



## **FINANCE AND AUDIT COMMITTEE PUBLIC MEETING AGENDA**

**The Central Okanagan Board of Education acknowledges that this meeting is being held  
on the Traditional Territory of the Okanagan People.**

**DATE:** Wednesday, September 19, 2018  
**TIME:** 4:00 pm  
**LOCATION:** School Board Office  
1040 Hollywood Road S.  
Kelowna, BC

**1. AGENDA**  
Additions/Amendments/Deletions

**2. REPORTS/MATTERS ARISING**

**2.1 Finance and Audit Committee Public Meeting Report – June 20, 2018**  
(Attachment)

**3. RECOGNITION/PRESENTATIONS/DELEGATIONS**

**3.1 Presentation: Report to the Finance and Legal Committee – Communication of  
Audit Results and Audited Financial Statements Fiscal Year 2017/2018**  
(Attachment)

In attendance: Tyler Neels, Grant Thornton  
Josh Widmann, Grant Thornton

**4. PUBLIC QUESTION/COMMENT PERIOD**

**5. COMMITTEE MEMBERS QUERIES/COMMENTS**

**6. DISCUSSION/ACTION ITEMS**

**6.1 Audited Financial Statements Fiscal Year 2017/2018**  
(Attachment)

**STAFF RECOMMENDATION:**

**THAT: The Finance and Audit Committee receive the Audited Financial Statements  
Fiscal Year 2017/2018, as attached to the agenda and as presented at the September  
19, 2018 Finance and Audit Committee Public Meeting;**

**AND THAT: The Finance and Audit Committee recommends to the Board:**

**THAT: The Board of Education receive and approve the Audited Financial  
Statements Fiscal Year 2017/2018.**

**7. INFORMATION ITEMS**

**7.1 2017/2018 Financial Statement Discussion and Analysis Report**  
(Attachment)

**8. COMMITTEE CORRESPONDENCE**

**9. ITEMS REQUIRING SPECIAL MENTION**

**10. RECOMMENDATIONS/REFERRALS TO  
THE BOARD/COORDINATING COMMITTEE/OTHER COMMITTEES**

**11. ITEMS FOR FUTURE FINANCE AND AUDIT COMMITTEE MEETINGS**

| <b>September</b>                                                                                                                                                                                                                                                           | <b>October</b>                                                                                                                                                                                                                                                       | <b>November</b>                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>- Presentation: Audited Financial Statements for the Fiscal Year</li><li>- Audited Financial Statements for the Fiscal Year (<i>Action Item</i>)</li></ul>                                                                           | <ul style="list-style-type: none"><li>- Annual Review of Committee's Mandate, Purpose and Function</li><li>- Financial Update at September 30<sup>th</sup></li></ul>                                                                                                 | <ul style="list-style-type: none"><li>- School District No. 23 (Central Okanagan) Budget Development Principles</li><li>- School District No. 23 (Central Okanagan) Budget Development Timeline</li></ul> |
| <b>January</b>                                                                                                                                                                                                                                                             | <b>February</b>                                                                                                                                                                                                                                                      | <b>April (1<sup>st</sup> meeting)</b>                                                                                                                                                                     |
| <ul style="list-style-type: none"><li>- Amended Annual Budget for the Fiscal Year</li><li>- Ministry Recalculation Allocation – School District No. 23 and Provincial</li><li>- Financial Update at December 31<sup>st</sup></li><li>- Budget Survey development</li></ul> | <ul style="list-style-type: none"><li>- Budget Presentation</li></ul>                                                                                                                                                                                                | <ul style="list-style-type: none"><li>- Overview of Budget Allocation</li><li>- Budget Consultation Input Received</li><li>- Trustee Indemnity for the 2018/2019 Fiscal Year</li></ul>                    |
| <b>April (2<sup>nd</sup> meeting)</b>                                                                                                                                                                                                                                      | <b>May</b>                                                                                                                                                                                                                                                           | <b>June</b>                                                                                                                                                                                               |
| <ul style="list-style-type: none"><li>- Central Okanagan School District Preliminary Budget Proposal – Superintendent's Budget Recommendations</li><li>- Financial Report at March 31<sup>st</sup></li></ul>                                                               | <ul style="list-style-type: none"><li>- Auditor's Report to the Finance and Audit Committee – Initial Communication on Audit Planning for the Year</li><li>- Annual CommunityLINK Allocations</li><li>- Financial Update – International Education Program</li></ul> | <ul style="list-style-type: none"><li>- School District No. 23 (Central Okanagan) Annual Budget for the Fiscal Year</li></ul>                                                                             |

**12. FUTURE FINANCE AND AUDIT COMMITTEE MEETINGS**

October 17, 2018 at 4:00 pm      November 21, 2018 at 4:00 pm

**13. MEDIA QUESTIONS/COMMENTS**

**14. ADJOURNMENT**

## CENTRAL OKANAGAN PUBLIC SCHOOLS – BOARD COMMITTEE REPORT

COMMITTEE: Finance and Audit Committee Meeting DATE: June 20, 2018

CHAIRPERSON: Trustee J. Fraser STAFF CONTACT: E. Sadlowski, Secretary-Treasurer/CFO

*The Committee Chairperson acknowledged that the meeting was being held  
on the Traditional Territory of the Okanagan People.*

### In attendance:

#### Board of Education:

Trustee J. Fraser (Chairperson)  
Trustee R. Cacchioni (Committee Member)  
Trustee L. Tiede (Committee Member)  
Trustee M. Baxter  
Trustee D. Butler  
Trustee L. Mossman

### In attendance:

#### Staff:

E. Sadlowski, Secretary-Treasurer/CFO  
D. Carmichael, Assistant Secretary-Treasurer  
K. Kaardal, Superintendent of Schools/CEO  
T. Beaudry, Deputy Superintendent  
V. Dougans, Finance Manager  
L. Parker, Executive Assistant (*Recorder*)

### Partner Group Representation:

COTA Susan Bauhart, President  
COPAC No representative  
COPVPA Mike Dornian, Treasurer  
CUPE Margaret Varga, Vice-President  
DSC Tiana Calao, Member

### Agenda/Additions/Amendments/Deletions

Amend: Action Item 6.1 Updated Information – 2018/2019 Annual Budget Bylaw

June 20, 2018 Agenda – approved as amended.

4:01 The COTA President arrived at the meeting.

### Reports/Matters Arising

Amend: Amend Attendees - Trustee J. Fraser was absent on Board Business

May 16, 2018 Committee Report – received as amended.

### Discussion/Action Items

#### 1. 2018/2019 Annual Budget Bylaw

The Secretary-Treasurer/CFO presented the Annual Budget for Fiscal Year 2018/2019 to the Committee. The information provided was detailed on the Committee Report from the Finance and Audit Committee Meeting on April 18, 2018, also detailed on Appendix B on the June 20 Memo to the Committee.

The Secretary-Treasurer/CFO stated there was a larger than normal surplus projected due to teachers costing less than originally budgeted, the elimination of MSP premiums and underspending in utilities due to energy saving processes adding additional savings. There were also savings from anticipated admin increases that were disallowed by Public Sector Employer's Council (PSEC). The actual surplus amount will be confirmed once the June 30, 2018 yearend is finalized in September, an estimate was provided in Appendix D on the June 20 Memo to the Committee.

The Secretary-Treasurer/CFO stated that enrolment is the main driver and the budget is dependent on how many students are enrolled in September 2018. Other discussion and questions were answered by the Office of the Secretary-Treasurer during discussion time.

**Outcome:**

**THAT: The Finance and Audit Committee recommends to the Board of Education:**

**THAT: The Board of Education give first, second and third readings to the School District No. 23 (Central Okanagan) Annual Budget Bylaw for the Fiscal Year 2018/2019 in the amount of \$256,065,800.**

**THAT: The School District No. 23 (Central Okanagan) Annual Budget Bylaw for the Fiscal Year 2018/2019 in the amount of \$256,065,800 be read a first, second and third time, passed and adopted on the 27<sup>th</sup> day of June 2018.**

**2. New Policy 161 – Accumulated Operating Surplus**

The Assistant Secretary-Treasurer stated that a Policy has been created for the District reflecting current practices used in the District for accumulated operating surpluses. The surpluses will continue to be targeted within their current funds and accumulated/carried over year to year. The Secretary-Treasurer/CFO and the Assistant Secretary-Treasurer reviewed many other School District Policies and implemented similar wording and elements.

