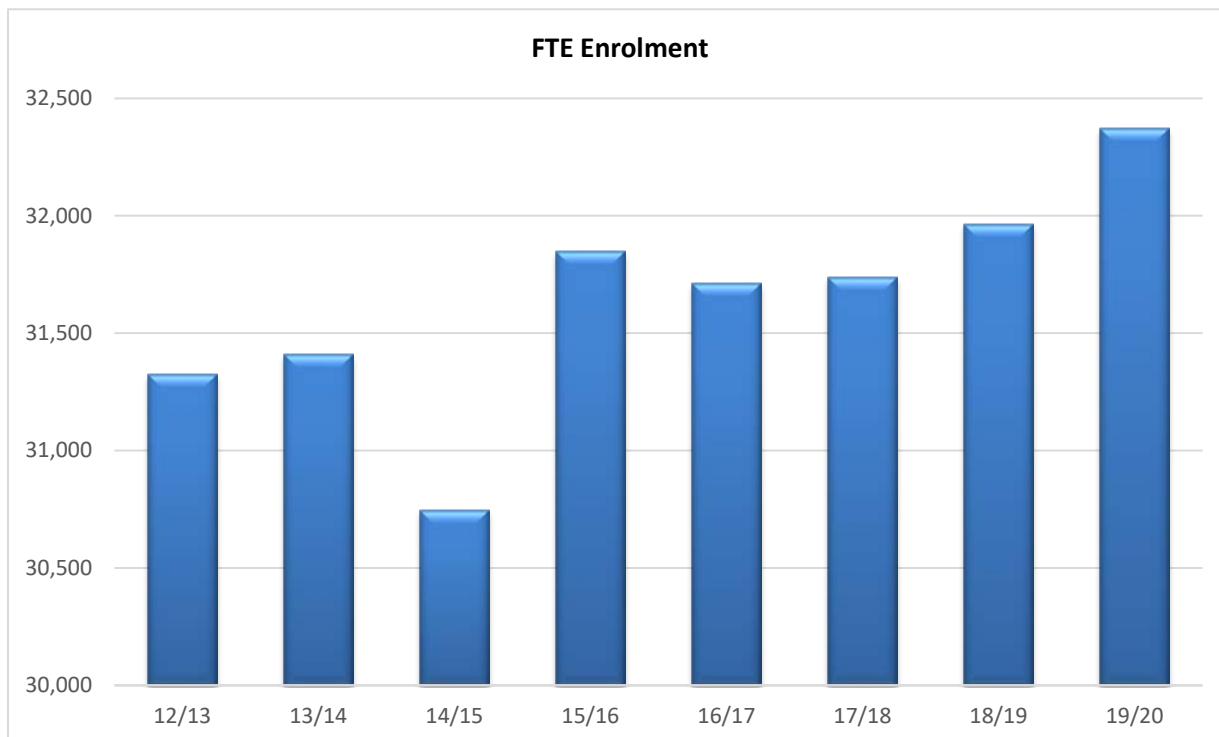
The operations of the School District are funded primarily through the Operating Grant received from the Ministry of Education. The Operating Grant is based on student enrollment. The district receives a basic grant per full-time enrolled student (FTE). The district also receives a supplementary grant for each identified student with unique needs as well as other grants based on demographic and geographical factors. Enrollment numbers are one of the main drivers for teacher and educational assistant staffing levels.

Enrolment

Enrollment levels have grown steadily over the past three years due to increased development activity within the school district communities. Enrollment was 406 FTE higher than last year with most of this increase being in the standard schools, distributed learning, and summer learning categories. Enrollment was 81 FTE higher than budget due to higher distributed learning enrollment captured in the February count. School District student enrolment is summarized below.

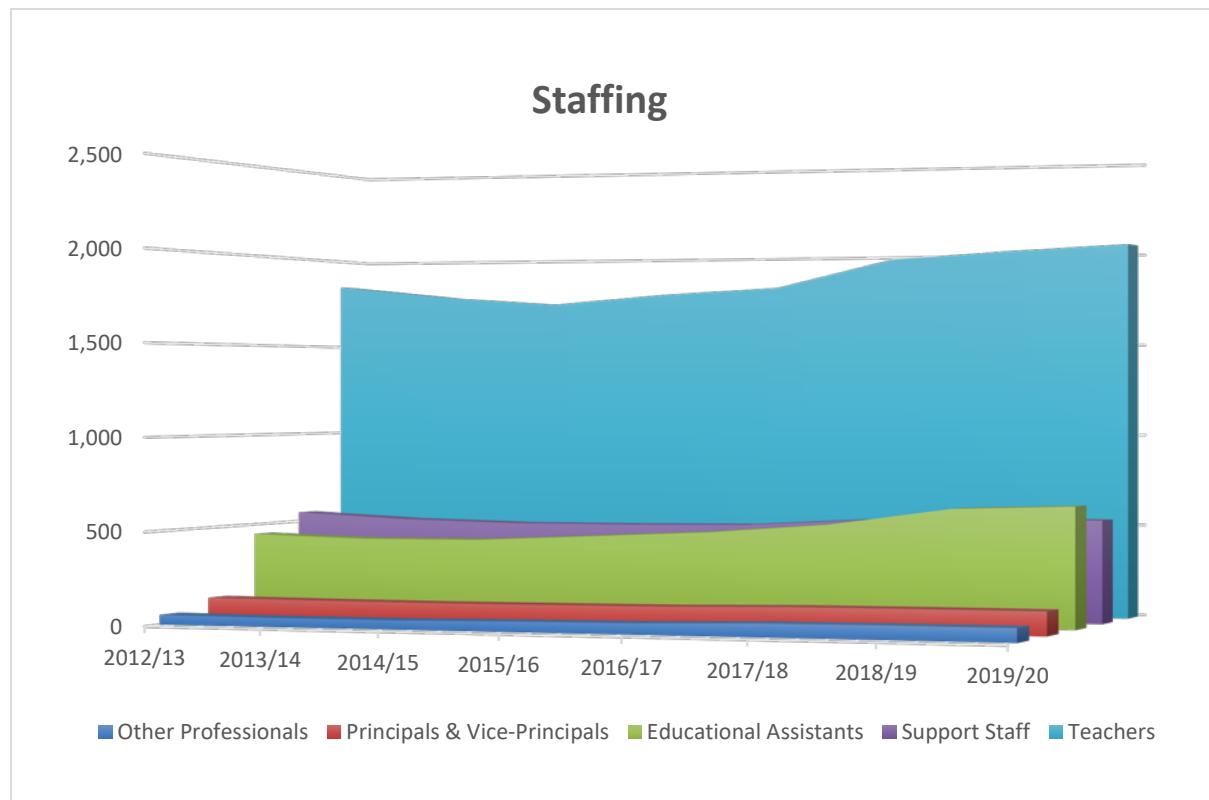
	Last Year	Budget	Actual	Variance	
				Actual/PY	Actual/Budget
School Age	31,073.38	31,304.81	31,417.75	344.37	112.94
Adult	171.56	219.938	187.8125	16.25	-32.13
Summer School	721.06	766.063	766.063	45.00	0.00
Total	31,966.00	32,290.81	32,371.63	405.63	80.81
				1.27%	0.25%

The graph below illustrates the district's increasing FTE enrollment since 2012-13. The gradual increase in student FTE's is reflected by the increased historical staffing, as seen on page 10.



Staffing

Staffing is the most significant operational expenditure of school districts. The graph below illustrates the district's increasing staffing since 2012-13.



The gradual increase in staffing aligns with the FTE enrollment increases over the same time frame. This approach to hiring additional staff helps the school district to ensure that necessary and relevant staffing are added in a sustainable way, while simultaneously meeting its other financial obligations.

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Teachers	1,849.00	1,782.51	1,739.53	1,790.99	1,824.06	1,976.69	2,016.17	2,046.88
Educational Assistants	445.67	427.78	429.78	457.97	487.35	535.54	625.44	644.14
Principals & VP's	116.20	112.00	110.00	112.00	115.00	125.00	127.00	127.00
Other Professionals	53.00	49.00	49.10	55.50	59.10	71.00	74.00	74.00
Support Staff	550.79	519.29	504.13	503.83	508.85	541.97	555.84	553.63
Total All Staff	3,014.66	2,890.58	2,832.54	2,920.29	2,994.36	3,250.20	3,398.45	3,445.65

It is worth noting that Teachers (medium blue area) and Educations assistants (green area) have comprised 78.1% of all district staffing, steadily increasing since 2012-2020. Through steady increases to staffing these positions, the district fulfills two of their strategic goals; to achieve student success (goal #1) while fostering a sustainable educational organization (goal #3).

Statement of Financial Position

The following table provides a comparative analysis of the School District's Net Financial Position for the fiscal years ended June 30, 2020 and June 30, 2019 and the more significant year over year changes are discussed below.

