SCHOOL DISTRICT 43 Coquitlam

Learning for a Lifetime

Financial Statement Discussion and Analysis

For the Year Ended June 30, 2017

September 19, 2017

Introduction

The following is a discussion and analysis of the School District's financial performance for the fiscal year ending June 30, 2017. 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.

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. You are encouraged to review the guide in conjunction with management's financial statement discussion and analysis.

Overview

During the year the Board of Education adopted a new strategic vision known as ***Directions 2020.*** It is the fulfillment of the ***Learning without Boundaries*** strategic framework created through extensive consultation and feedback; aligning a clear vision with integration throughout all areas of the organization.

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

Goal 1 - Achieve Student Success

- Added teacher staffing, education assistants, and administrator resources as funding levels were confirmed and additional student needs defined
- Implemented the majority of the recommendations that came from the Education Assistant efficiency review
- Executed on the multi-year initiative of implementing the new revised curriculum which includes:
  - Communicating student learning outcomes;
  - Improving the quality of educational services and student engagement; and
  - Providing 'safety nets' to identify and assist vulnerable learners; and Professional development opportunities
- An important aspect of enhancing student learning is providing a framework for the reporting of student progress which has changed with the revised curriculum

Goal 2 - Enhance Learning through Technology

- Established a comprehensive professional development program providing a wide variety of educational technology training experiences for teachers with ongoing support from four technology teachers
- Placed focus on the development of coding initiatives at all three levels that expose students to analytical thinking using technology
- Substantially increased the number of pilot projects to build organizational capacity supporting the integration of technology in the classroom
- Developed both district level and school level multi-year technology plans including centralized provisioning of teacher laptops, student device subsidy initiatives and district wide wireless infrastructure upgrades
- Initiated teacher training and community training opportunities using the updated digital citizenship teacher support site, parent presentations and Professional Day events to increase community awareness and knowledge

Goal 3 - Foster a Sustainable Educational Organization

- Accelerated the repayment of the Operating Debt whereby the debt and the liability was fully eliminated by the end of the current school year (June 30, 2017)
- Achieved aggregate Administrative Savings of $2.9M
- Attained record International Education enrolment and revenues
- Enhanced Investment Revenues
- Contained utility expenditures through Energy Infrastructure improvements and shared service initiatives during a prolonged winter.
- Adopted a multi-year financial plan which provides a stable funding source to address deferred maintenance (as recommended by the auditor general) and a funding source to ensure educational technology support for schools
- Began a risk assessment process to assist in identifying and implementing key risk treatment strategies and monitoring procedures.
- Continued with an extensive review and update of administrative procedures, documenting and extending efficient practices.
- Reviewed and revised selected Board policies to reflect proactive practices which support continuous improvement and efficiency.

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 primarily based on 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;

	Last Year	Budget	Actual	Variance	
				Actual/LY	Actual/Budget
School Age	30,952.94	30,836.44	30,822.56	(130.38)	(13.88)
Adult	229.75	241.00	204.75	(25.00)	(36.25)
Summer School	664.00	686.06	686.06	22.06	(0.00)
Total	31,846.69	31,763.50	31,713.37	(133.32)	(50.13)
				-0.42%	-0.15%

Staffing

Staffing is the most significant operational expenditure of school districts. The Staffing budget is summarized as follows;

	Last Year	Budget	Actual	Difference
Teachers	1,733.92	1,768.00	1,767.37	33.45
Education Assistants	400.14	428.77	417.34	17.20
Support Staff	495.57	499.59	511.59	16.02
Principals and Vice Principals	110.50	113.50	113.50	3.00
Other Professionals	49.50	53.10	52.60	3.10
Total Staffing	2,789.63	2,862.96	2,862.40	72.77

Financial Highlights (Consolidated Summary)

81% 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. 9.5% of revenue is generated from International Education programs, 3.5% associated with the recognition of deferred capital revenue, and the balance through other revenue programs such as special purpose funding, facility rental and lease income, investment income and summer school programs.

90% of the School District's expenditures are associated with salaries and benefits. The balance of expenditures are related to supplies and services including utilities, professional development and maintenance.