**Outcome:**

**THAT: The Finance and Audit Committee recommends to the Board of Education:**

**THAT: The Board of Education approve new Policy 161 – Accumulated Operating Surplus as attached and as presented at the Finance and Audit Committee Meeting, June 20, 2018.**

**Information Items**

**1. K-12 Funding Independent Panel Review**

The Secretary-Treasurer/CFO stated that an independent funding review was completed by the Ministry with all 60 School Districts participating. An update was provided comparing similarities and differences between the Districts. Most Districts were not in favour of performance-based funding, recruitment and retention were challenges for all Districts, and Districts felt that Special Education was underfunded. Districts requested that announcements were made by the Ministry earlier and that formulas provided were more consistent. School Districts also expressed that surplus funds were necessary to enable them to purchase unfunded items such as portables. The Ministry will review the report and decide if/how to adapt the funding formula based on the feedback provided.

**2. Financial Statement Discussion and Analysis (DRAFT)**

The Assistant Secretary-Treasurer stated that it is now a Ministry requirement to create a financial health report that will accompany the audited financial statements each year. Neither a template nor parameters were provided so the department created a draft version for the Committee's review and feedback. The report is a living document that will be updated annually and submitted with the audited financial statements.

The Secretary-Treasurer/CFO noted that the recommended maximum for unrestricted surplus was 5% of operating expenses. Our District is sitting at 2.83% which is much lower than other similar Districts in the Province.

**3. Amended Regulations 470R – Transportation Services Management**

The Assistant Secretary-Treasurer stated a suggested amendment to the Regulation by removing dollar figures to allow for mileage changes each year and to prevent the Regulation from requiring an annual update. The annual maximum transportation assistance rate will be adjusted but removed on the Regulations.

The Committee discussed the importance of keeping a maximum annual assistance rate noted on the Regulation and providing clear and concise rules to assist with any challenges that may arise.

**Outcome:**

Regulations 470R – Transportation Services Management to return for more discussion to a future Committee meeting in the fall of 2018.

**Recommendations/Referrals to the Board/Coordinating Committee/Other Committees**

**June 27, 2018 Public Board Meeting:**

- 2018/2019 Annual Budget Bylaw – Action Item
- New Policy 161 – Accumulated Operating Surplus – Action Item

**Items for Future Finance and Audit Committee Meetings****Public Finance and Audit Meeting:**

- Regulations 470R – Transportation Services Management – Discussion Item

| <b>September</b>                                                                                                                                                                                                                                                                | <b>October</b>                                                                                                                                                                                                                                                                                                                               | <b>November</b>                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>- Presentation: Audited Financial Statements for the Fiscal Year</li> <li>- Audited Financial Statements for the Fiscal Year (<i>Action Item</i>)</li> </ul>                                                                             | <ul style="list-style-type: none"> <li>- Finance and Audit Committee – Review of Mandate, Purpose and Function</li> <li>- Financial Update at September 30<sup>th</sup></li> </ul>                                                                                                                                                           | <ul style="list-style-type: none"> <li>- School District No. 23 (Central Okanagan) Budget Development Principles</li> <li>- School District No. 23 (Central Okanagan) Budget Development Timeline</li> </ul> |
| <b>January</b>                                                                                                                                                                                                                                                                  | <b>February</b>                                                                                                                                                                                                                                                                                                                              | <b>April (1<sup>st</sup> meeting)</b>                                                                                                                                                                        |
| <ul style="list-style-type: none"> <li>- Amended Annual Budget for the Fiscal Year</li> <li>- Ministry Recalculation Allocation – School District No. 23 and Provincial</li> <li>- Financial Update at December 31<sup>st</sup></li> <li>- Budget Survey development</li> </ul> | <ul style="list-style-type: none"> <li>- Budget Presentation</li> </ul>                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>- Overview of Budget Allocation</li> <li>- Budget Consultation Input Received</li> <li>- Trustee Indemnity for the 2018/2019 Fiscal Year</li> </ul>                   |
| <b>April (2<sup>nd</sup> meeting)</b>                                                                                                                                                                                                                                           | <b>May</b>                                                                                                                                                                                                                                                                                                                                   | <b>June</b>                                                                                                                                                                                                  |
| <ul style="list-style-type: none"> <li>- Central Okanagan School District Preliminary Budget Proposal – Superintendent’s Budget Recommendations</li> <li>- Financial Update at March 31<sup>st</sup></li> </ul>                                                                 | <ul style="list-style-type: none"> <li>- Auditor’s Report to the Finance and Audit Committee – Initial Communication on Audit Planning for the Year</li> <li>- Annual CommunityLINK Allocations</li> <li>- Financial Update – International Education Program</li> <li>- Review of Policy 425 and Regulations 425R - Student Fees</li> </ul> | <ul style="list-style-type: none"> <li>- School District No. 23 (Central Okanagan) Annual Budget for the Fiscal Year</li> <li>- Policy 161 –Accumulated Operating Surplus</li> </ul>                         |

**Meeting Schedule**

September 19, 2018 at 4:00 pm      October 17, 2018 at 4:00 pm      November 21, 2018 at 4:00 pm

**Questions – Please Contact:**

Trustee Julia Fraser, Chairperson

Phone: 250-681-0269

email: [julia.fraser@sd23.bc.ca](mailto:julia.fraser@sd23.bc.ca)

Eileen Sadlowski, Secretary-Treasurer/CFO

Phone: 250-470-3224

email: [eileen.sadlowski@sd23.bc.ca](mailto:eileen.sadlowski@sd23.bc.ca)

---

Julia Fraser, Chairperson

# School District No. 23 (Central Okanagan)

For the year ended June 30, 2018

Report to the Finance and Audit Committee  
Audit results

September 19, 2018

000006

**Tyler Neels, CPA, CA**  
Partner  
T (250) 712-6853  
E [Tyler.Neels@ca.gt.com](mailto:Tyler.Neels@ca.gt.com)

**Josh Widmann, CPA, CA**  
Manager  
T (250) 712-6834  
E [Josh.Widmann@ca.gt.com](mailto:Josh.Widmann@ca.gt.com)



# Contents

|                                           |  |
|-------------------------------------------|--|
| Executive summary                         |  |
| Audit results                             |  |
| Adjustments and uncorrected misstatements |  |
| Other reportable matters                  |  |

000007

# Appendices

|   |                                                     |
|---|-----------------------------------------------------|
| 1 | Appendix A – Draft independent auditor’s report     |
| 2 | Appendix B – Draft management representation letter |
| 4 |                                                     |
| 5 |                                                     |

# Executive summary

## Purpose of report and scope

The purpose of this report is to engage in an open dialogue with you regarding our audit of the financial statements of School District No. 23 (Central Okanagan) (the "District") for the year ended June 30, 2018. This communication will assist the Finance and Audit Committee in understanding the results of audit procedures and includes comments on misstatements, significant accounting policies, sensitive estimates and other matters.

The information in this document is intended solely for the information and use of the Finance and Audit Committee, the Board of Education, and management. It is not intended to be distributed or used by anyone other than these specified parties.

We were engaged to provide the following deliverables:

| Deliverable                                                            | Status                                                                         |
|------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Discussions and communications regarding planning                      | Completed on May 16, 2018                                                      |
| Independent auditor's report on the June 30, 2018 financial statements | Finalized after approval of the financial statements by the Board of Education |
| Communication of audit results                                         | Within this report                                                             |
| Other – Reporting to the OAG                                           | Completed after approval of the financial statements by the Board of Education |

## Status of our audit

We have substantially completed our audit of the financial statements of the District and the results of that audit are included in this report.

We will finalize our report upon resolution of the following items that were outstanding as at September 19, 2018:

- Receipt of signed management representation letter (a draft has been attached in the appendices)
- Approval of the financial statements by the Finance and Audit Committee and the Board of Education
- Procedures regarding subsequent events
- Responses to legal confirmations

We have successfully executed our audit strategy in accordance with the plan presented to the Finance and Audit Committee on May 16, 2018.

## Independence

We confirm that there have been no changes to our status with respect to independence since we confirmed our independence to you on May 16, 2018.