	FY 2019	FY 2020	\$ Change	% Change
Financial Assets				
Cash and Cash Equivalents	172,565,252	180,417,434	7,852,182	4.55%
Accounts Receivable				
Due from Ministry of Education	2,336,641	2,897,394	560,753	24.00%
Other	4,215,594	11,647,571	7,431,977	176.30%
Portfolio Investments	9,000,000	24,000,000	15,000,000	166.67%
Total Financial Assets	188,117,487	218,962,399	30,844,912	16.40%
Liabilities				
Accounts Payable & Accrued Liabilities	35,957,753	41,541,494	5,931,125	16.49%
Unearned Revenue	30,093,601	21,375,000	(8,718,601)	-28.97%
Deferred Revenue	12,564,502	13,053,763	489,261	3.89%
Deferred Capital Revenue	409,521,742	438,183,874	28,662,132	7.00%
Employee Future Benefits	30,994,949	27,094,503	(3,900,446)	-12.58%
Capital Lease Obligations	0	653,100	653,100	
Other Liabilities	8,886,213	9,847,174	613,577	6.90%
Total Liabilities	528,018,760	551,748,908	23,730,148	4.49%
Net Financial Assets	(339,901,273)	(332,786,509)	7,114,764	-2.09%
Non-Financial Assets				
Tangible Capital Assets	542,365,868	565,147,998	22,782,130	4.20%
Prepaid Expenses	624,216	458,394	(165,822)	-26.56%
Total Non-Financial Assets	542,990,084	565,606,392	22,616,308	4.17%
Accumulated Surplus - Capital	176,732,688	199,806,577	23,073,889	13.06%
Accumulated Surplus - Operations	13,090,775	14,610,921	1,520,146	11.61%
Pension Stabilization Account	13,265,348	18,402,385	5,137,037	38.73%

Cash assets as at June 30 are categorized as follows;

Description	June 30, 2019	June 30, 2020	Difference
	Amount(\$M)	Amount(\$M)	Amount(\$M)
Cash in Bank	19.5	20.1	0.6
CDP Investment Program	153.1	160.3	7.2
Short Term Investments	0.0	24.0	24.0
Guaranteed Investment Certificates	9.0	0.0	-9.0
Total Cash Assets	181.6	204.4	22.8

Cash increased \$22.8 million over the prior year resulting from the sale of the former Lincoln Elementary School site sale, Glen Elementary Land parcel sale, increase in accounts payable and other liabilities offset by decrease in unearned revenues. Cash held in the bank for current operational needs totals \$20.1 million. The balance of \$160.3 million is held on deposit with the Ministry of Finance and is available within 3 days. These deposits attract interest at 1.45% (as of June 30, 2020).

In simplistic terms, this cash is required to fulfill the payment and liability obligations as follows:

Description	June 30, 2019	June 30, 2020	Difference
	Amount(\$M)	Amount(\$M)	
Accounts Payable	13.5	17.4	3.9
Salary, Taxes & Benefits Payable	22.0	22.3	0.3
EFB – Post Retirement Group Benefits	14.4	14.3	(0.1)
EFB – Post Employment Benefits	33.0	34.7	1.7
EFB - Vacation Liability	5.5	6.3	0.8
Unearned Revenues (International Education)	30.1	21.4	(8.7)
Capital Reserve Accounts (Restricted)	42.2	71.2	29.0
Misc. Liabilities (net of assets)	(5.9)	(18.1)	(12.2)
Pension Payable	0.5	1.9	1.4
Total Payment Obligations	155.3	171.4	16.1

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

Accumulated Surplus & Pension Stabilization Account	26.4	33.0	6.7
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* Tangible capital assets and the related deferred revenues are removed from the comparison tables above.

Accounts Receivable increased primarily due to a receivable from City of Coquitlam (\$5 million) in relation to the non-monetary portion of the purchase price associated with the sale of a parcel of land at Glen Elementary, and an increase in benefit deposit allowances with Pacific Blue Cross (\$3 million).

Accounts Payable and Other Liabilities increased by \$6.5 million primarily due to accrual of invoices for supplies and services that were performed or received prior to yearend. COVID-19 had a significant effect on several of the district's suppliers, several of whom temporarily closed, or reduced their operating capacity significantly between the last three months of the fiscal year (April-June).

Unearned Revenue represents International Education Tuition Fees collected in advance for the 2020-21 school year. This will be recognized and recorded as revenue over the course of the next fiscal year. The FY2020 balance is lower than the prior year due to lower enrollment due restrictions imposed by the Canadian Immigration on approval of Visa's for new international student applicants due to COVID-19.

Deferred Revenues primarily reflect special grants, donations and unspent school generated funds held under the special purpose fund. The deferred revenue balance increased by \$0.49 million primarily due to increases in unspent school generated funds, including some grants announced and received after the amended budget was submitted to the Ministry of Education in January.

Deferred Capital Revenue relates to funding received and/or spent on Capital Projects. As a requirement of Treasury Board Regulations, funding for capital projects is recognized as revenues over the expected life of the asset purchased. The deferred capital revenue increases by any provincial grant funding received and is reduced by the annual recognition of capital revenue over the life of the capital project. Deferred Capital revenue increased by \$28.6 million, mainly associated with the number of new and ongoing capital projects (primarily related to schools that are under construction). This contributes to the change in miscellaneous liabilities in the table above.

Employee Future Benefits Liability represents estimated future cost to the district to provide employees benefits such as vested sick leave, retirement/severance, vacation, overtime and death benefits, post-retirement health and dental benefits remaining under the closed Plan. Employee Future Benefits Liabilities decreased by a net of \$3.9 million due to an increase in the market value of the Non-Teaching Pension Plan and offset by increase in liabilities associated with recognizing ongoing future costs of sick leave, early retirement obligations, retirement/severance costs and other like liabilities.

Tangible Capital Assets represents the net balance of Tangible Capital assets less Accumulated amortization. The district carries out various capital projects during the year including upgrades, additions, building of new schools and replacing old schools. Current year additions include the capitalization of Smiling Creek Elementary, remaining portion associated with Banting Middle, computer and equipment purchases and capitalization of other minor capital projects.

Funds spent on these capital projects are capitalized as Tangible Capital Assets. Net Tangible Capital Assets increased by \$22.8 million which is closely linked with deferred capital revenue.

Tangible Capital Assets	Balance at June 30, 2019	Additions	Disposals	Transfers (WIP)	Balance at June 30, 2020
Sites	\$ 112,508,685	\$ -	(\$12,500)	\$ -	\$ 112,496,185
Buildings	581,383,459	5,302,116	(517,000)	23,390,052	609,558,627
Buildings WIP	92,513,068	29,074,916	0	(23,390,052)	98,197,932
Furniture & Equipment	4,776,044	1,437,099	(178,969)	0	6,034,174
Vehicles	731,660	0	0	0	731,660
Computer Software	0	0	0	0	0
Computer Hardware	11,956,731	3,873,570	(596,820)	0	15,233,481
Total	803,869,647	39,687,701	(1,305,289)	0	842,252,059

The cost of these assets is recognized over their expected useful lives through the recording of amortization expense, as outlined in the table below.

Accumulated Amortization:	Balance at June 30, 2019	Additions	Disposals	Balance at June 30, 2020
Sites	\$ -	\$ -	\$ -	\$ -
Buildings	254,076,927	13,672,087	(517,000)	267,232,014
Furniture & Equipment	2,971,700	549,458	(178,969)	3,342,189
Vehicles	452,065	73,166	0	525,231
Computer Software	0	0	0	0
Computer Hardware	4,003,087	2,598,360	(596,820)	6,004,627
Total	261,503,779	16,893,071	(1,292,789)	277,104,061

The net total of tangible capital assets and accumulated amortization make up the balance sheet amounts on ***Schedule 1*** of the financial statements (see page 11):

	Balance at June 30, 2019	Additions	Disposals	Balance at June 30, 2020
Tangible Capital Assets	\$542,365,868	\$22,794,630	(\$12,500)	\$565,147,998

Statement of Operations

The Statement of Operations is a consolidation of three funds – Operating, Special Purpose and Capital Funds. Example of the type of expenses included in each fund are show below.