Description	Last Year	Budget	Actual	Variance
Revenue	353,990,513	338,309,796	347,135,816	8,826,020
Expenses	319,638,466	339,004,820	308,628,460	(30,376,360)
Net Change for the Year	34,352,047	(695,024)	38,507,356	39,863,630
Accumulated Surplus – Capital	163,962,037	161,611,550	166,809,658	5,198,108
Accumulated Surplus - Operations	(14,358,612)	(13,697,362)	21,301,123	34,998,485
Total Accumulated Surplus	149,603,425	147,914,188	188,110,781	40,196,593

The net change in last year actual outcome of $34.3 million primarily resulted from the sale of the Coronation School site, and reductions in operational debt and unfunded Employee Future Benefit ('EFB') liabilities.

The Budget column reflects the planned use of a portion of the accumulated surplus as well as payments toward debt and unfunded EFB liabilities.

The Actual net change outcome occurs primarily as a result of accelerated debt repayment ($2.5 million) and its subsequent elimination and the elimination of unfunded EFB liabilities through the closure of the Post Retirement Group (Health) Benefits ('PRGB') ($26.7 million), as discussed below. Additional items that contribute to the current year's surplus are summarized below.

Operating Accounts

Our actual financial outcome for the 2016/17 school year is consistent with our previous reporting at the end of the 3rd quarter. The influences that contribute to our realized surplus include:

- Strong 2nd semester International Education enrolment;
- Salary increments for administration that was below budgeted levels;
- Lower Substitute costs resulting from a shortage of available TTOC's, as many had been hired under the Priority Measures - interim incremental funding plan to address restored teachers collective agreement language;
- General shortage of casual education assistant staff while maintaining a full staffing complement;
- Lower benefit costs due to adjustments in employee future benefit requirements;
- Underutilization of the additional funding provided in the snow removal budget; and
- Full retention of the budgeted contingency fund.

Special Purpose Accounts

All Special Purpose Funds tracked within the Amended budget including the newly created Priority Measures accounts are further discussed below.

One slight exception is the CommunityLINK sponsored programs, which amongst other activities in support of vulnerable children, provides meals. Program demand exceeds the provided grant funding and additional funding was subsequently provided from operation accounts during the year.

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 four schools under construction during the year (Centennial, Banting, Moody Middle, and Smiling Creek) with funding for the seismic replacement of Minnekhada announced during the 3rd quarter. Design documents for Minnekhada are well advanced and currently in for permitting with the City of Port Coquitlam. The School District also announced that it is moving forward to advancing funds to support the design documents for Irvine Elementary.

Priority Measures – Funding for Restored Collective Agreement Language

In January 2017, the Ministry of Education provided interim funding to school districts to begin to meet the obligations of the restored collective agreement language in the current year. The $2.66 million provided to Coquitlam was utilized for the hiring of 71 (annualized) FTE teachers including a number of permanent TTOC's for the balance of the 2016/17 school year. These funds were fully expended during the year.

Student Learning Grant

In February 2017, the Ministry announced a Student Learning grant of $50 per FTE student; amounting to $1.588 million for Coquitlam. Provision for the expenditure of these funds was allocated under *Directions 2020* to support all three goals. All funds with the exception of $142,000 were committed in the 2016/17 school year. The balance will be expended early in the new school year.

Debt Servicing

The operating debt of $2.486 million was fully retired at June 30, 2017. The district was able to accelerate debt repayment from a combination of underspending in some budgets and better than expected International Education net profit.

Post Retirement Group Benefit Plan and Unfunded Employee Future Benefits

As announced during the 2017/18 Preliminary Budget presentation, the Board made the decision to close the post retirement group benefit plan (health and dental care) to new enrollees effective December 31, 2017. This action results in the recognition of the release of liabilities of approximately $26.7 million which was sufficient to fully fund the balance of accrued unfunded employee future benefit programs and provide funding for the first year of solvency deficiency funding payments should this be required.

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 2017 and 2016 with a review of the more significant year over year changes discussed below.