# Audit results

We highlight our significant findings in respect of transactions and other areas of focus.

## Significant transactions

| Area of focus                                      | Matter                                                                                                                              | Our response and findings                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Gain on the sale of the former school board office | There are higher risks associated with this transaction due to its complex nature and the non-monetary components of the agreement. | <ul style="list-style-type: none"><li>• Our audit procedures include reviewing the sale agreements, recalculating the gain on sale and agreeing significant amounts to supporting documentation, where applicable.</li><li>• Our audit procedures did not uncover any significant findings to report.</li></ul> |

## Areas of focus

| Area of focus  | Matter                                                                  | Our response and findings                                                                                                                                                                                                                                                   |
|----------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Grant revenues | Grant revenues are material and significant to the financial statements | <ul style="list-style-type: none"><li>• Audit procedures performed included confirming grants received and receivable with the Ministry of Education and reconciling accounts.</li><li>• Our audit procedures did not uncover any significant findings to report.</li></ul> |

| Area of focus                                              | Matter                                                                                                       | Our response and findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tangible capital assets and deferred capital contributions | Tangible capital assets activities are not valid, and associated grant funding is not accounted for properly | <ul style="list-style-type: none"> <li>Audit procedures performed included testing significant capital expenditures, agreeing to supporting documentation, reviewing applicable lease and funding agreements, and recalculating expected amortization of deferred capital contributions.</li> <li>Our audit procedures did not uncover any significant findings to report.</li> </ul>                                                                                                    |
| Investments                                                | Fair value measurements are not correct or investment activities are not valid                               | <ul style="list-style-type: none"> <li>Audit procedures performed included confirming the fair value of investments with the investment custodian and reviewing significant transactions.</li> <li>Our audit procedures did not uncover any significant findings to report.</li> </ul>                                                                                                                                                                                                   |
| Purchases and payables                                     | Payables understated or not recorded in the correct period                                                   | <ul style="list-style-type: none"> <li>Audit procedures performed included reviewing and documenting controls around the purchasing cycle, reviewing expenses analytically and investigating any significant variances, agreeing expenses recorded to supporting documentation for a selection of transactions, and performing substantive procedures on the cut-off of expenses.</li> <li>Our audit procedures did not uncover any significant findings to report.</li> </ul>           |
| Employee compensation                                      | Employee compensation accruals or expenses understated                                                       | <ul style="list-style-type: none"> <li>Audit procedures performed included reviewing controls around maintenance of employee Masterfile and related payroll transactions, testing key controls for operating effectiveness, performing an analytical review of employee compensation by bargaining unit, and performing tests of details on a sample of employee compensation transactions.</li> <li>Our audit procedures did not uncover any significant findings to report.</li> </ul> |

000010

# Adjustments and uncorrected misstatements

## Adjustments

We have no adjusted misstatements to report.

000011

## Uncorrected misstatements

We have no non-trivial unadjusted misstatements to report.

## Summary of disclosure matters

Our audit did not identify any unadjusted non-trivial misstatements of disclosure matters.

# Other reportable matters

## Accounting and assurance

There are no new accounting or auditing standards issued which may affect the District in future years which have not already been previously communicated to you.

## Internal control

The audit is designed to express an opinion on the financial statements. We obtain an understanding of internal control over financial reporting to the extent necessary to plan the audit and to determine the nature, timing and extent of our work. Accordingly, we do not express an opinion on the effectiveness of internal control.

If we become aware of a deficiency in your internal control over financial reporting, the auditing standards require us to communicate to the Finance and Audit Committee those deficiencies we consider significant. However, a financial statement audit is not designed to provide assurance on internal control. There were no internal control observations noted during our audit which have not already been previously communicated to you.

## Regulatory matters

The Office of the Auditor General ("OAG") audits the Summary Financial Statements of the Province of British Columbia which include the financial information of the District. As part of their audit of the Province's Summary Financial Statements they require us as the auditors of the School District to perform certain audit procedures, provide copies of certain documents, and confirm certain matters to them. Consistent with prior years we will make arrangements with the District management in order to ensure that the required reporting is completed within the specified deadlines.

## Cooperation during the audit

We report that we received full cooperation during the performance of our audit. To our knowledge, we were provided access to all necessary records and other documentation and any issues that arose as a result of our audit were discussed with management and have been resolved to our satisfaction.

# **Appendix A**

## **Draft Independent auditor's report**

## Independent auditor's report

---

**Grant Thornton LLP**  
200-1633 Ellis Street  
Kelowna, BC  
V1Y 2A8

T +1 250 712 6800  
F +1 250 712 6850  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

To the Board of Education of  
School District No. 23 (Central Okanagan) and the Ministry of Education

We have audited the accompanying financial statements of School District No. 23 (Central Okanagan), which comprise the statement of financial position as at June 30, 2018 and the statement of operations, statement of remeasurement gains and losses, statement of changes in net financial assets (debt) and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements of School District No. 23 (Central Okanagan) for the year ended June 30, 2018 are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

**Emphasis of matter**

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

**Other matters**

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional information and is not a required part of the financial statements. Such information has been subject to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

Kelowna, Canada  
September 19, 2018

Chartered Professional Accountants

# **Appendix B**

## **Draft Management representation letter**



## SCHOOL DISTRICT No. 23 (CENTRAL OKANAGAN)

1040 Hollywood Road South  
Kelowna BC V1X 4N2

---

September 19, 2018

Grant Thornton LLP  
Chartered Professional Accountants  
200 - 1633 Ellis Street  
Kelowna BC V1Y 2A8

Dear Sir/Madam:

We are providing this letter in connection with your audit of the financial statements of School District No. 23 (Central Okanagan) ("the District") as of June 30, 2018 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements are prepared and the financial position, results of operations, and cash flows of the District are reported in all material respects, in accordance with accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia ("Section 23.1").

We acknowledge that we have fulfilled our responsibilities for the preparation of the financial statements in accordance with Section 23.1 and for the design and implementation of internal controls to prevent and detect fraud and error. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards (GAAS) so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal controls and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, as of September 19, 2018, the following representations made to you during your audit.

### **Financial statements**

- 1 The financial statements referred to above present fairly, in all material respects, the financial position of the District as at June 30, 2018 and the results of its operations and its cash flows for the year then ended and are prepared in accordance with Section 23.1, as agreed to in the terms of the audit engagement.

### **Completeness of information**

- 2 We have made available to you all financial records and related data and all minutes of the meetings of the Board of Education and committees of the Board, as agreed in the terms of the audit engagement. Summaries of actions of recent meetings for which minutes have not yet been prepared have been provided to you. All significant board and committee actions are included in the summaries.

- 3 We have provided you with unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
- 4 There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- 5 There were no restatements made to correct a material misstatement in the prior period financial statements that affect the comparative information.
- 6 We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
- 7 We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss.
- 8 We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting of which we are aware.
- 9 We have identified to you all known related parties and related party transactions, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangement guarantees, non-monetary transactions and transactions for no consideration.
- 10 You provided a non-audit service by assisting us with reviewing the financial statements and related notes. In connection with this non-audit service, we confirm that we have made all management decisions and performed all management functions, have the knowledge to evaluate the accuracy and completeness of the financial statements, and accept responsibility for such financial statements.

#### **Fraud and error**

- 11 We have no knowledge of fraud or suspected fraud affecting the District involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial statements.
- 12 We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, analysts, regulators or others.
- 13 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

#### **Recognition, measurement and disclosure**

- 14 We believe that the significant assumptions used by us in making accounting estimates, including those used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements, are reasonable and appropriate in the circumstances.
- 15 We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, both financial and non-financial, reflected in the financial statements.