Operating Budget	Capital Budget	Special Purpose Funds
		

Operating Budget

- Learning
- Teaching
- Programs
- Administration
- Facility Operations & Maintenance

Capital Budget

- Buildings
- Fields
- Infrastructure
- Land Purchases

Special Purpose Funds

- Specific purpose & restrictions on what the funds can be spent on.
- Examples:
 - Learning Improvement Fund
 - Annual Facilities Grant
 - Classroom Enhancement Fund
 - Community Link

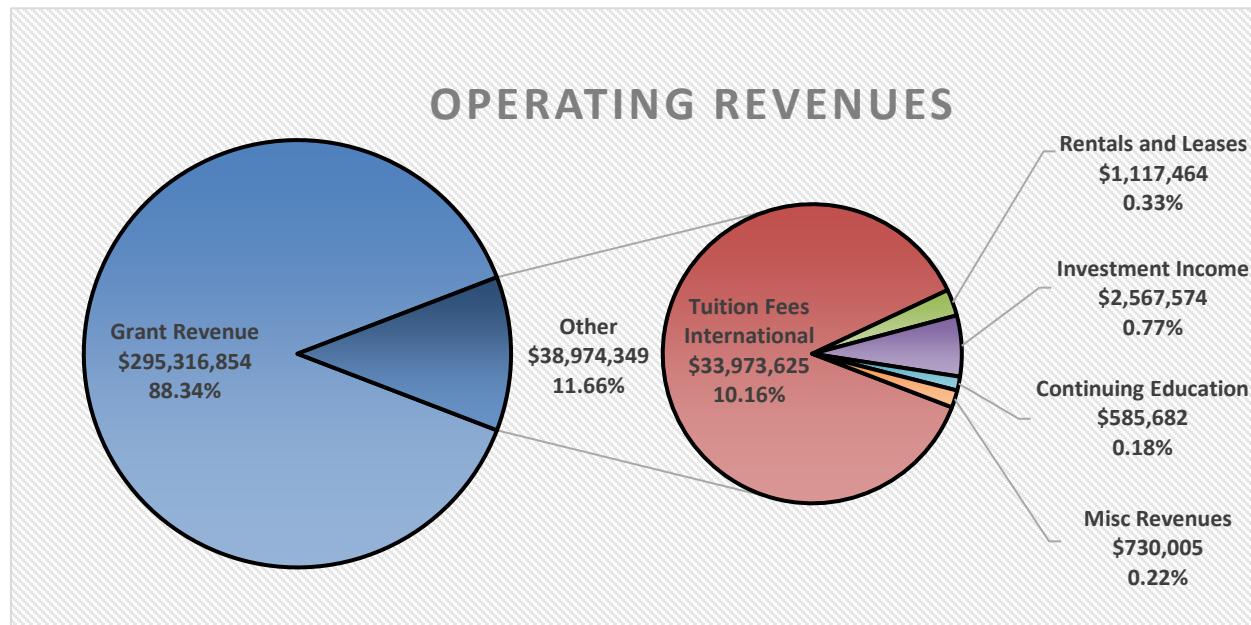
The use of fund accounting means the financial statements of school districts are a consolidation of these three funds and each of these funds differs with respect to the methods of accounting used and the legislative and other constraints on budgeting and financial results.

This means financial performance can only be fully understood by reviewing each fund separately. Financial performance for each fund is reported in the supplementary schedules that follow the notes to the financial statements.

Statement of Operations – Operating Fund

Revenues

88.34% of the School District's revenue comes in the form of an Operating Grant from the provincial government, which is based on enrolment levels and other student and geographical factors. 10.16% of overall revenue is generated from International Education programs, and the balance of 1.5% is made up of other revenue streams such as facility rental and lease income, investment income and continuing education.



A more detailed breakdown of the components that make up the Grant Revenues can be found in [Schedule 2A](#).

Operating Revenues	Prior Year 2018/19	Budget 2019/20	Actual 2019/20	Variance Actual/PY	Variance Actual/Budget
Grant Revenue	279,426,368	289,876,874	295,316,854	15,890,486 5.69%	5,439,980 1.88%
Continuing Education	891,892	914,616	585,682	(306,210) -34.33%	(328,934) -35.96%
International Education	35,693,129	30,184,000	33,973,625	(1,719,504) -4.82%	3,789,625 12.56%
Miscellaneous	821,586	680,318	730,005	(91,581) -11.15%	49,687 7.30%
Rentals and Leases	1,825,738	1,540,375	1,117,464	(708,274) -38.79%	(422,911) -27.46%
Investment Income	2,791,208	2,601,047	2,567,574	(223,634) -8.01%	(33,473) -1.29%
Total Revenues	321,449,921	325,797,230	334,291,204	12,841,282	8,493,973

Grant Revenues

Although grant revenues were \$15.89 million higher than last year, \$8.36 million of this increase was budgeted. The planned growth was primarily due to increases in student enrollment and incremental per student grant funding of \$45 per student (\$5.96 million) and Employer Health Tax rebate (\$2.4 million). The remaining difference was increase in actual enrollment grants above planned increases (\$2.1 million).

Grant Revenues were \$5.44 million higher than budget due the following grants announced after the amended budget was finalized in January 2020:

- BCTF Teachers Labour Settlement retro-payments totaling \$3.695 million
- Increased student enrollment reported at February count \$700,676
- CUPE Wage Settlement of \$232,430 higher than previously announced
- Higher Graduated Adult Enrolment grant of \$781,817
- Increase in miscellaneous grants of \$30,372

Continuing Education

Continuing Education revenues were lower than last year and budget due to a decrease in enrollment in the vocational program, which are career-prep courses. There was also a decrease in miscellaneous revenues due to a change in practice related to textbook deposits and refunds.

International Education Revenues

International Education revenues were \$1.7 million lower than last year as there was less classroom space available to allocate for new international students after providing spaces for students ordinarily resident in our school district.

International Education revenues were \$3.79 million higher than budget due to increased enrolment level for the 2nd semester that was confirmed after the submission of the amended budget.

Rentals and leases

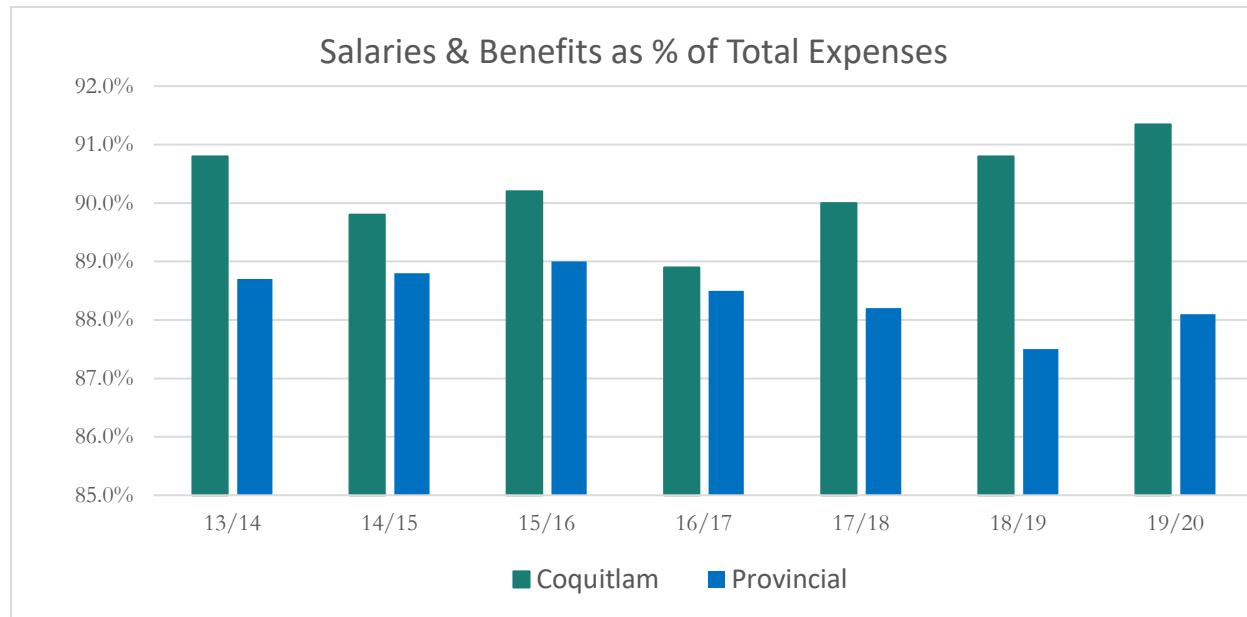
Rentals and leases revenues were lower than last year and budget due to significant cancellations resulting from the COVID-19 pandemic provincial orders. As of March 31, 2020, our forecast was on target to realize \$1.6 million, which is approximately \$45,000 above budget. This resulted in the district loosing approximately \$467,000 in rentals revenue as a direct result of COVID-19.

Investment Income

Investment income was lower than last year and budget due to the interest rate decrease in March 2020. On March 27, the Bank of Canada benchmark interest rate dropped down to 0.25%, an 86% decrease from the beginning of the month in an economic response to Covid-19. The drop in the Bank of Canada rate also affected the interest rate that the school district receives with the Provincial central deposit program which dropped from 2.95% to 1.45%. Investment income was trending to be at \$3.1 million prior to the decrease in rates. The resulting impact was investment revenues finished \$224,000 below last year and \$33,000 below budget.

Salaries and Benefits Expenses

91.34% of the School District's operating expenditures are associated with salaries and benefits. As reflected in the graph below, this level has been consistently higher than the provincial average illustrating how the Coquitlam school district allocates more of its resources to staffing compared to other school districts.