	Last Year	Actual	Difference	% Change	
Financial Assets					
Cash and Cash Equivalents	135,159,793	154,078,404	18,918,611	14.00	%
Accounts Receivable					
Due from Ministry of Education	769,732	3,719,292	2,949,560	383.19	%
Other	4,651,768	5,482,711	830,943	17.86	%
Portfolio Investments	11,995,000	11,995,000	-	0.00	%
Total Financial Assets	152,576,293	175,275,407	22,699,114	14.88	%
Liabilities					
Accounts Payable & Accrued Liabilities	29,907,039	35,350,978	5,281,290	18.20	%
Unearned Revenue	27,332,518	28,738,104	1,345,013	5.14	%
Deferred Revenue	10,828,267	11,331,439	503,172	4.65	%
Deferred Capital Revenue	337,448,564	362,699,639	25,251,075	7.48	%
Employee Future Benefits	53,382,288	33,784,070	(19,598,218)	(36.71)	%
Capital Lease Obligations	87,438	11,203	(76,235)	(87.19)	%
Other Liabilities	7,289,370	7,215,532	149,384	(1.01)	%
Total Liabilities	466,275,484	479,130,965	12,855,481	2.76	%
Net Financial Assets	(313,699,191)	(303,855,558)	9,843,633	(3.14)	%
Non-Financial Assets					
Tangible Capital Assets	462,611,560	491,754,609	29,143,049	6.30	%
Prepaid Expenses	691,056	211,730	(479,326)	(69.36)	%
Total Non-Financial Assets	463,302,616	491,966,339	28,663,723	6.19	%
Accumulated Surplus - Capital	163,962,037	166,809,658	2,847,621	1.74	%
Accumulated Surplus - Operations	(14,358,612)	21,301,123	35,659,735	248.35	%

Cash increased $19 million over the prior year due to increased deferred revenues, increased accounts payable, eliminating debt, the increase in unearned revenues flowing from International Education payments received in advance for the 2017/18 school year, and the current year surplus. Cash, held in the bank for current operational needs totals $24 million. $130.1 million is held on deposit with the Ministry of Finance and is available within 3 days if required. These deposits attract interest at 1.70% (as of June 30, 2017), comparable with one year or longer locked in GIC rates.

Cash assets at June 30 are categorized as follows;

Description	**June 30, 2016 Amount($M)**	**June 30, 2017 Amount($M)**	**Difference Amount($M)**
Cash in Bank	13.2	24.0	10.8
CDP Investment Program	122.0	130.1	8.1
Guaranteed Investment Certificates	10.0	10.0	-
Bonds	2.0	2.0	-
Total Cash and Equivalents	**147.2**	**166.1**	**18.9**

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

Description	June 30, 2016 Amount($M)	June 30, 2017 Amount($M)	Difference
Accounts Payable	14.2	18.2	4.0
Salary, Taxes & Benefits Payable	15.9	17.7	1.8
EFB – Post Retirement Group Benefits	35.4	16.9	(18.5)
EFB – Post Employment Benefits	26.2	28.4	2.2
EFB - Vacation Liability	4.8	4.6	(0.2)
Unearned Revenues (International Education)	27.4	28.8	1.4
Capital Reserve Accounts (Restricted)	37.2	36.2	(1.0)
Misc. Liabilities (net of assets)	0.4	(6.0)	(6.4)
Unfunded Accrued EFB Liabilities	(23.2)	0	23.2
Total Payment Obligations	138.3	144.8	6.5

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

Accumulated Surplus (net of debt)	**8.9**	**21.3**	**12.4**

** For purposes of simplification, tangible capital assets and the related deferred revenues are removed from the comparison tables above.*

Accounts Receivable increase is primarily associated with draw claims from the Ministry of Education for capital work in progress and an increase in GST receivable due to significant purchase activity in the 4th Quarter.

Accounts Payable and Other Liabilities increased by $5.4 million;

- $2 million is associated with capital project holdback amounts;
- $1.6 million is a timing difference with A/P disbursements
- $1.4 million is salary and benefit accruals – which is based on the number of unpaid days remaining in June and increased usage by teachers of the 12 month payment plan option, and
- the balance of $400,000 is related to the pension plan solvency obligations.

Unearned Revenue is all associated with International Education tuition for subsequent years received in advance.

Deferred Revenues primarily consists of Land Capital ($5.2 million) and Ministry of Education restricted capital ($5.7 million). Land capital (development fees received from Municipalities and Villages to be used in land purchases for school sites) accounts for the increase over last year.

Deferred Capital Revenue increased $25.2 million which is associated with the number of capital projects (primarily schools that are under construction).

Employee Future Benefits net liabilities decreased $19.6 million as an outcome of recognizing the accounting impact of the closing of post retirement group benefits as discussed elsewhere.

Tangible Capital Assets increased $29.1 million which is closely linked with deferred capital revenue.

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

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
261,535,872	264,861,381	267,219,083	5,683,211	2,357,702
			2.17%	0.89%

Grant Revenues were $5.7 million higher than last year due to an increase in per student grant funding of $60 resulting in additional grants of $1.6 million combined with higher grants associated with Students with special needs of $0.8 million, return of administrative savings of $1.4 million and an additional Student Learning Grant of $1.6 million.