- 16 All related party transactions have been appropriately measured and disclosed in the financial statements. Key management personnel have not identified related party transactions that may have occurred at a value different from that which would have been arrived at if the parties were unrelated.
- 17 The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- 18 All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements.
- 19 All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- 20 All "off-balance sheet" financial instruments have been properly recorded or disclosed in the financial statements.
- 21 With respect to environmental matters:
  - a) at year end, there were no liabilities or contingencies that have not already been disclosed to you;
  - b) liabilities or contingencies have been recognized, measured and disclosed, as appropriate, in the financial statements; and
  - c) commitments have been measured and disclosed, as appropriate, in the financial statements.
- 22 The District has satisfactory title to (or lease interest in) all assets, and there are no liens or encumbrances on the District's assets nor have any been pledged as collateral.
- 23 We have disclosed to you, and the District has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 24 The Goods and Services Tax (GST) transactions recorded by the District are in accordance with the federal and provincial regulations. The GST liability/receivable amounts recorded by the District are considered complete.
- 25 Employee future benefit costs, assets, and obligations have been determined, accounted for and disclosed in accordance with the requirements of Section *PS 3255 Post-employment benefits, compensated absences and termination benefits* of the Chartered Professional Accountants (CPA) Public Sector Accounting Handbook.
- 26 There have been no events subsequent to the balance sheet date up to the date hereof that would require recognition or disclosure in the financial statements other than the events disclosed in Note 22. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and related notes.

**Other**

27 We have considered whether or not events have occurred or conditions exist which may cast significant doubt on the District's ability to continue as a going concern and have concluded that no such events or conditions are evident.

Yours very truly,

---

Eileen Sadlowski, CFO/Secretary-Treasurer, CPA, CA

---

Delta Carmichael, Assistant Secretary-Treasurer, CPA, CA

---

Valerie Dougans, Finance Manager, CPA, CA

/ps

Audited Financial Statements of

# **School District No. 23 (Central Okanagan)**

June 30, 2018

DRAFT

# School District No. 23 (Central Okanagan)

June 30, 2018

## Table of Contents

|                                                                                             |      |
|---------------------------------------------------------------------------------------------|------|
| Management Report .....                                                                     | 1    |
| Independent Auditors' Report .....                                                          | 2-3  |
| Statement of Financial Position - Statement 1 .....                                         | 4    |
| Statement of Operations - Statement 2 .....                                                 | 5    |
| Statement of Remeasurement Gains and Losses - Statement 3 .....                             | 6    |
| Statement of Changes in Net Financial Assets (Debt) - Statement 4 .....                     | 7    |
| Statement of Cash Flows - Statement 5 .....                                                 | 8    |
| Notes to the Financial Statements .....                                                     | 9-25 |
| Schedule of Changes in Accumulated Surplus (Deficit) by Fund - Schedule 1 (Unaudited) ..... | 26   |
| Schedule of Operating Operations - Schedule 2 (Unaudited) .....                             | 27   |
| Schedule 2A - Schedule of Operating Revenue by Source (Unaudited) .....                     | 28   |
| Schedule 2B - Schedule of Operating Expense by Object (Unaudited) .....                     | 29   |
| Schedule 2C - Operating Expense by Function, Program and Object (Unaudited) .....           | 30   |
| Schedule of Special Purpose Operations - Schedule 3 (Unaudited) .....                       | 32   |
| Schedule 3A - Changes in Special Purpose Funds and Expense by Object (Unaudited) .....      | 33   |
| Schedule of Capital Operations - Schedule 4 (Unaudited) .....                               | 35   |
| Schedule 4A - Tangible Capital Assets (Unaudited) .....                                     | 36   |
| Schedule 4B - Tangible Capital Assets - Work in Progress (Unaudited) .....                  | 37   |
| Schedule 4C - Deferred Capital Revenue (Unaudited) .....                                    | 38   |
| Schedule 4D - Changes in Unspent Deferred Capital Revenue (Unaudited) .....                 | 39   |

# School District No. 23 (Central Okanagan)

## MANAGEMENT REPORT

**DRAFT**

### Management's Responsibility for the Financial Statements.

The accompanying financial statements of School District No. 23 (Central Okanagan) have been prepared by management in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of British Columbia, supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's judgment particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and reliable financial information is produced.

The Board of Education of School District No. 23 (Central Okanagan) (called the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and externally audited financial statements yearly.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of School District No. 23 (Central Okanagan) and meet when required. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the School District's financial statements.

On behalf of School District No. 23 (Central Okanagan)

Signature of the Chairperson of the Board of Education \_\_\_\_\_ Date Signed \_\_\_\_\_

Signature of the Superintendent \_\_\_\_\_ Date Signed \_\_\_\_\_

Signature of the Secretary Treasurer \_\_\_\_\_ Date Signed \_\_\_\_\_

## Independent auditor's report

**Grant Thornton LLP**  
200-1633 Ellis Street  
Kelowna, BC  
V1Y 2A8

T +1 250 712 6800  
F +1 250 712 6850  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

To the Board of Education of  
School District No. 23 (Central Okanagan) and the Ministry of Education

We have audited the accompanying financial statements of School District No. 23 (Central Okanagan), which comprise the statement of financial position as at June 30, 2018 and the statement of operations, statement of remeasurement gains and losses, statement of changes in net financial assets (debt) and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

In our opinion, the financial statements of School District No. 23 (Central Okanagan) for the year ended June 30, 2018 are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

**Emphasis of matter**

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

**Other matters**

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional information and is not a required part of the financial statements. Such information has been subject to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

Kelowna, Canada  
September 19, 2018

Chartered Professional Accountants

# School District No. 23 (Central Okanagan)

Statement 1

Statement of Financial Position

As at June 30, 2018

|                                                        | 2018<br>Actual<br>\$ | 2017<br>Actual<br>\$ |
|--------------------------------------------------------|----------------------|----------------------|
| <b>Financial Assets</b>                                |                      |                      |
| Cash and Cash Equivalents (Note 3)                     | 34,086,861           | 37,751,813           |
| Accounts Receivable                                    |                      |                      |
| Due from Province - Ministry of Education              | 3,299,399            | 1,057,249            |
| Other (Note 4)                                         | 1,599,698            | 1,076,900            |
| Portfolio Investments                                  | 12,851,508           | 11,402,847           |
| <b>Total Financial Assets</b>                          | <b>51,837,466</b>    | <b>51,288,809</b>    |
| <b>Liabilities</b>                                     |                      |                      |
| Accounts Payable and Accrued Liabilities               |                      |                      |
| Other (Note 5)                                         | 13,894,386           | 14,415,247           |
| Unearned Revenue (Note 7)                              | 2,468,063            | 2,390,176            |
| Deferred Revenue (Note 8)                              | 3,950,547            | 3,749,748            |
| Deferred Capital Revenue (Note 9)                      | 186,474,275          | 180,322,218          |
| Employee Future Benefits (Note 10)                     | 9,584,436            | 9,436,128            |
| Other Liabilities (Note 11)                            | 9,454,077            | 9,152,823            |
| <b>Total Liabilities</b>                               | <b>225,825,784</b>   | <b>219,466,340</b>   |
| <b>Net Financial Assets (Debt)</b>                     | <b>(173,988,318)</b> | <b>(168,177,531)</b> |
| <b>Non-Financial Assets</b>                            |                      |                      |
| Tangible Capital Assets (Note 12)                      | 288,668,213          | 277,987,954          |
| Prepaid Expenses (Note 13)                             | 161,627              | 353,171              |
| Supplies Inventory                                     | 245,331              | 196,259              |
| <b>Total Non-Financial Assets</b>                      | <b>289,075,171</b>   | <b>278,537,384</b>   |
| <b>Accumulated Surplus (Deficit)</b>                   | <b>115,086,853</b>   | <b>110,359,853</b>   |
| <b>Accumulated Surplus (Deficit) is comprised of:</b>  |                      |                      |
| Accumulated Surplus (Deficit) from Operations          | 114,335,875          | 109,171,127          |
| Accumulated Remeasurement Gains (Losses)               | 750,978              | 1,188,726            |
|                                                        | <b>115,086,853</b>   | <b>110,359,853</b>   |
| Contractual Obligations (Note 20)                      |                      |                      |
| Contingent Liabilities (Note 21)                       |                      |                      |
| Approved by the Board                                  |                      |                      |
| Signature of the Chairperson of the Board of Education |                      | Date Signed          |
| Signature of the Superintendent                        |                      | Date Signed          |
| Signature of the Secretary Treasurer                   |                      | Date Signed          |

**DRAFT** - Not Finalized

September 12, 2018 8:12

The accompanying notes are an integral part of these financial statements.