Analysis of Variance by Object

Operating Fund Expenditure by Object	Prior Year 2018/19	Budget 2019/20	Actual 2019/20	Variance Actual/PY	Variance Actual/Budget
Salaries					
Teachers	145,543,249	147,669,590	150,054,192	4,510,943 3.10%	2,384,602 1.61%
Principals and VP's	14,925,889	15,714,642	15,598,805	672,916 4.51%	(115,837) -0.74%
Education Assistants	17,462,002	21,250,443	20,427,434	2,965,432 16.98%	(823,009) -3.87%
Support Staff	24,512,347	26,433,500	25,920,448	1,408,101 5.74%	(513,052) -1.94%
Other Professionals	6,211,201	6,996,429	6,637,703	426,502 6.87%	(358,726) -5.13%
Substitutes	9,338,869	9,489,921	7,035,146	(2,303,723) -24.67%	(2,454,775) -25.87%
Total Salaries	217,993,557	227,554,525	225,673,728	7,680,171	(1,880,797)
Employee Benefits	65,067,621	68,373,148	66,747,606	1,679,985 2.58%	(1,625,542) -2.38%
Total Salaries and Employee Benefits	283,061,178	295,927,673	292,421,334	9,360,156	(3,506,339)

Salaries – Teachers

Teacher Salary expenses were \$4.51 million higher than last year and \$2.38 million higher than budget due to hiring of additional staff for enrollment growth (8.7 FTE), step increments and a 2% salary increment resulting from the ratification of the collective agreement between the BC Teachers Federation (BCTF) and the BC Public School Employers' Association on March 26, 2020. Salary increments for the Classroom Enhancement Fund (CEF) teachers of \$0.5 million was funded and paid from the Operating Fund.

Principals and Vice Principals

Principals and VP Salaries were \$672,916 higher than last year because of wage and step increases as well as the addition of two district principal positions that were filled in fiscal 2020. Principals and VP Salaries were \$115,837 lower than budget partially due to some positions that were unfilled for portions of the year (including one of the district principal position and one VP Elementary position).

Education Assistants

Actual expenses were \$2.97 million higher than last year due to contractual wage increase of 2% effective July 1 2019 and full year effect of 1.75% wage and Economic Stability Dividend (ESD) increment effective May 1 2019, the addition of 17 Educational Assistants and 2 Youth Worker positions combined with the full year impact of 26 Learning Inclusion support workers added late in the prior year and fewer unfilled leave of absences than prior year due to better recruiting and utilization of casual staff.

Actual expenses were \$823,009 lower than budget due to lower usage of paid professional development days than budgeted and higher usage of unpaid leaves that were not filled by casuals, especially those during the last three months of the school year due to COVID.

Support Staff

Actual expenses were \$1.41 million higher than last year due to contractual wage increment of 2% effective July 1, 2019, full year effect of 1.75% wage increment and Economic Stability Dividend (ESD) effective May 1, 2019 and fewer unfilled maintenance positions than prior year. Actual expenses were \$0.5 million lower than budget due to higher wage recoveries for maintenance and custodial services and vacancies during the year for noon hours, IT, payroll, and accounting clerk positions.

Other Professionals

Actual expenses were \$426,502 higher than last year because of wage and step increments as well as increases in trustee renumeration to adjust for changes to the income tax act in that resulted in a portion of their renumeration no longer being tax exempt. Actual expenses were \$358,726 lower than budget due to unfilled positions during the year in the Facilities, Finance, Caretaking and Vocational departments.

Substitutes

Actual expenses were lower than the prior year and budget because COVID-19 school closures resulted in lower Teacher Teaching on Call (TTOC) requirements during the last 3 months of the school year.

Benefits

Actual employee benefits were \$1.68 million higher than last year due to increases in CPP rates, full year effect of the Employer Health Tax, benefit costs associated with the wage increments and incremental benefit costs associated with staffing additions. Actual employee benefits were \$1.63 million lower than budgeted because of delayed usage of health and dental benefits due to COVID closures as these third-party services were reduced or not available.

Services and Supplies

The remaining balance of 8.66% of the districts operating expenditures is spent on supplies and services. The most significant variances from the prior year and/or to budget, are explained below.

Analysis of Variance by Object

Operating Expenses	Prior Year 2018/19	Budget 2019/20	Actual 2019/20	Variance Actual/PY	Variance Actual/Budget
Services	8,653,205	9,326,703	7,767,097	(886,108) -10.24%	(1,559,606) -16.72%
Student Transportation	388,134	431,138	287,401	(100,733) -25.95%	(143,737) -33.34%
Professional Development	1,952,017	2,104,697	1,610,021	(341,996) -17.52%	(494,676) -23.50%
Rentals and Leases	308,939	426,216	358,803	49,864 16.14%	(67,413) -15.82%
Dues and Fees	2,242,954	2,091,074	1,838,601	(404,353) -18.03%	(252,473) -12.07%
Insurance	781,376	1,770,720	1,715,514	934,138 119.55%	(55,206) -3.12%
Supplies	9,130,343	10,098,416	9,290,847	160,504 1.76%	(807,569) -8.00%
Utilities	5,101,820	5,262,498	4,834,597	(267,223) -5.24%	(427,901) -8.13%
Total Service and Supplies	28,558,788	31,511,462	27,702,880	(855,907)	(3,808,583)

Services Expenses

Actual expenses were \$886,108 lower than last year and \$1.56 million lower than budget due to the decrease in expenses incurred as a result of the suspension of in class instruction (due to COVID-19). The larger actual to budget variance is also due to COVID-19, with the most significant impacts on advertising, rental revenue sharing, and corporate/professional services.

Professional Development

Actual expenses were \$341,996 lower than last year and \$494,676 lower than budget due to cancellation of professional development conferences and courses, and COVID-19 imposed travel restrictions.

Supplies

Actual expenses were \$160,504 higher than last year due to increased student enrollment and \$807,569 lower than budget due to less supply purchases during the last quarter of the school year.

Dues and Fees

Actual expenses were lower than last year and budget due to lower agent fees incurred for international education due to lower enrollment levels.

Insurance

Actual expenses are higher than last year due to the reinstatement of Medical Services Premiums for international students that was previously waived by the Ministry of Health.

COVID Financial Impact

The following table provides a summary of the financial impact of COVID-19 on school district operations during the current fiscal year. While some of the realized cost savings are from services or purchases that have been postponed, it is expected that these will be offset in the next fiscal year as we continue to progress through the restart plan.

Impact Area	Savings Impact
Revenues	
Rental Revenues	(467,819)
Teaching Kitchen Revenues	(90,000)
Investment Income	(576,550)
Total Estimated Revenue Loss	(1,134,369)
Expenses	
Savings or (Incremental costs)	
Substitute Costs	2,154,775
Benefits Associated with Substitutes	172,382
Non-Teaching Pension Plan	(12,750,139)
Dental Benefits	1,684,779
Extended Health	1,581,481
Extended Health and Dental - Future catch up claims	(500,000)
Delayed vacation incremental expenses	(465,179)
Summer Learning Provision	(400,000)
Summer Food Security	(100,000)
Essential Supplies Replacement Costs	(250,000)
Transportation Costs	143,737
Computer Costs	(668,085)
Professional Development & Travel	296,806
Utilities	94,529
Services & Supplies	(41,140)
Total Estimated Expenses (Savings)	(9,046,054)
Total Estimated Costs	(10,180,423)

Rental revenues

Under the directive of the Ministry of Education and the Provincial Health Officer, schools were closed to the public and all community rentals were cancelled through to the end of August. For any childcare and daycare operators that suspended their operations due to school closures, SD43 also waived any corresponding rental charges to these operators. Cancellations resulted in a loss of \$467,000 in rentals revenues during the last quarter.

Investment income

The COVID-19 economic impact resulted in a reduced Bank of Canada rate by 150 bps which had a direct negative impact on our investment returns. It is expected that lower interest rates will be in effect for a longer period and will impact investment income not only for the current year but will carry through into subsequent years.

Substitute Cost

\$2.3 million in salary and benefit savings (TTOC's and casual workers) were realized due to reduced requirements for absence and leave coverage while school was not in session.

Non-Teaching Pension Plan

The Plan assets were negatively impacted by approximately \$12.75 million on a YTD basis as of June 30, 2020. This affected the solvency position of the Plan and will create a financial funding liability in future years if the markets do not fully recover.

Extended health and dental benefits

The claims costs for dental, vision care and paramedical services were significantly, albeit temporarily, reduced that resulted in estimated savings of \$3.2 million. It is expected that as third party dental and paramedical providers restart, an increase in claims is anticipated, estimated at \$0.5 million. Employees may be reluctant to receive or pursue treatment until the coronavirus risk has significantly diminished but will gradually increase their usage of services and catch up on some postponed services as they start returning to normal usage levels. In addition, any employee's spouse who lost their employment and benefit coverage will likely apply to have their health and dental claims covered under SD43 health and dental policies, thus increasing our claims costs. This will likely result in higher per-employee costs in the future.