Grant Revenues were $2.4 million higher than budget due to the additional Student Learning Grant of $1.6 million announced after the filing of the amended budget as well as the timing of the Carbon Neutral rebate contributing another $200,000, PLNet rebate of $130,000 and higher graduated adult enrollment of $226,000 and Economic Stability Dividend of $167,000.

International Education Revenues

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
27,598,807	30,558,720	34,200,680	6,601,873	3,641,960
			23.92%	11.92%

International Education revenues were $6.6 million higher than last year due to a higher enrolment level of 1,988 students compared to last year's record enrolment of 1,750.

International Education revenues were $3.6 million higher than budget due to higher 2nd semester enrollment levels that were confirmed after the submission of the amended budget.

Other Revenues

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
4,542,164	5,052,347	5,521,221	979,057	468,874
			21.55%	9.28%

Other Revenues were above last year and amended budget due to higher interest and rental income, cost recoveries associated with two educational program services provided for Canada Immigration Services and PLEA community services for out of province students. Continuing Education revenues were consistent with budget and last year.

Expenses

Teachers

Last Year	**Budget**	**Actual**	**Variance**	
			Actual/LY	**Actual/Budget**
135,745,712	140,753,921	140,664,251	4,918,539	(89,670)
			3.62%	-0.06%

Teacher Salary Expenses were $4.9 million higher than last year due to 44 more FTE Teachers resulting in additional salary expense of $3.4 million combined with a contractual salary increase of 1% effective July 1st 2016 equal to $1.4 million and Economic Stability Dividend (ESD) increase of .35% for another $100,000.

Teacher Salary Expenses were $90,000 lower than budget due to timing of hires and slightly lower average salary.

Principals & Vice Principals

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
12,103,981	13,394,413	13,191,056	1,087,075	(203,357)
			8.98%	-1.52%

Principals and VP Salaries were $1.1 million higher due to an increase in 3 FTE positions over prior year combined with Wage increases to new grid levels effective July 1st.

Principals and VP Salaries were $203,000 lower than budget due to underutilization of amount set aside for anticipated administrator Salary increases.

Education Assistants

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
12,978,783	15,077,629	14,388,420	1,409,637	(689,209)
			10.86%	-4.57%

Actual expenses were higher than last year as there were approximately 35 more FTE EA's required to meet higher enrollment of Level 1, 2 and 3 students. The FTE increase resulted in additional salary expense of $1.2 million combined with full year effect of ESD of .45% May 1, 2016, 0.5% wage increase July 1, 2016 and ESD of .35% May 1, 2017 for the balance

Actual expenses were lower than budget by $700,000 mostly due to slippage in the EA budget from a shortage of casual EA's available for employment combined with timing delays in filling available positions.

Support Staff

Last Year	**Budget**	**Actual**	**Variance**	
			Actual/LY	**Actual/Budget**
22,178,628	22,619,483	22,296,253	117,625	(323,230)
			0.53%	-1.43%

Actual expenses were $118,000 higher than last year due to the addition of 1 FTE position in Maintenance. The ESD and Wage increments accounts for the balance.

Actual expenses were lower than budget due two unfilled positions in IT and Purchasing, combined with underutilization of snow removal labour costs and lower than anticipated spending on Noon hour salaries.

Other Professionals

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
4,718,830	5,192,757	5,383,802	664,972	191,045
			14.09%	3.68%

Actual expenses were $665,000 higher than last year due to the addition of 3.6 FTE positions. A 2% wage increases effective Jan 1st, and severance expenses account for the balance.

Actual expenses were $191,000 above budget mostly due to severance costs.

Substitutes

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
8,883,127	9,864,674	9,266,735	383,608	(597,939)
			4.32%	-6.06%

Actual expenses were $384,000 above last year due to higher usage of TTOC's for school functions, higher costs associated with admin coverage of illnesses, increase in custodial draw usage and CUPE illness, offset by slightly lower teacher illness replacement due to shortages of TTOC's.

Actual expenses were lower than budget mostly due to lower teacher illness and contractual absence costs ($440,000), Lower CUPE illness and contractual absence costs ($50,000), lower draw costs ($90,000) as well as underutilization of Management Illness budget ($100,000).