000026

Page 4

# School District No. 23 (Central Okanagan)

Statement 2

Statement of Operations

Year Ended June 30, 2018

|                                                                         | 2018<br>Budget<br>\$ | 2018<br>Actual<br>\$ | 2017<br>Actual<br>\$ |
|-------------------------------------------------------------------------|----------------------|----------------------|----------------------|
| <b>Revenues</b>                                                         |                      |                      |                      |
| Provincial Grants                                                       |                      |                      |                      |
| Ministry of Education                                                   | 219,249,702          | 215,504,211          | 205,338,458          |
| Other                                                                   | 604,928              | 695,250              | 698,577              |
| Tuition                                                                 | 5,600,000            | 5,886,182            | 5,168,270            |
| Other Revenue                                                           | 9,716,281            | 11,154,669           | 10,253,268           |
| Rentals and Leases                                                      | 575,000              | 613,124              | 629,784              |
| Investment Income                                                       | 575,000              | 950,891              | 863,335              |
| Gain (Loss) on Disposal of Tangible Capital Assets (Note 14)            |                      | 4,398,712            | 1,400,113            |
| Amortization of Deferred Capital Revenue                                | 7,794,000            | 8,192,707            | 7,956,135            |
| <b>Total Revenue</b>                                                    | <u>244,114,911</u>   | <u>247,395,746</u>   | <u>232,307,940</u>   |
| <b>Expenses</b>                                                         |                      |                      |                      |
| Instruction                                                             | 204,267,913          | 198,957,506          | 185,766,959          |
| District Administration                                                 | 5,950,004            | 5,737,562            | 5,344,439            |
| Operations and Maintenance                                              | 35,051,246           | 33,357,128           | 33,756,108           |
| Transportation and Housing                                              | 3,905,910            | 4,178,802            | 3,900,421            |
| <b>Total Expense</b>                                                    | <u>249,175,073</u>   | <u>242,230,998</u>   | <u>228,767,927</u>   |
| <b>Surplus (Deficit) for the year</b>                                   | <u>(5,060,162)</u>   | <u>5,164,748</u>     | <u>3,540,013</u>     |
| <b>Accumulated Surplus (Deficit) from Operations, beginning of year</b> |                      | 109,171,127          | 105,631,114          |
| <b>Accumulated Surplus (Deficit) from Operations, end of year</b>       |                      | <u>114,335,875</u>   | <u>109,171,127</u>   |

**School District No. 23 (Central Okanagan)**

Statement of Remeasurement Gains and Losses  
Year Ended June 30, 2018

|                                                                               | 2018<br>Actual<br>\$ | 2017<br>Actual<br>\$ |
|-------------------------------------------------------------------------------|----------------------|----------------------|
| Accumulated Remeasurement Gains (Losses) at beginning of year                 | 1,188,726            | 1,601,685            |
| Unrealized Gains (Losses) attributable to:<br>Portfolio Investments           | 31,425               | 138,450              |
| Amounts Reclassified to the Statement of Operations:<br>Portfolio Investments | (469,173)            | (551,409)            |
| Net Remeasurement Gains (Losses) for the year                                 | (437,748)            | (412,959)            |
| Accumulated Remeasurement Gains (Losses) at end of year                       | 750,978              | 1,188,726            |

DRAFT

# School District No. 23 (Central Okanagan)

Statement 4

Statement of Changes in Net Financial Assets (Debt)

Year Ended June 30, 2018

|                                                                                                        | 2018<br>Budget<br>\$ | 2018<br>Actual<br>\$        | 2017<br>Actual<br>\$        |
|--------------------------------------------------------------------------------------------------------|----------------------|-----------------------------|-----------------------------|
| <b>Surplus (Deficit) for the year</b>                                                                  | <u>(5,060,162)</u>   | <u>5,164,748</u>            | <u>3,540,013</u>            |
| <b>Effect of change in Tangible Capital Assets</b>                                                     |                      |                             |                             |
| Acquisition of Tangible Capital Assets                                                                 | (14,435,062)         | (24,575,113)                | (13,199,812)                |
| Amortization of Tangible Capital Assets                                                                | 12,400,000           | 12,593,566                  | 12,589,228                  |
| Net carrying value of Tangible Capital Assets disposed of                                              |                      | 1,301,288                   | 299,887                     |
| <b>Total Effect of change in Tangible Capital Assets</b>                                               | <u>(2,035,062)</u>   | <u>(10,680,259)</u>         | <u>(310,697)</u>            |
| Acquisition of Prepaid Expenses                                                                        |                      | (64,747)                    | (332,608)                   |
| Use of Prepaid Expenses                                                                                |                      | 256,291                     | 64,068                      |
| Acquisition of Supplies Inventory                                                                      |                      | (1,264,882)                 | (1,181,121)                 |
| Use of Supplies Inventory                                                                              |                      | 1,215,810                   | 1,221,282                   |
| <b>Total Effect of change in Other Non-Financial Assets</b>                                            | <u>-</u>             | <u>142,472</u>              | <u>(228,379)</u>            |
| <b>(Increase) Decrease in Net Financial Assets (Debt),<br/>before Net Remeasurement Gains (Losses)</b> | <u>(7,095,224)</u>   | <u>(5,373,039)</u>          | <u>3,000,937</u>            |
| <b>Net Remeasurement Gains (Losses)</b>                                                                |                      | <u>(437,748)</u>            | <u>(412,959)</u>            |
| <b>(Increase) Decrease in Net Financial Assets (Debt)</b>                                              |                      | <u>(5,810,787)</u>          | <u>2,587,978</u>            |
| <b>Net Financial Assets (Debt), beginning of year</b>                                                  |                      | <u>(168,177,531)</u>        | <u>(170,765,509)</u>        |
| <b>Net Financial Assets (Debt), end of year</b>                                                        |                      | <u><u>(173,988,318)</u></u> | <u><u>(168,177,531)</u></u> |

# School District No. 23 (Central Okanagan)

Statement 5

Statement of Cash Flows  
Year Ended June 30, 2018

|                                                               | 2018<br>Actual<br>\$ | 2017<br>Actual<br>\$ |
|---------------------------------------------------------------|----------------------|----------------------|
| <b>Operating Transactions</b>                                 |                      |                      |
| Surplus (Deficit) for the year                                | 5,164,748            | 3,540,013            |
| Changes in Non-Cash Working Capital                           |                      |                      |
| Decrease (Increase)                                           |                      |                      |
| Accounts Receivable                                           | (2,764,948)          | (432,694)            |
| Supplies Inventories                                          | (49,072)             | 40,161               |
| Prepaid Expenses                                              | 191,544              | (268,540)            |
| Increase (Decrease)                                           |                      |                      |
| Accounts Payable and Accrued Liabilities                      | (520,861)            | 3,408,721            |
| Unearned Revenue                                              | 77,887               | 245,588              |
| Deferred Revenue                                              | 200,799              | 93,922               |
| Employee Future Benefits                                      | 148,308              | 196,879              |
| Other Liabilities                                             | 301,254              | 474,911              |
| Loss (Gain) on Disposal of Tangible Capital Assets            | (4,398,712)          | (1,400,113)          |
| Amortization of Tangible Capital Assets                       | 12,593,566           | 12,589,228           |
| Amortization of Deferred Capital Revenue                      | (8,192,707)          | (7,956,135)          |
| Recognition of Deferred Capital Revenue Spent on Sites        | (27,241)             |                      |
| <b>Total Operating Transactions</b>                           | <b>2,724,565</b>     | <b>10,531,941</b>    |
| <b>Capital Transactions</b>                                   |                      |                      |
| Tangible Capital Assets Purchased                             | (19,589,077)         | (9,772,445)          |
| Tangible Capital Assets -WIP Purchased                        | (4,986,036)          | (3,427,367)          |
| District Portion of Proceeds on Disposal                      | 5,700,000            | 1,700,000            |
| <b>Total Capital Transactions</b>                             | <b>(18,875,113)</b>  | <b>(11,499,812)</b>  |
| <b>Financing Transactions</b>                                 |                      |                      |
| Capital Revenue Received                                      | 14,372,005           | 7,456,313            |
| <b>Total Financing Transactions</b>                           | <b>14,372,005</b>    | <b>7,456,313</b>     |
| <b>Investing Transactions</b>                                 |                      |                      |
| Decrease in Remeasurement Gains (Losses)                      | (437,748)            | (412,959)            |
| (Investment in) Proceeds on Disposal of Portfolio Investments | (1,448,661)          | 707,691              |
| <b>Total Investing Transactions</b>                           | <b>(1,886,409)</b>   | <b>294,732</b>       |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | <b>(3,664,952)</b>   | <b>6,783,174</b>     |
| <b>Cash and Cash Equivalents, beginning of year</b>           | <b>37,751,813</b>    | <b>30,968,639</b>    |
| <b>Cash and Cash Equivalents, end of year</b>                 | <b>34,086,861</b>    | <b>37,751,813</b>    |
| <b>Cash and Cash Equivalents, end of year, is made up of:</b> |                      |                      |
| Cash                                                          | 19,317,179           | 26,366,375           |
| Cash Equivalents                                              | 14,769,682           | 11,385,438           |
|                                                               | <b>34,086,861</b>    | <b>37,751,813</b>    |