Delayed Vacation

Due to travel restrictions and closures of hotels and resorts, vacations days that normally would have been taken between March-June have been postponed resulting in a higher vacation liability accrual.

Summer Learning Provision and Food Security

\$500,000 has been restricted to provide continued Education Support and food for Vulnerable Students. Refer to the Surplus continuity section for additional details.

Essential Supplies Replacement

Personal Protective Equipment including masks, gloves and gowns were provided to Emergency Management BC for distribution to essential medical workers. Most of this equipment was part of our natural disaster emergency supply inventory and will need to be replaced. Surplus funds have been restricted to cover replacement cost of these items.

Computers and Equipment

In order to ensure that continuity of learning continued to take place for everyone, in mid-March, an order for 700 computers and 800 IPAD's was placed to provide to students and staff that did not have access to a computing device.

Professional Development and Travel

A reduction in professional development and related travel costs was realized as face to face learning was significantly curtailed.

Services and Supplies

A reduction of students in schools and physical distancing requirements slowed both services and supplies needs. This was offset by an increase in need for janitorial supply costs to ensure that facilities were cleaned more rigorously and provide disinfectant and hand sanitizer to staff.

Accumulated Surplus (Operations)

The Board has established an Accumulated Operating Surplus Policy (*Policy #23 - Financial Reserves*) as part of its multi-year financial approach for stable and sustainable organization health;

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

- a) *Any surplus in excess of 2% of total operating revenues will be set aside into an unallocated fund for subsequent use as determined by the Board;*
- b) *25% of the balance of the operating surplus funds be directed to one-time opportunities primarily associated with technology, educational initiatives, and deferred maintenance of facilities; and*
- c) *75% of the balance of operating surplus funds be allocated equally over the subsequent three fiscal years, but no more than the aggregate surplus budgeted in the year (excluding one-time funding from the unallocated fund). Any excess of funds will be set aside into the unallocated fund.*
- d) *This Policy will be reviewed annually by the Board.*

This approach provides for consistent financial allocations for staffing as achieved in previous years while reducing volatility by smoothing peak surplus years. An unallocated reserve provides a funding source for onetime initiatives and/or a further buffer and support for those years in which there is not enough available surplus required to maintain staffing stability. A key aspect of the school district's stability and sustainability approach adopted by the Board is to ensure the recognition of all earned income prior to spending commitments.

Schedule 2 of the audited financial statements show an operating surplus of \$14.17 million for the current year before transfers to or from other funds (i.e. capital). A portion of the surplus (\$4,798,111) was spent on amounts that meet the criteria to be capitalized, such as computers and furniture. Another portion (\$2,711,696) was transferred to local capital, which is set aside for capital purchases that are not funded by the Ministry of Education. The net result is the total operating surplus for the year.

Current Year Surplus Summary	Amount
Operating Surplus (Deficit) for the year	\$14,166,990
Tangible Capital Assets Purchased	(\$4,798,111)
Sub-total	\$9,368,879
Local Capital	(\$2,711,696)
Total Operating Surplus (Deficit), for the year	\$6,657,183
Use of Prior Year Reserves	\$6,250,174
Solvency Reserve Account	(\$5,137,037)
2019/20 Surplus	\$7,770,320

Prior year reserves (\$6,250,174) are made up of the prior three years 25% surplus allocation as described in bullet c) above and is added to the current year total operating surplus. As explained on page 8, SD43 is required to make minimum solvency deficiency payments to the Non-Teaching Pension Plan, which is why this amount is deducted to come up with the total available surplus for the 2019-20 fiscal year.

Surplus Continuity Summary

The table below details the intended future use of the operating surplus as approved by the Board. The totals are also captured on the audited financial statements in **Note 23 - Internally Restricted Funds**.

Description	Opening Balance	2019/20 Utilized	2019/20 Reserved	Closing Balance
2019/20 - Staffing Stabilization Provision	4,141,905	(4,141,905)	0	0
Year 1 - Staffing Stabilization Provision - 2020/21	3,121,293	0	600,000	3,721,293
Year 2 - Staffing Stabilization Provision - 2021/22	1,206,615	0	1,793,385	3,000,000
Year 3 - Staffing Stabilization Provision - 2022/21	0	0	1,500,000	1,500,000
Year 4 - Staffing Stabilization Provision - 2023/24	0	0	155,268	155,268
Facility & Maintenance Initiatives	1,013,554	(639,633)	615,311	989,232
Technology Initiatives	1,405,050	(1,244,466)	615,311	775,895
Business Systems Initiative	600,000	(224,170)	0	375,830
COVID Restricted Funds for 2020-21 (see below)			1,750,000	1,750,000
NTPP - SRA Supplemental Reserve			155,267	155,267
School Carryforward (including Indigenous Education) *	1,602,358	0	585,778	2,188,136
BALANCE	13,090,775	(6,250,174)	7,770,320	14,610,921

* School Carryforward balances make up part of the overall surplus but are restricted and therefore cannot be allocated to other sources

The 2019/20 school supply budget carry forward totals \$2,188,136, an increase of \$585,778 from the prior year. This increase is primarily attributed to less usage of school supply budgets resulting from the suspension of in-class instruction due to COVID-19.

The strategy behind allocating remaining funds to Year 4 of the Board policy on accumulated reserves and to the NTPP solvency payments is to help lessen future operational funding requirements and provide greater financial stability to the school district by addressing the following risks:

1. The recovery time from restoration of our International Education programs and the resulting financial support this program provides.
2. The impacts related to the implementation of the funding model review schedule for 2021/22.

Restricted funds for COVID-19

To mitigate some of the financial impact expected in the 2020-21 school year, additional funds have been restricted in the following priority order:

Order	Description	Amount
1	2020/21 Summer Learning Education Support for Vulnerable Students	\$400,000
2	2020/21 Food Security for Vulnerable Students through the Summer	\$100,000
3	Replenishment of School Emergency (earthquake/natural disaster) kits	\$250,000
4	Extended Health and Dental Funding for deferred claim usage	\$500,000
5	2020/21 Continuity Funding for COVID-19 related financial impacts	\$500,000
	Total COVID-Restricted Funds for 2020-21	\$1,750,000

Statement of Operations – Special Purpose Fund

Special purpose funds (SPF's) are funds designated for specific purposes and balances can be deferred to subsequent years for the intended use. SPF revenues are only recognized as expenses are incurred.

Fund	Amount Received	Amount Spent	Description
Ministry of Education Funded			
Annual Facilities Grant (AFG)	1,139,623	1,139,623	Established to account for MOE grants and expenditures relating to annual facility maintenance projects. Comprised of both a special purpose fund allocation and a bylaw capital allocation.
Day Treatment	142,188	142,188	This fund represents educational programming services offered to youth receiving intensive structured psychiatric care through the Fraser Health Authority.
French Language (OLEP)	390,104	342,812	The MOE administers federal funding intended to support incremental costs from offering French as a second official-language instruction in BC.
Learning Improvement Fund (LIF)	1,058,481	1,058,481	Provides additional resources, specifically targeted to support complex classes that present challenging learning conditions.
Ready Set Learn	113,964	112,245	Provided by the MOE that allows the district to facilitate community events targeted towards 3-year-old children.
Strong Start	418,055	385,718	Program that allows parents to participate with their young children (aged 0-5) in play-based early learning activities, including story time, music and art.
CommunityLINK (CLINK) (Learning Includes Nutrition and Knowledge)	1,474,821	1,474,821	Designed to support the academic achievement and social functioning of vulnerable students. Programs and services can include breakfast, lunch and snack programs, academic supports, counseling, youth workers and after-school programs.
CEF – Overhead	2,461,693	2,461,693	Includes overhead, staffing and remedies funding. In-depth spending details of this fund can be found further below.
CEF – Staffing	26,320,715	26,115,365	
CEF - Remedy	1,796,544	1,690,735	
First Nation Student Transportation	34,953	34,953	This was a new grant to assist first nations to cover transportation costs getting students to and from school.
Mental Health in Schools - NEW	21,834	21,834	Supports the development of new/enhanced evidence-based inclusive mental health and well-being activities, either universal or targeted in support of students, families and/or educators.
Changing Results for Young Children (CR4YC) - NEW	23,395	17,284	A partnership the United Way of the Lower Mainland to implement on-going collaborative professional learning among early learning educators across school and communities to support social, emotional, and learning outcomes for children in the early learning years (0-8).