Benefits

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
58,097,236	60,353,453	56,260,511	(1,836,725)	(4,092,942)
			-3.16%	-6.78%

Actual expenses were lower than last year due to the decrease in teacher pension contribution rate (variance of $1.778 million), & lower vacation costs of $340,000 which is offset by higher CPP and EI costs.

Actual expenses were lower than budget mostly due to EFB adjustments leading to a variance of $4.2 million along with lower teacher leave usage of $542,000, lower Pension costs $285,000, offset by higher CPP and EI costs.

The Board's decision in April 2017, to close the post retirement group (health) benefit ('PRGB') program to new enrollees effective December 31, 2017 result in a required accounting treatment known as 'curtailment' to be enacted at June 30, 2017. This involved the financial recognition of the balance of net actuarial losses and the release of liabilities that were associated with future retiree benefits. The impact of this accounting treatment flowed through the benefit accounts and contributed $4.2 million of the underspending against budget as the final impact was not known until final 2016/17 information could be included to perform the valuation at June 30, 2017

Services and Supplies

Services and supplies represent approximately 10% of the operating budget expenditures. In the aggregate, service and supply lines are below budget.

Services

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
8,113,786	9,427,617	8,694,544	580,758	(733,073)
			7.16%	-7.78%

Actual expenses were $581,000 above last year due to higher NGN costs of $582,000 and higher snow removal costs of $575,000, which is offset by lower contract Heating services ($365,000) and other maintenance account reductions.

Actual expenses were $733,000 lower than budget mostly due to lower snow removal costs than anticipated ($425,000); lower than budgeted NGN costs of ($116,000), lower professional services fees ($60,000) and lower rentals maintenance repair costs (100,000).

Transportation

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
418,206	436,138	408,194	(10,012)	(27,944)
			-2.39%	-6.41%

Actual transportation expenses were $10,000 lower than last year due to lower fuel costs.

Actual expenses were $28,000 lower than budget due to lower taxi usage costs.

Professional Development & Travel

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
1,640,273	2,027,713	1,712,556	72,283	(315,157)
			4.41%	-15.54%

Actual Pro-D costs were $72,000 higher than last year due to increased spending in mentoring, curriculum resources, restorative training and self-regulation.

Actual expenses were $315,000 lower than budget due to shortages of available TTOC's for teacher release time.

Rentals & Leases

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
207,015	100,616	296,670	89,655	196,054
			43.30%	194.85%

Facilities vehicle lease costs increased $90,000 over prior year as there were some vehicles replaced where the lease had expired.

Commitments that were budgeted to be leased were purchased resulting in higher costs in the current year and lower costs in future years.

Dues and Fees

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
1,912,883	1,506,345	2,165,435	252,552	659,090
			13.20%	43.75%

Dues and Fees expenses were $253,000 Higher due to increase in IE payments for Homestay $131,000 and agent fees $111,000 as a result of higher enrollment/revenues than the prior year

Dues and Fees were $659,000 higher than budget due to increase in IE payments for Homestay and agent fees as a result of higher enrollment/revenues than budgeted

Insurance

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
2,076,414	2,324,245	1,563,558	(512,856)	(760,687)
			-24.70%	-32.73%

The increase to last year is mostly due to change in MSP fees no longer required for IE Students resulting in savings of $500,000.

Mostly due to change in MSP fees no longer required for IE Students resulting in savings of $720,000.

Supplies

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
8,443,185	10,161,935	9,599,164	1,155,979	(562,771)
			13.69%	-5.54%

Increase to last year is due to higher IT Laptop replacement purchases $1.319 million, higher school budget usage of $500,000, Student Learning Grant expenditure of $1.45 million, increase in Corporate services expenses of $222,000, other departments combined additional expenses of $262,000 offset by increases in purchases transferred to capital of ($2.597 million)

Actual expenses were lower than budget due to transfer of purchases to Capital of ($3.33m), lower departmental budget usage of ($681,000) offset by Student Learning Grant Expenditures of $1.45m, higher IE Supplies expenses of $228,000 related to higher enrollment, IT Laptop replacement program initiative $940,000, higher school budget usage of carryforward $830,000.

Utilities

Last Year	Budget	Actual	Variance	
			Actual/LY	Actual/Budget
4,737,802	5,075,259	5,219,964	482,162	144,705
			10.18%	2.85%

Due to higher Natural Gas and Electrical costs from a colder and prolonged winter and spring season resulting in higher usage than prior year.