**1. Authority and purpose**

The School District, established on April 12, 1946, operates under the authority of the School Act of British Columbia as a corporation under the name of "The Board of Education of School District No. 23 (Central Okanagan)", and operates as "School District No. 23 (Central Okanagan)". A Board of Education (the "Board") elected for a four-year term governs the School District. The School District provides educational programs to students enrolled in schools in the District, and is principally funded by the Province of British Columbia through the Ministry of Education. School District No. 23 (Central Okanagan) is exempt from federal and provincial corporate income taxes.

---

**2. Summary of significant accounting policies**

**(a) Basis of accounting**

These financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This Section requires that the financial statements be prepared in accordance with Canadian public sector accounting standards except in regard to the accounting for government transfers as set out in the *"Deferred Revenue and Deferred Capital Revenue"* and *"Revenue Recognition"* notes below.

In November 2011, Treasury Board provided a directive through Restricted Contributions Regulation 198/2011 providing direction for the reporting of restricted contributions whether they are received or receivable by the School District before or after this regulation was in effect.

As noted in the *"Deferred Revenue and Deferred Capital Revenue"* and *"Revenue Recognition"* notes below, Section 23.1 of the Budget Transparency and Accountability Act and its related regulations require the School District to recognize government transfers for the acquisition of capital assets into revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be fully recognized into revenue. The impact of this difference on the financial statements of the School District is as follows:

|                                                                                         |                       |
|-----------------------------------------------------------------------------------------|-----------------------|
| Year ended June 30, 2017 - decrease in annual surplus by                                | <u>\$ (1,611,712)</u> |
| June 30, 2017 - increase in accumulated surplus & decrease in deferred contributions by | <u>\$ 179,127,551</u> |
| Year ended June 30, 2018 - increase in annual surplus by                                | <u>\$ 4,833,032</u>   |
| June 30, 2018 - increase in accumulated surplus & decrease in deferred contributions by | <u>\$ 183,960,583</u> |



**2. Summary of significant accounting policies (*continued*)**

(b) Cash and cash equivalents

Cash and cash equivalents include cash balances, term deposits and bonds that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These cash equivalents generally have a maturity of three months or less when purchased and are held for the purpose of meeting short term cash commitments rather than for investing.

(c) Portfolio investments

The School District has investments in provincial, municipal and corporate bonds which have original terms to maturity of greater than three months at the time of acquisition. Bonds not quoted in an active market are reported at cost or amortized cost.

Portfolio investments in bond instruments that are quoted in an active market are recorded at fair value and the associated transaction costs are expensed upon initial recognition. The change in the fair value is recognized in the Statement of Remeasurement Gains and Losses as a remeasurement gain or loss until the portfolio investments are realized on disposal. Upon disposal, any accumulated remeasurement gains or losses associated with the portfolio investments are reclassified to the Statement of Operations.

Impairment is defined as a loss in value of a short term investment that is other than a temporary decline and is included in the Statement of Operations. In the case of an item in the fair value category, a reversal of any net remeasurement gains recognized in previous reporting periods up to the amount of the write-down is reported in the Statement of Remeasurement Gains and Losses. The loss is not reversed if there is a subsequent increase in value.

(d) Accounts receivable

Accounts receivable are measured at amortized cost and shown net of an allowance for doubtful accounts.

(e) Prepaid expenses

Prepaid expenses include licenses, deposits and software maintenance contracts that are valued at acquisition cost. Prepaid expenses are charged to expense over the periods expected to benefit from it.

(f) Supplies inventory

Supplies inventory held for consumption or use include school supplies and are recorded at the lower of historical cost and replacement cost.

(g) Tangible capital assets

The following criteria apply:

- Tangible capital assets acquired and constructed are recorded at cost and include donated tangible capital assets which are recorded at their fair market value on the date of donation.
- Work-in-progress is recorded as an acquisition to the applicable asset class at substantial completion.
- Sites and buildings that no longer contribute to the ability of the School District to provide services are written-down to residual value.



## 2. Summary of significant accounting policies (*continued*)

### (g) Tangible capital assets (*continued*)

- Tangible capital assets acquired or constructed are recorded at cost which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Costs also include overhead directly attributable to construction.
- Donated tangible capital assets are recorded at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value.
- Work in progress is recorded as an acquisition to the applicable asset class at substantial completion.
- Transfers of capital assets from related parties are recorded at carrying value.
- Tangible capital assets are written down to residual value when conditions indicate they no longer contribute to the ability of the School District to provide services or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs are accounted for as expenses in the Statement of Operations.
- Buildings that are demolished or destroyed are written off. Disposals sites or buildings are recorded and gains/losses calculated.
- Amortization is recorded on a straight-line basis over the estimated useful life of the tangible capital asset. It is management's responsibility to determine the appropriate useful lives for capital assets. These useful lives are reviewed on a regular basis or if significant events initiate the need to revise. Estimated useful lives are as follows:

|                         |          |
|-------------------------|----------|
| Buildings               | 40 years |
| Computer hardware       | 5 years  |
| Computer software       | 5 years  |
| Furniture and equipment | 10 years |
| Vehicles                | 10 years |

### (h) Unearned revenue

Unearned revenue includes tuition fees received for courses to be delivered in future periods and receipt of proceeds for services to be delivered in a future period. Revenue will be recognized in that future period when the courses or services are provided.

### (i) Deferred revenue and deferred capital revenue

Deferred revenue includes contributions received with stipulations that meet the description of restricted contributions in the Restricted Contributions Regulation 198/2011 issued by Treasury Board. When restrictions are met, deferred revenue is recognized as revenue in the fiscal year in a manner consistent with the circumstances and evidence used to support the initial recognition of the contributions received as a liability as detailed in the "Revenue Recognition" note below.

Funding received for the acquisition of depreciable tangible capital assets is recorded as deferred capital revenue and amortized over the life of the asset acquired as revenue in the Statement of Operations. This accounting treatment is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability in which case the transfer is recognized as revenue over the period that the liability is extinguished. See the "Basis of Accounting" note above for the impact of this policy on these financial statements.

**2. Summary of significant accounting policies (*continued*)**

**(j) Employee future benefits**

The School District provides certain post-employment benefits including vested and non-vested benefits for certain employees pursuant to certain contracts and union agreements. The School District accrues its obligations and related costs, including both vested and non-vested benefits, under employee future benefit plans. Benefits include vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance, vacation, overtime and death benefits. The benefits cost is actuarially determined using the projected unit credit method pro-rata on service and management's best estimate of expected salary escalation, termination and retirement rates and mortality. The discount rate used to measure obligations is based on the cost of borrowing.

The cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime (EARSL) of active employees covered under the plan.

The most recent valuation of the obligation was performed at March 31, 2016 and projected to March 31, 2019. The next valuation will be performed at March 31, 2019 for use at June 30, 2019. For the purposes of determining the financial position of the plans and the employee future benefit costs, a measurement date of March 31 was adopted for all periods subsequent to July 1, 2004.

The School District and its employees make contributions to the Teachers' Pension Plan and Municipal Pension Plan. The plans are multi-employer plans where assets and obligations are not separated. The costs are expensed as incurred.

**(k) Asset retirement obligations**

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Statement of Operations.