Description	Amount Received	Amount Spent	Comment
Federal Funding			
Settlement Programs (SWIS)	692,539	692,539	School-based service for new immigrant families who have children in the District to meet their immediate and ongoing settlement needs.
English Language Program (ELSA)	2,016,500	2,016,500	
IRCC	224,800	224,800	These two programs are designed to assist the parents of newcomers and refugee children improve their English skills, learn about Canadian society, laws and health care, the job market and other important information to support successful life in Canada.
Other Sources of Funding			
Community LINK	54,519	33,347	Additional funding provided by the school district to support and enhance the meals program under the Provincially funded Community LINK program
School Generated Funds	10,314,113	10,680,390	School Generated Funds represent funds collected or received directly by the school and held for various events, projects, field trips, equipment and other purposes that are intended to be used to directly benefit students in the school.
Apprenticeship Programs	251,661	259,032	An industry training program for high school students. Students can take courses that will give both high school graduation credits and a head start towards completion of an apprenticeship program.
Sundry	80,866	59,916	
Staff Development	48,733	47,201	Consists of a variety of smaller grants to enhance teaching staff development. This includes the ART Starts grant, (resources for teachers and art leadership) and Decoda Literacy programs (resources, training to support community-based literacy and learning).
Scholarships	100,000	627,383	Scholarships and bursaries are established and awarded through the generosity of individuals and corporations in our community. To better align the awarding of these scholarships and bursaries with their intended purposes, most of these funds were transferred to the SD43 Education Foundation for administration. The SD43 Education Foundation will be responsible for administering over 55 different scholarships and bursaries.
Sick Leave Trust	336,488	135,040	Represents contributions received from support staff workers and matched by the Board, to assist CUPE members who are on disability with their NTPP Pension plan contributions and health and dental premiums. The Trust pays for these benefits.
Contractual Reserves	271,112	271,224	A joint use agreement with Douglas College and the City of Coquitlam at Pinetree Secondary School. A second joint use agreement exists with the City of Coquitlam related to the Centennial field.
Retiree Extended Health Fund	900,000	119,276	Benefit premium Stabilization Account for retiree's in receipt of a pension from the Non-Teaching Pension Plan.
TOTAL	50,653,661	50,164,400	

Classroom Enhancement Fund

Included in the special purpose fund are funds received related to the restored collective agreement language under MOU#17. A summary of actual expenses is captured in the chart below.

Description	FTE	Salaries	Benefits	Other Expenses	Total
Teachers	234.00	19,287,036	6,156,035		25,443,071
Substitutes		672,294			672,294
Remedy Costs		1,690,735			1,690,735
Education Assistants	33.00	1,206,358	393,835		1,600,194
Administrators		396,469	133,068		529,537
Other Staffing	1.00	139,758	27,300		167,058
Non-staffing Expenses				164,904	164,904
Total	268.00	23,392,650	6,710,238	164,904	30,267,793

CEF funding is made of three separate components: Teacher Staffing, Overhead Costs and Remedy Cost (compensation for exceeding class size and composition limits).

The school district received \$26.3 million in Teacher Staffing funding which provided staffing of 234 teachers. Staffing increased over prior year as a result of classroom additions, non-enrolling ratios and the usage of the flex factor. The overhead component of \$2.4 million provided staffing for 33 educational assistants, one administrator mentoring cost of new teachers and some Administrators costs for time associated with remedy tracking and costs related to relief time for teachers to do Individual Education Plans (IEP's). Remedy costs came in slightly lower than budgeted due to a change in the calculation of the remedy.



Statement of Operations - Capital Funds

The table below is a highlight of the Schedule of Capital operations **Schedule 4** following the notes to the financial statements.

Capital Operations	Prior Year 2018/19	Budget 2019/20	Actual 2019/20
Revenues	13,896,779	14,497,500	32,462,792
Expenses	15,408,693	16,350,000	16,898,710
Capital Surplus (Deficit) for the year	(1,511,914)	(1,852,500)	15,564,082
Transfers from Operating Fund	7,518,109	2,500,000	7,509,807
Change in Accumulated Surplus	6,006,195	647,500	23,073,889
Opening Accumulated Surplus	170,726,493	176,732,688	176,732,688
Closing Accumulated Surplus	176,732,688	177,380,188	199,806,577

Revenues and Expenses in the Capital Fund reflect the capital activities of the school district. Revenues comprise of lease income from closed schools, investment income from capital fund balances and gain on sale of capital assets. Revenues also include capital funding received from the Ministry that is recognized over the life of the asset that the funding was provided for, such as school buildings. The recognition of this capital revenue is generally consistent with the recognition of expenses, which is the amortization of the capital assets over its useful life. Transfers from other funds represent assets purchased using operating funds. Increase in revenues over prior year and budget is due to the disposal of a parcel of land and sale of a closed school site discussed further below.

The table below summarizes the school district's Capital fund Balances. Some of these funds have specific restrictions on their use.

Capital Funds	30-Jun-19	30-Jun-20	Variance
MEd Restricted capital:	\$1,755,044	\$5,081,684	3,326,640
SSAC Capital:	7,772,994	8,616,382	843,388
Other Provincial Capital:	75,087	1,560,000	1,484,913
Other Capital:	0	5,000,000	5,000,000
Total Deferred Capital Revenue	9,603,125	20,258,066	10,654,941
Local Capital:	32,691,250	50,977,700	18,286,450
Total	42,294,375	71,235,766	28,941,391

(Ministry) Restricted capital balance: These are funds held on behalf of the Ministry of Education. The balance in this fund increased over the prior year as a result of the Ministry's share on the gain on the sale of the Lincoln closed school site (\$2 million), underspending of Capital funding provided for Smiling Creek Elementary (\$2.1 million) less expenditures towards classroom conversions (\$0.4 million) and Moody Middle Neighborhood Learning Center (0.5 million).

School Site Acquisition Charge (SSAC) capital: These funds represent amounts collected by the district from the municipalities and villages as part of the school site acquisition charge which will be used for future school site land purchases as identified in the capital plan.

Other Provincial capital: The district signed a funding agreement for the Childcare BC New Spaces Fund and received \$1.56 million (65%) as an advance for new childcare spaces at Irvine Elementary School as part of the seismic replacement project. This agreement was signed in partnership with the Ministry of Children and Family Development in March 2020. The remaining funds will be received as the project progresses, with 10% of the final amount paid upon project completion.

Other capital: Increased by \$5 million due to the Glen Elementary land exchange with the City of Coquitlam, discussed in the Capital Development section below.

Local capital balance: Increased by \$18.29 million and includes \$2.5 million transferred from operating funds. The remaining increase is from the proceeds of the sale of Lincoln Elementary school site and Glen Elementary land 1.2 acre land parcel. Local capital funds have been restricted for the following purposes:

Project:	June 30, 2019 Balance:	June 30, 2020 Balance:	Difference:
Education Learning Centre:	29,706,987	35,178,595	5,471,608
Centennial NLC space	540,000	500,000	(40,000)
Information Technology Infrastructure	944,263	1,155,959	211,696
Sheffield Elementary School	1,500,000	0	(1,500,000)
Scott Creek Middle - 10 classroom addition	0	9,975,310	9,975,310
Portable Classroom Requirements	0	4,167,836	4,167,836
Total:	32,691,250	50,977,700	18,286,450

Capital Developments

Education Learning Centre

The Board of Education approved the development of an Educational Learning Centre (ELC) on the Winslow Centre Campus to consolidate functions that are currently performed at multiple facilities throughout the district. The ELC will be a purposefully designed building that offers space for operational departments, student support departments, meeting rooms and other flexible learning spaces. A budget of \$36 million has been approved by the Board, including restriction of local capital to fund this project. As of June 30, 2020, this cost has been fully provided for. The district received the Building Permit and is in the process of selecting a contractor in anticipation of construction starting in early September.