Due to higher Natural Gas costs from a colder winter and spring season resulting in higher usage of power than budgeted.

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.

	Last Year	Actual	Difference	Deferred Revenue Balance	Comment
Ministry of Education Funded					
Annual Facilities Grant (AFG)	1,236,630	1,236,630	-	-	
Special Education Equipment	74,486	17,841	(56,645)	1,797	No funding provided in F'17; used prior year deferred revenues
Day Treatment	124,672	124,347	(325)	-	
French Language (OLEP)	559,189	381,105	(178,084)	127,060	Prior year included deferred revenue spending
(LIF) Learning Improvement Fund	5,355,425	5,355,493	68	-	
Ready Set Learn	127,271	108,454	(18,817)	33,507	Prior year included deferred revenue spending
Strong Start	673,506	426,502	(247,004)	19,983	Prior year included deferred revenue spending
Community LINK	1,426,643	1,434,884	8,241	-	
Coding & Curriculum	0	5,502	5,502	194,589	New Grant for 2016/17 and 2017/18
Priority Measures	0	2,659,326	2,659,326	-	Interim Grant to address SCC decision on Class Size & Composition
Settlement Program	20,717	2,124	(18,593)	246,897	
Federal Funded					
Settlement Programs (SWIS)	697,384	822,209	124,825	-	Funding provided for addition of classes
English Language Program (ELSA)	1,651,513	2,139,996	488,483	-	Funding provided for addition of classes
Other					
Community LINK	45,669	52,146	6,477	8,876	
School Generated Funds	11,167,703	11,366,229	198,526	6,587,236	
Apprenticeship Programs	445,969	297,601	(148,368)	263,988	Prior year included deferred revenue spending
Sundry	102,921	133,320	30,399	351,863	
Staff Development	60,527	24,706	(35,821)	204,167	
Scholarships	23,700	24,775	1,075	569,171	
Sick Leave Trust	71,725	303,565	231,840	246,176	
Contractual Reserve	58,663	94,538	35,875	2,476,129	Funds held on behalf Joint Use Agreements
	23,924,313	**27,011,293**	**3,086,980**	**11,331,439**	

Statement of Operations - Capital Funds

Capital Fund Balances are as Follows:

Capital Funds	June 30, 2016	June 30, 2017	Variance
Restricted capital balance:	$ 5,671,915	$ 5,714,993	$ 43,078
SSAC capital balance:	4,327,955	5,205,460	877,505
Other Provincial capital:	-	64,890	64,890
Local capital balance:	27,292,920	25,186,361	(2,106,559)
Total:	37,292,790	36,171,704	(1,121,086)

(Ministry) Restricted capital balance: These are funds held on behalf of the Ministry of Education. The balance increased by $43,000 as 10% from the sale of Leigh Elementary parcel was placed into this account.

SSAC capital balance: Increased by $877,000 as funds were collected by the district from the municipalities and villages as part of the school site acquisition charge which is used for future school site land purchase as identified in the capital plan.

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.

Local capital balance: Decreased by $2.1 million as local capital funds have been used to fund the Blakeburn Elementary and Glen Elementary classroom additions along with the district wireless upgrade project.

Funds Restricted in Local Capital:

Local capital funds have been restricted for the following purposes:

Project:	June 30, 2016 Restricted Balance:	June 30, 2017 Restricted Balance:	Difference:
Education Learning Centre:	$ 20,240,000	$ 20,183,772	$ (56,228)
Glen Elementary Addition:	$ 2,200,000	$ 1,079,209	$ (1,120,791)
Blakeburn Elementary Addition:	$ 2,000,000	$ 358,746	$ (1,641,254)
Wireless upgrade:	$ 2,380,000	$ 798,437	$ (1,581,563)
Total:	$ 26,820,000	$ 22,420,164	$ (4,399,836)

The June 30, 2017 local capital balance of $25.2 million incorporates $22.4 million of restricted funds. The difference between restricted and the actual balance consists of proceeds from the leasing of closed schools, interest income and interfund capital transfers, etc. which have not been restricted by the Board. Additional funds could be restricted in the future with Board approval for identified projects requiring local capital funding.