**(l) Liability for contaminated sites**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the School District:
  - is directly responsible; or
  - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

**2. Summary of significant accounting policies (*continued*)**

(l) Liability for contaminated sites (*continued*)

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(m) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Contributions received or where eligibility criteria have been met are recognized as revenue except where the contribution meets the criteria for deferral as described below. Eligibility criteria are the criteria that the School District has to meet in order to receive the contributions including authorization by the transferring government.

For contributions subject to a legislative or contractual stipulation or restriction as to their use, revenue is recognized as follows:

- Non-capital contributions for specific purposes are recorded as deferred revenue and recognized as revenue in the year related expenses are incurred,
- Contributions restricted for site acquisitions are recorded as revenue when the sites are purchased, and
- Contributions restricted for tangible capital assets acquisitions other than sites are recorded as deferred capital revenue and amortized over the useful life of the related assets.

Donated tangible capital assets other than sites are recorded at fair market value and amortized over the useful life of the assets. Donated sites are recorded as revenue at fair market value when received or receivable.

The accounting treatment for restricted contributions is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that meets the criteria for liability recognition in which case the transfer is recognized as revenue over the period that the liability is extinguished. See the "*Basis of Accounting*" note above for the impact of this policy on these financial statements.

Revenue related to fees or services received in advance of the fee being earned or the service performed is deferred and recognized when the fee is earned or service performed.

Investment income is reported in the period earned. When required by the funding party or related Act, investment income earned on deferred revenue is added to the deferred revenue balance.

**2. Summary of significant accounting policies (*continued*)**

(n) Expenditures

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

- Categories of salaries
  - Principals, Vice Principals and Directors of Instruction employed under an administrative officer contract are categorized as Principals and Vice-Principals.
  - Superintendents, Assistant Superintendents, Secretary Treasurers, Trustees and any other employees excluded from union contract are categorized as Other Professionals.
- Allocation of costs
  - Operating expenses are reported by function, program and object. Whenever possible, expenditures are determined by actual identification. Additional costs pertaining to specific instructional programs such as special and aboriginal education are allocated to these programs. All other costs are allocated to regular programs.
  - Actual salaries of personnel assigned by two or more functions or programs are allocated based on the time spent in each function and program. School based clerical salaries are allocated to school administration and partially to other programs to which they may be assigned. Principals and Vice-Principals salaries are allocated to school administration and may be partially allocated to other programs to recognize their other responsibilities.
  - Employee benefits are allocated to the same programs, and in the same proportions, as the individual's salary.
  - Supplies and services are allocated based on actual program identification.

(o) Financial instruments

A contract establishing a financial instrument creates, at its inception, rights and obligations to receive or deliver economic benefits. The financial assets and financial liabilities portray these rights and obligations in the financial statements. The School District recognizes a financial instrument when it becomes a party to a financial instrument contract.

The School District's financial instruments consist of cash and cash equivalents, accounts receivable, portfolio investments, accounts payable and accrued liabilities and other liabilities. Unless otherwise noted, it is management's opinion that the School District is not exposed to significant credit, liquidity or market risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Except for portfolio investments in equity instruments quoted in an active market that are recorded at fair value, all financial assets and liabilities are recorded at cost or amortized cost and the associated transaction costs are added to the carrying value of these investments upon initial recognition. Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a financial liability.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the Statement of Remeasurement Gains and Losses. Upon settlement, the cumulative gain or loss is reclassified from the Statement of Remeasurement Gains and Losses and recognized in the Statement of Operations.

**2. Summary of significant accounting policies (*continued*)**

(o) Financial instruments (*continued*)

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations. A write-down of a short term investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

(p) Measurement uncertainty

Preparation of financial statements in accordance with the "*Basis of Accounting*" note above requires management to make estimates and assumptions that impact reported amounts for assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the potential impairment of assets, rates for amortization and estimated employee future benefits. Actual results could differ from those estimates.

(q) Funds and reserves

Certain amounts, as approved by the Board, are set aside in accumulated surplus for future operating and capital purposes. Transfers to and from funds and reserves are an adjustment to the respective fund when approved (see the "*Internally Restricted Surplus - Operating Fund*" and "*Interfund Transfers*" notes below).

---

**3. Cash and cash equivalents**

Included in cash and cash equivalents are funds in the amount of \$266,244 (2017 - \$126,873), restricted and paid out to staff who contribute and take part in the District's self-funded deferred salary leave plan.

Also included in cash and cash equivalents are funds in the amount of \$7,909,361 (2017 - \$7,241,200), restricted and paid out to teachers who contribute and take part in the District's self-funded summer saving plan.

---

**4. Accounts receivable - other**

|                                          | 2018                | 2017                |
|------------------------------------------|---------------------|---------------------|
| GST rebate                               | \$ 301,727          | \$ 244,447          |
| Invoices receivable                      | 326,570             | 328,821             |
| Long term receivable                     | 71,908              | 86,302              |
| Other receivable                         | 899,493             | 417,330             |
| <b>Total accounts receivable - other</b> | <b>\$ 1,599,698</b> | <b>\$ 1,076,900</b> |

**5. Accounts payable and accrued liabilities - other**

|                                                               | 2018                 | 2017                 |
|---------------------------------------------------------------|----------------------|----------------------|
| Trade                                                         | \$ 3,701,154         | \$ 2,196,570         |
| International Education                                       | 1,406,212            | 1,137,576            |
| Summer Savings program                                        | 7,909,361            | 7,241,200            |
| Deferred Salary Leave program                                 | 266,244              | 126,873              |
| Due to administration building contractor                     | -                    | 2,482,016            |
| Ministry of Education enrolment audit recovery                | -                    | 374,434              |
| Miscellaneous                                                 | 611,415              | 856,578              |
| <b>Total accounts payable and accrued liabilities - other</b> | <b>\$ 13,894,386</b> | <b>\$ 14,415,247</b> |

**6. Bank loans**

The School District has a revolving demand operating credit facility with the Royal Bank of Canada in the amount of \$5,000,000. The facility is secured by a certified copy of a resolution permitting short term borrowings up to \$5,000,000 under Section 139 of the School Act approved by the Board of Education of the School District. The amounts are repayable on demand and bear interest at the bank's prime lending rate. At June 30, 2018 the balance outstanding under this credit facility was \$nil (2017 – \$nil).

**7. Unearned revenue**

|                             | 2018                | 2017                |
|-----------------------------|---------------------|---------------------|
| Balance, beginning of year  | \$ 2,390,176        | \$ 2,144,588        |
| Changes for the year;       |                     |                     |
| Increase:                   |                     |                     |
| Transportation fees         | 57,290              | 140,551             |
| Tuition fees                | 4,527,283           | 4,277,085           |
| Other                       | 14,833              | 11,898              |
|                             | 4,599,406           | 4,429,534           |
| Decrease:                   |                     |                     |
| Transportation fees         | (140,551)           | (287,709)           |
| Tuition fees                | (4,369,070)         | (3,881,216)         |
| Other                       | (11,898)            | (15,021)            |
|                             | (4,521,519)         | (4,183,946)         |
| <b>Balance, end of year</b> | <b>\$ 2,468,063</b> | <b>\$ 2,390,176</b> |

**Unearned revenue comprised of:**

|                     | 2018                | 2017                |
|---------------------|---------------------|---------------------|
| Transportation fees | \$ 57,290           | \$ 140,550          |
| Tuition fees        | 2,395,940           | 2,237,728           |
| Other               | 14,833              | 11,898              |
|                     | <b>\$ 2,468,063</b> | <b>\$ 2,390,176</b> |

**8. Deferred revenue**

Deferred revenue includes unspent grants and contributions received that meet the description of a restricted contribution in the Restricted Contributions Regulation 198/2011 issued by Treasury Board, i.e., the stipulations associated with those grants and contributions have not yet been fulfilled. Detailed information about the changes in deferred revenue is included in Schedule 3A.

|                                                | 2018                       | 2017                       |
|------------------------------------------------|----------------------------|----------------------------|
| Balance, beginning of year                     | \$ 3,749,748               | \$ 3,655,826               |
| Contributions received during the year         | 24,881,699                 | 16,311,778                 |
| Revenue recognized from deferred contributions | (24,680,900)               | (16,217,856)               |
|                                                | <u>200,799</u>             | <u>93,922</u>              |
| <b>Balance, end of year</b>                    | <b><u>\$ 3,950,547</u></b> | <b><u>\$ 3,749,748</u></b> |