Glen Elementary Land Exchange

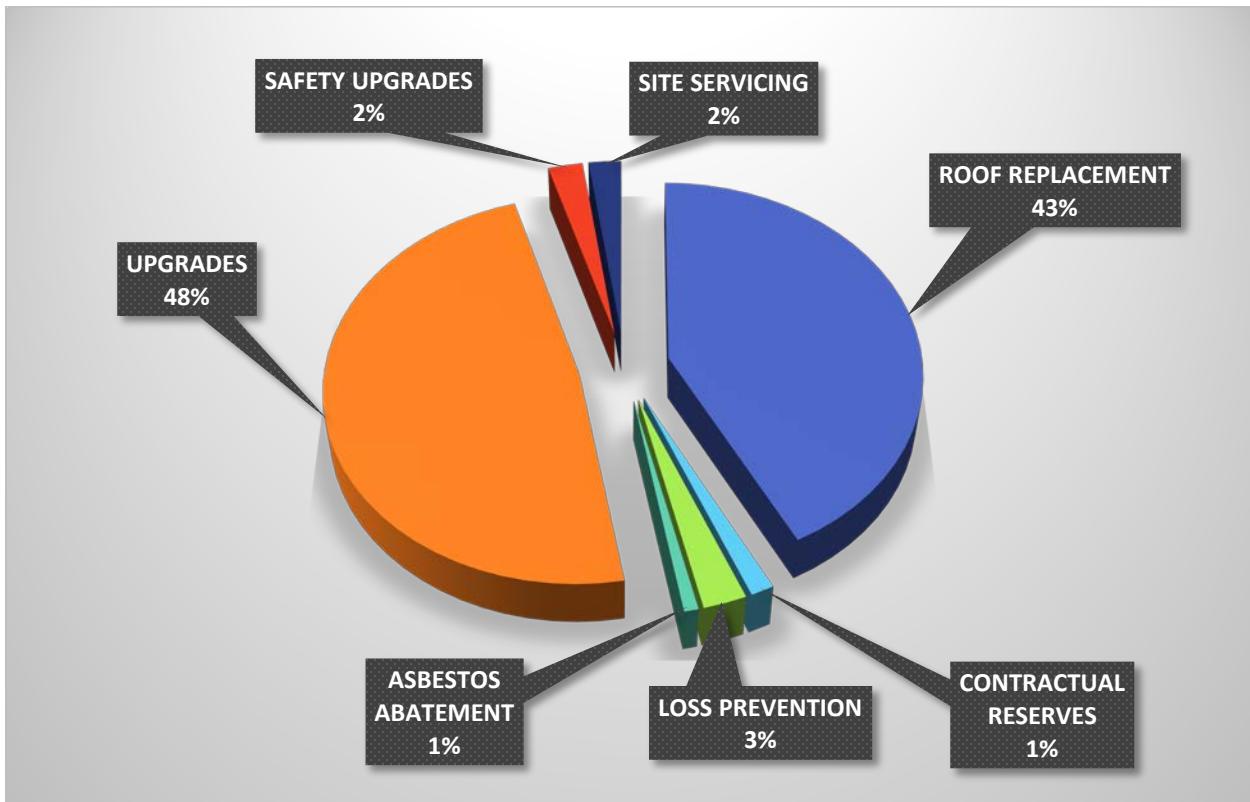
In 2018, the Coquitlam School Board entered a memorandum of understanding to exchange 1.2 acres of unused land at Glen Elementary with the City of Coquitlam to obtain funding and services to improve school sites. This includes expansion of playground space at Glen Elementary through the use of an adjacent park, construction of an artificial turf field at Centennial Secondary (including cost of operation, maintenance, and future replacement) and \$3.5 million payment to be utilized to improve Coquitlam schools. Finalization of this agreement was completed in April 2020 and final transaction completed on June 12, 2020.

Lincoln Elementary School site (Fernwood Ave) sale

After several years of discussion with BC Christian Academy (BCCA), the lessee of the former Lincoln Elementary School site, located at Fernwood Avenue in Port Coquitlam an agreement was reached to sell this property to them for \$16.2 million. The disposition Bylaw was approved by the Board on April 21, 2020 and final transaction was completed on June 15, 2020.

Annual Facility Grant (AFG)

The Annual Facility Grant is funding provided by the Ministry of Education for designated school capital or maintenance upgrades. \$5.6 million was provided by the Ministry of Education for the 2019/20 school year and the expenditures are illustrated below:



The district completed 133 AFG funded projects last year, which are depicted in the table below. These projects are in addition to work done that is financed by SD43 operating funds. Note that upgrades, which account for almost half of all AFG expenses, are designated by type.

Project Type	Number of Projects
ROOF REPLACEMENT	8
MECHANICAL UPGRADES	35
ELECTRICAL UPGRADES	12
BUILDING UPGRADES	11
TECHNOLOGY UPGRADES	22
SITE RETENTION/PAVING	2
SITE UPDATES	5
FLOORING UPGRADES	21
SITE UPDATES	3
EXTERIOR PAINTING	6
SITE UPDATES	2
PAINT UPGRADES	6
TOTAL	133

Major Capital Projects

The district is engaged in various capital projects throughout the year. The following is a summary of some of the major projects undertaken during the year.

Seismic Replacement

- **Banting Middle:** This project is complete and in the warranty phase.
- **Centennial Secondary:** Demolition of the old school has been completed and construction of phase 2 - NLC has commenced. Financial difficulties with the contractor resulted in the insurance bonding company taking over the contract.
- **Minnekhada Middle:** Construction was completed during the year with occupancy received in spring. Demolition of the old school is underway.
- **Irvine Elementary:** Design and Architectural drawings were completed during the year and tendered just prior to the end of the year.

Minnekhada Middle



New School Construction

- **Sheffield (Partington Creek) Elementary:** This new school to be located in the Burke Mountain area of Coquitlam is currently at the tendering stage.

Project Definition Reports (PDR)

- **Moody Elementary:** An updated PDR for a seismic replacement was completed as requested by the Ministry of Education. Schematic design and cost estimate are complete and pending Ministry approval.
- **Montgomery Middle:** A project definition report in support of a seismic upgrade/new school was submitted to the Ministry of Education on November 1, 2019 and we are awaiting their response.
- **Charles Best Secondary:** A revised project definition report for a seismic upgrade was submitted to the Ministry of Education on December 18, 2019.

New School Construction Planning

Middle/Secondary Burke Mountain School: This site for a middle and secondary school includes the provision for the City of Coquitlam to develop the play field infrastructure, which was provided by Wesbild, a land developer. The Board is strongly advocating for Ministry financial support for this much needed school in a growing community.

Classroom Additions

- **Westwood Elementary:** Six-classroom addition for increased enrolment. Estimated cost is \$5.7 million. Construction is underway.
- **Panorama Heights Elementary:** Four-classroom addition for increased enrolment. Building permit was approved, and tendering process is complete with contract awarded for the project within budget.



- **Dr. Charles Best Secondary:** Six-classroom addition for increased enrolment. Estimated cost is \$8.4 million. Build/design contract has been awarded with construction to begin in the summer.
- **Riverside Secondary:** Eight-classroom addition for increased enrolment. A project feasibility report has been completed and submitted to the Ministry.

Building Envelope Program Funding (BEP)

- **Gleneagle Secondary:** Currently at preliminary design stage of the project as funding is pending. This project, administered by BC Housing, will cover extensive building envelope repairs at a future date.
- **Riverside Secondary:** Initial funding of \$68,000 for design work, provided by Ministry of Education, has been completed. Building Envelope repairs, administered by BC Housing, will cover extensive building envelope repairs at a future date.
- **Leigh Elementary:** \$1.8m funding provided for Building Envelope repairs administered by BC Housing. This project is complete.

School Enhancement Funded Projects (SEP)

- School enhancement projects were completed for:
 - **Dr. Charles Best Secondary** – funding of \$1.4 million for Mechanical and DDC Upgrades.
 - **Summit Middle:** funding of \$650,000 for Mechanical System Upgrades.

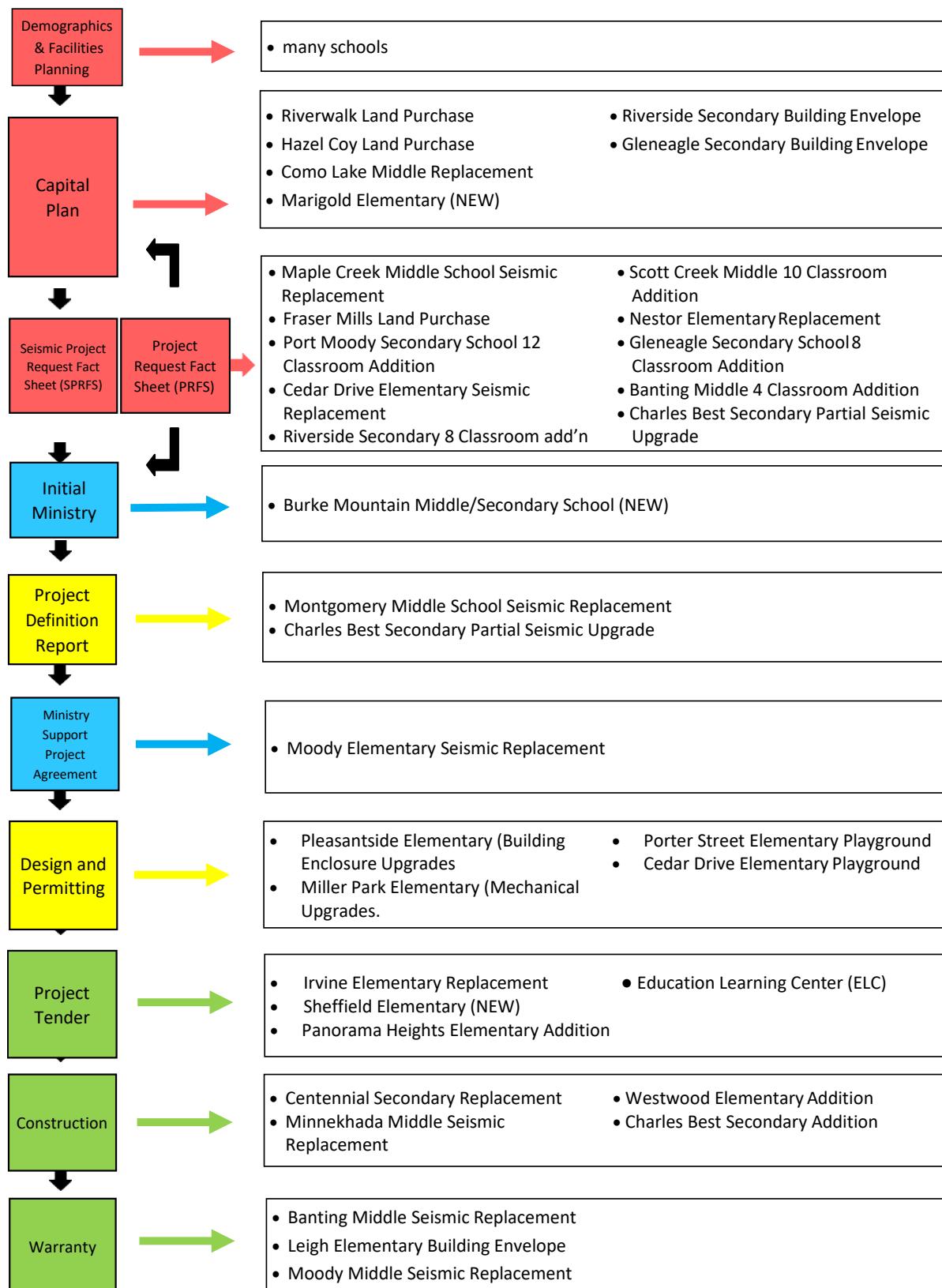
Carbon Neutral Capital Program (CNCP)