Major Capital Projects

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

Seismic Replacement

- **Banting Middle:** Project is 22% complete. $1 million used from restricted capital to support project funding. Scheduled to be completed by September 2018.
- **Centennial Secondary:** Project is 82% complete. Phase 1 occupancy has been achieved. Work to begin shortly on the demolition of the old school and subsequent construction of Phase 2.
- **Moody Middle:** Project is 78% complete. Scheduled to be completed by December 2017.
- **Minnekhada Middle:** Project is 3% complete. Capital Project Funding Agreement for $33.2 million secured during the year. Building permit in progress with the City of Port Coquitlam.

New School Construction

- **Smiling Creek Elementary:** Project is 36% complete. Restricted capital of $2.9 million has been used in support of this project. School is on schedule for September 2018 occupancy.

School Enhancement Funded Projects (SEP)

- **CABE:** Total project cost of $648,000. Funding provided for heating system replacement.
- **Maple Creek Middle:** Total project cost of $156,500 was provided to upgrade LED lighting.
- **Westwood Elementary:** Funding of $532,800 approved by Ministry of Education to complete roof top unit (HVAC) replacement.

Classroom Additions

- **Blakeburn Elementary:** Four-classroom addition for increased enrolment. $2 million funding provided by local capital reserve. Project is substantially completed.
- **Glen Elementary:** Four-classroom addition for increased enrolment completed for September 2017 occupancy. Funded through local capital reserves in the amount of $2.2 million.

Carbon Neutral Capital Funded Projects (CNCP)

- **Riverside Secondary:** Funding provided for boiler upgrades

Building Envelope Program Funding (BEP)

- **Riverside Secondary:** Funding approved by Ministry of Education for design completion. This project, administered by BC Housing, will cover extensive building envelope repairs at a future date.
- **Summit Middle:** Project is 100% complete and was administered by BC Housing to update/fix building envelope.

Classroom Enhancement Funding (CEF)

- **SCC (Additional space funding):** As at year end, funding had been provided for 22 of 38 spaces requiring conversion into classrooms for September 2017. In July 2017 the Ministry of Education provided the funding for the balance of the required capital funding.

Project Development Reports (PDR)

- **Irvine Elementary:** Funding used to create project development report, which is submitted to Ministry of Education to support future school construction.
- **Moody Elementary:** Funding used to create project development report, which is submitted to Ministry of Education to support future school construction.

Annual Facility Grant (AFG)

The Annual Facility Grant is funding provided by the Ministry of Education for designated school capital or maintenance upgrades. $5.3 million was provided by the Ministry of Education to fund the following projects in 2016/17.

- Roof replacement: 5 schools
- Exterior painting: 7 schools
- Flooring: 23 schools
- Lighting upgrade: 4 schools
- PA/Clock upgrade: 3 schools
- Paving: 10 schools
- Storm drain improvements: 4 schools
- Plumbing upgrades: 6 schools
- Boiler replacement: 3 schools
- Mechanical upgrades: 4 schools
- Stair/Fencing upgrades: 5 schools

Land Sale

A road allowance strip of land adjacent to Leigh Elementary was sold to the City of Coquitlam with the approval of Ministry of Education and the School Board. 90% of the proceeds will be retained in local capital and 10% will be retained by restricted capital on behalf of the Ministry of Education.

Other Capital Developments

The Ministry of Forests, Lands and Natural Resource Operations has transferred, by a Sponsored Crown Grant, a school site on Burke Mountain that the School District has labeled as the Sheffield site. The Board has provided the funding to produce a project development report, the first step in securing new school funding. In addition, design development work is proceeding on Irvine Elementary in anticipation of receiving seismic replacement funding from the Ministry of Education.

Surplus (Operations)

The School Board has established an Accumulated Operating Surplus Policy 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:

- *40% of the operating surplus be directed to one-time opportunities primarily associated with technology, educational initiatives and deferred maintenance of facilities; and*
- *The balance of funds be allocated equally over the subsequent three fiscal years.*

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.

In broad terms, the current year surplus arises as follows:

- International Education Revenues = $4.842 million (1.58%). 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. This is an aspect of best practices that the Board has adopted. As an outcome, it is not unexpected to recognize these additional revenues and utilize them in subsequent years as per the noted policy.

- Ministry Grant Funding underspending = $3.590 million (1.17%). The elements that make up this amount are the aggregate of the individual financial lines as detailed in the Operations discussion above. The implementation of the restored collective agreement language in large part focused organizational resources towards this priority and limited the ability of managers to fully execute on previously planned programing, leading to underutilization of budgets.