- CNCP project was completed for:
 - **Seaview Elementary** – funding of \$370,000 for HVAC and Boiler Upgrades.

Playground Equipment Program (PEP)

- Playground Equipment projects were completed for the following during the year:
 - **Eagle Mountain** - \$105,000
 - **Pleasantside Elementary** - \$105,000
 - **Central Elementary** - \$105,000

Flowchart of Major Capital Projects



Updated: June 26, 2020

For details and updates of each capital projects, please refer to the district's Capital Projects website
[https://www.sd43.bc.ca/CapitalProjects/Pages/default.aspx#=](https://www.sd43.bc.ca/CapitalProjects/Pages/default.aspx#/)

Factors Bearing on School District's Future Financial Stability and Other Significant Matters

There are several factors that could influence the School District's stable and healthy financial situation during the 2020/21 school year and beyond.

In 2017 a risk assessment was completed which identified 29 areas of risk. The Board is provided with an annual update on the efforts to mitigate these identified risks, however a number are outside the immediate control of the School District. The operationalization of the accumulated surplus policy does help to soften or reduce some of these risk exposures. Following are several risks that continue to be preeminent.

COVID-19

The spreading of the Coronavirus and the declaration of it as a Pandemic, places all of us into an unprecedented environment. It has quickly changed how we currently operate schools and will likely continue to impact how we operate in the future. COVID-19 has changed the world in which we live in a matter of a few weeks and is something that affects everyone. The Pandemic has caused world-wide economic and operational uncertainty. The school district is currently following the guidelines provided by the Provincial Health Officer and the Ministry of Education and continuing to provide continuity of instruction to students within one of five Stages, dependent on the current situation. The expectation is to be able to move between phases as needed in this quickly changing environment. The impact of future funding grants and delivery of instruction requirements are unknown currently.

International Education

The School District is heavily reliant on International Education programs to provide a significant source of additional revenue funding to reduce the gap on grant funding shortfalls. In recent years, the Board has moved to adopt best practices in this area which requires the School District to realize the net income from these programs (and especially 2nd semester enrolment) before deploying these funds into educational services for the benefit of all students in the school district.

The outbreak of COVID-19 and its full economic impact are currently unknown. We do know that there has been a negative impact on next year's International Education student enrolment numbers which will affect the Program's ability to provide the level of financial support as it has in the past. Revenues from the summer programs, which are an important stabilizing financial influence may also be adversely affected because of the COVID-19 pandemic. We are working closely with both Provincial and Federal officials to address and overcome the unintended consequences resulting from government's response to the pandemic.

- The current policy on the deployment of accumulated surplus funds will help to mitigate some of the financial risk.

Grant Funding Shortfall

The Operating Grant Revenues is the single largest source of funding for the school districts operating expenses. The Ministry of Education provides funding based on student enrollment, unique student needs as well as some other supplemental funds. Although the ministry increased the basic grant per student by \$92 for 2020-21, the school district was underfunded by a total of \$2.5 million; the amount required to fully fund Support Staff wage increments, Teacher salary compensation, the Service Improvement

Allocation, the Employer Health tax requirements and account for the reductions in Vulnerable student funding and Education grants..

This level of underfunding cannot be absorbed by the district without reductions elsewhere. The district already spends less than 10% of its operating expenses on services and supplies and has little ability for further reductions in this area. Benefit costs are also rising and are contractual in nature and cannot be reduced. This level of underfunding is not sustainable without reductions to staff which can have a negative impact on providing learning opportunities for our students and staff retention.

Grant Funding Model Implementation

During 2018 the Ministry of Education initiated a review of the current grant funding model that has been in place since 2002. The report of the Funding Model Review Panel was released in late December 2018 under the title of *Improving Equity and Accountability*. While the initial intent was to implement the recommendations for the 2019/20 school year, the significance of the recommendations required it to be delayed as further consultation occurred. The recommendations were assigned to four working groups with representatives from all educational sectors. These groups were charged with the purpose of reviewing and determining how the recommendations should be implemented.

On February 7th 2020, the Ministry of Education announced that it would implement the recommendations in two phases (see details of the announcement [here](#)). Phase I recommendations will be implemented in the 2020/21 school year. The recommendations are primarily associated with accountability and financial matters, however the implementation of a new grant – *Equity of Opportunity* - which replaced the Vulnerable Student grant resulted in reduced funding to SD43. Phase II recommendations, primarily associated with funding equity, will be implemented at a later date. There are several recommendations in Phase II that could have a significant negative impact on current levels of Ministry funding to our school district. These include:

- Recommendation #6: Change to a prevalence model for the funding of some students with special needs (identified Level 3 funded students) which could reduce funding for special needs students.
- Recommendation #9: Elimination of course by course funding
- Recommendation #10: Potential change to Distributed Learning delivery program

With no new funds to be injected into the K-12 Education system, changes to the current Funding Model (as realized) has the potential to negatively impact our School District as grants are redistributed to other school districts.

Funding Adequacy: Inflation and Cost Pressures

Grant funding increases are currently provided for collective agreement wage and salary increases, however, funding increases are not provided for inflationary costs, including benefits, or wage increases for non-collective agreement staff. In the *Report of the Funding Model Review Panel* this issue was raised (Recommendation #18).

- As part of the budget process, SD43 takes into consideration statutory and other like requirements as a priority before addressing other cost pressure elements. With 90% of the budget in staffing and related benefit costs, any funding shortfall would likely result in reduced staffing levels.

Facilities – Capital Funds

As we have noted in previous reports, tackling system stresses to address increased demand for enrolment space in elementary schools, especially in the northeast sector of the School District and

municipal urban core, requires intensive forward-looking capital planning. In some situations, this involves the advancement of local capital funds to mitigate the risk of school overcrowding and student and staff safety. Additionally, the requirement to comply with collective agreement restored language places an increased burden and demand on class space. Unrestricted local capital is essentially nil ('0') leaving the inability to fund new classroom additions, portable placements or further classroom conversions until the Ministry of Education provides the commitment to fund facility requirements. It is only through the sale of the former Lincoln Elementary School site that a classroom provision and new portables was able to be addressed.

- Significant underfunding of capital for new and replacement school facilities creates a requirement to redirect funds out of the classroom to meet this requirement.

Continued advocacy for adequate capital funding and the potential to dispose of excess assets provides the ability to enhance and augment available provincial funding for facility requirements.

The need to provide for an adequate surplus to address this risk is critical. (Recommendation #20 & 22 of the *Report of the Funding Model Review Panel*).

Technology and Business System 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 to meet the ongoing needs for improved data and reporting. System security remains a high concern. While a multi-year plan has been developed for some aspects of School District requirements, additional resources will need to continue to be directed into this area.

Sustainable technology funding is lacking while at the same time, usage of technology as an education delivery tool continues to grow. This was never more evident than during the shift from in class to on-line instruction during the pandemic.

- Creating financial certainty will facilitate a funding source to develop a level of technology funding that is sustainable and providing one-time funds to invest in business systems. This is dependent on the outcome of the funding model review and grant funding adequacy.
- Our business systems (human resources, payroll, and finance) are dated and require a significant resource emphasis to meet current and future requirements. SD43 staff are midway in addressing this multi-year project to refresh this shared system.

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/Chief Financial Officer at 604-939-9201.

You are encouraged to also review the Board's strategic vision and plan *Directions 2020*.

<http://www.sd43.bc.ca/Board/Vision/Documents/SD43Directions2020.Web.pdf>



Learning for a Lifetime

***"To ensure quality learning opportunities for
all students of all ages"***

Achieve Student Success
Enhance Learning Through Technology
Foster a Sustainable Educational Organization

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