- Post Retirement Group Benefits (PRGB) = $4.514 million. The closing of the PRGB plan effective December 31, 2017 results in the release of liabilities as of June 30, 2017 in accordance with accounting rules. The liability reduction flows through the operations statement and is first used to eliminate any unfunded EFB associated liabilities. The noted amount is excess to this requirement. As the EFB valuation occurred based upon June 30 year end balances, it was difficult to predict the final outcome.

The Board has separately restricted $3.2 million that originated with the PRGB curtailment accounting treatment and the release of non-required liabilities. This action was performed for the purposes of providing regulatory solvency deficiency funding to the Non-Teaching Pension Plan. This approach reduces the funding uncertainty over the 2017/18 year as both the solvency exemption and the unsecured letter of credit expire in October 2017.

School Supply Budgets Carry Forward

The 2016/17 school supply budget carry forward totals $1.226 million - a reduction of $850,000 from the prior year. This reduction was primarily attributed to the computing device initiative that resulted in the replacement of significant numbers of computers aged six or more years. This initiative combined Student Learning Grant Funds, School Supply Funds and District technology funds to create a major buying opportunity.

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

There are several factors that could influence the District's stable and healthy financial situation during the 2017/18 school year and beyond.

Organizational Capacity

Over the past number of years, the organizational focus has been on eliminating debt – both operational and capital, stabilizing the Non-Teaching Pension Plan, and structuring the School District operations for longer term sustainability. During this process, the primary focus was on maximizing support in the classroom. However, results from a recently completed enterprise risk assessment study identified that four out of the top five risks are related to human resources – capacity, recruitment, retention, training, experience, etc. The restored collective agreement language further strains capacity as the demand for teachers exceeds supply.

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 in November 2016. The restoration has been categorized into 4 areas:

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

Interim funding was provided for this agreement during 2016/17 and annualized for 2017/18. In addition, the Education Fund (EF or LIF) is being repurposed into a Classroom Enhancement Fund.

The notional funding announced in March for 2017/18 totaled $16.9 million and is to be captured as a special purpose fund grant. Management determined that in order to implement the restored language under the 'best efforts' requirement, a funding level of $20.9 million (excluding remedy costs but including overhead costs) was needed. The Ministry of Education has subsequently committed to this amount (June 2017) subject to verification of actual classroom organization and actual costs to be submitted in October. Actual funding amounts remains uncertain as result.

A related issue is timely and sustainable funding from the Ministry of Education to create required classroom spaces for subsequent years. For September 2017, management determined that $1.2 million was required to convert 38 identified spaces into educational classrooms. The initial funding provided by the Ministry only funded 22 classrooms. The Ministry has subsequently indicated that they will support the balance of required classroom needs and confirmed this in July 2017. The Board has committed to fund any shortfall from restricted local capital. However, a more significant concern is September 2018 classroom requirements, where initial requirements for classroom additions exceeds $14.8 million. It is likely that a number of sites will require portable additions (at School District expense) lacking funding clarity in the next few months. 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.

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. 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 before deploying these funds into educational services for the benefit of all students in the school district. While we do not envision negative events that would interrupt these programs, International Education is an important stabilizing financial influence on the School District. The current policy on the deployment of accumulated surplus funds helps to mitigate adverse events and contributes to the sustainable outlook and financial risk mitigation.

Non-Teaching Pension Plan Funding

In October 2017 the Non-Teaching Pension Plan's exemption from solvency relief will expire and the Board will be required to make solvency payments lacking an alternative solution or renewal of the Order in Council continuing solvency exemption. Likewise the master agreement related to the unsecured letter of credit (LOC) also expires in October 2017. The LOC renewal is critical to limit regulatory required solvency deficiency payments.

As discussed elsewhere in this report, in order to provide a source of funding for this requirement, the post-retirement health benefit plan (PRGB) for non-teaching employees will be closed to new retirees effective December 31, 2017. This does not impact retirees who are in receipt of these health benefits at that time.

Group Benefits

The provincial government's budget announcement modifying Medical Services Plan (MSP) premiums has the potential to influence Board funding associated with this group benefit for active employees as well as those individuals who are retired under the Non-Teaching Pension Plan and receiving post retirement group benefits. The degree of this impact will not be fully captured until after the provincial budget is passed and implementation details are known.

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, 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.

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.

While a multi-year plan has been developed for some aspects of School District requirements additional resources will need to continue to be directed toward this area.

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

SCHOOL DISTRICT 43 Coquitlam

Learning for a Lifetime

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