---

**9. Deferred capital revenue**

Deferred capital revenue includes grants and contributions received that are restricted by the contributor for the acquisition of tangible capital assets that meet the description of a restricted contribution in the Restricted Contributions Regulation 198/2011 issued by Treasury Board. Once spent, the contributions are amortized into revenue over the life of the asset acquired. Detailed information about the changes in deferred capital revenue is included in Schedule 4C and 4D.

|                                                | 2018                         | 2017                         |
|------------------------------------------------|------------------------------|------------------------------|
| Balance, beginning of year                     | \$ 180,322,218               | \$ 180,822,040               |
| Contributions received during the year         | 14,337,644                   | 7,456,222                    |
| Investment income                              | 34,361                       | 91                           |
| Revenue recognized from deferred contributions | (8,192,707)                  | (7,956,135)                  |
| Site purchases                                 | (27,241)                     | -                            |
| <b>Balance, end of year</b>                    | <b><u>\$ 186,474,275</u></b> | <b><u>\$ 180,322,218</u></b> |

---

**10. Employee future benefits**

Benefits include vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance, vacation, overtime and death benefits. Funding is provided when the benefits are paid and accordingly, there are no plan assets. Although no plan assets are uniquely identified, the School District has provided for the payment of these benefits.

**School District No. 23 (Central Okanagan)**  
**Notes to the Financial Statements**  
**June 30, 2018**

**10. Employee future benefits (continued)**

|                                                              | 2018                  | 2017                  |
|--------------------------------------------------------------|-----------------------|-----------------------|
| <b>Reconciliation of accrued benefit obligation</b>          |                       |                       |
| Accrued benefit obligation - April 1                         | \$ 8,653,674          | \$ 9,007,221          |
| Service cost                                                 | 708,445               | 709,320               |
| Interest cost                                                | 244,205               | 228,617               |
| Benefit payments                                             |                       |                       |
| April 1 to March 31 - vested                                 | (850,906)             | (378,031)             |
| April 1 to March 31 - non vested                             | (60,537)              | (71,836)              |
| Actuarial (gain) loss                                        | (49,464)              | (841,617)             |
| Accrued benefit obligation - March 31                        | <u>\$ 8,645,417</u>   | <u>\$ 8,653,674</u>   |
| <b>Reconciliation of funded status at end of fiscal year</b> |                       |                       |
| Accrued benefit obligation - March 31                        | \$ (8,645,417)        | \$ (8,653,674)        |
| Employer contributions after measurement date                | 235,269               | 408,772               |
| Benefit expense after measurement date - April to June 30    | (243,730)             | (238,163)             |
| Unamortized net actuarial (gain)/loss                        | (930,558)             | (953,063)             |
| Accrued benefit obligation - June 30                         | <u>\$ (9,584,436)</u> | <u>\$ (9,436,128)</u> |
| <b>Reconciliation of change in accrued benefit liability</b> |                       |                       |
| Accrued benefit liability - July 1                           | \$ 9,436,128          | \$ 9,239,249          |
| Net expense for fiscal year                                  | 886,248               | 956,411               |
| Employer contributions                                       |                       |                       |
| July 1 to March 31                                           | (502,671)             | (350,760)             |
| April 1 to June 30                                           | (235,269)             | (408,772)             |
| Accrued benefit liability - June 30                          | <u>\$ 9,584,436</u>   | <u>\$ 9,436,128</u>   |
| <b>Components of net benefit expense</b>                     |                       |                       |
| Service cost - July 1 to March 31                            | 531,334               | 531,990               |
| Service cost - April 1 to June 30                            | 182,294               | 177,112               |
| Interest cost - July 1 to March 31                           | 183,154               | 171,462               |
| Interest cost - April 1 to June 30                           | 61,435                | 61,051                |
| Amortization of net actuarial (gain)/loss                    | (71,969)              | 14,796                |
| <b>Net benefit expense</b>                                   | <u>\$ 886,248</u>     | <u>\$ 956,411</u>     |

The significant actuarial assumptions adopted for measuring the School District's accrued benefit obligations are:

|                                                             | 2018              | 2017              |
|-------------------------------------------------------------|-------------------|-------------------|
| Discount rate - April 1                                     | 2.75%             | 2.50%             |
| Discount rate - March 31                                    | 2.75%             | 2.75%             |
| Long term salary growth - April 1                           | 2.50% + seniority | 2.50% + seniority |
| Long term salary growth - March 31                          | 2.50% + seniority | 2.50% + seniority |
| Expected avg. remaining service lifetime (EARSL) - March 31 | 9.7               | 9.7               |



**School District No. 23 (Central Okanagan)**  
**Notes to the Financial Statements**  
**June 30, 2018**

**11. Other liabilities**

|                                | 2018                | 2017                |
|--------------------------------|---------------------|---------------------|
| Accrued vacation payable       | \$ 1,302,705        | \$ 1,233,945        |
| Benefits payable               | 6,976,235           | 6,818,662           |
| Wages payable                  | 694,713             | 681,496             |
| Other payables                 | 480,424             | 418,720             |
| <b>Total other liabilities</b> | <b>\$ 9,454,077</b> | <b>\$ 9,152,823</b> |

**12. Tangible capital assets**

|                       | 2018                  | 2017                  |
|-----------------------|-----------------------|-----------------------|
| <b>Net Book Value</b> |                       |                       |
| Sites                 | \$ 53,782,634         | \$ 54,631,250         |
| Buildings             | 210,494,440           | 203,063,564           |
| Buildings - WIP       | 4,986,036             | 3,427,367             |
| Computer hardware     | 9,132,134             | 7,212,534             |
| Computer software     | 22,031                | 26,170                |
| Furniture & equipment | 5,837,869             | 5,080,032             |
| Vehicles              | 4,413,069             | 4,547,037             |
| <b>Total</b>          | <b>\$ 288,668,213</b> | <b>\$ 277,987,954</b> |

|                       | Balance at<br>July 1, 2017 | Additions            | Disposals             | Net WIP<br>Transfer | Balance at<br>June 30, 2018 |
|-----------------------|----------------------------|----------------------|-----------------------|---------------------|-----------------------------|
| <b>Cost</b>           |                            |                      |                       |                     |                             |
| Sites                 | \$ 54,631,250              | \$ 82,963            | \$ (931,579)          | \$ -                | \$ 53,782,634               |
| Buildings             | 362,718,161                | 12,528,032           | (660,385)             | 3,427,367           | 378,013,175                 |
| Buildings - WIP       | 3,427,367                  | 4,986,036            | -                     | (3,427,367)         | 4,986,036                   |
| Computer hardware     | 13,099,980                 | 4,539,596            | (3,306,359)           | -                   | 14,333,217                  |
| Computer software     | 46,718                     | 5,206                | (19,083)              | -                   | 32,841                      |
| Furniture & equipment | 10,458,463                 | 1,803,684            | (1,434,024)           | -                   | 10,828,123                  |
| Vehicles              | 7,635,653                  | 629,596              | (1,016,012)           | -                   | 7,249,237                   |
| <b>Total</b>          | <b>\$ 452,017,592</b>      | <b>\$ 24,575,113</b> | <b>\$ (7,367,442)</b> | <b>\$ -</b>         | <b>\$ 469,225,263</b>       |

**Acc. Amortization**

|                       |                       |                      |                       |             |                       |
|-----------------------|-----------------------|----------------------|-----------------------|-------------|-----------------------|
| Buildings             | \$ 159,654,597        | \$ 8,154,814         | \$ (290,676)          | \$ -        | \$ 167,518,735        |
| Computer hardware     | 5,887,446             | 2,619,996            | (3,306,359)           | -           | 5,201,083             |
| Computer software     | 20,549                | 9,344                | (19,083)              | -           | 10,810                |
| Furniture & equipment | 5,378,431             | 1,045,847            | (1,434,024)           | -           | 4,990,254             |
| Vehicles              | 3,088,615             | 763,565              | (1,016,012)           | -           | 2,836,168             |
| <b>Total</b>          | <b>\$ 174,029,638</b> | <b>\$ 12,593,566</b> | <b>\$ (6,066,154)</b> | <b>\$ -</b> | <b>\$ 180,557,050</b> |

12. Tangible capital assets *(continued)*

|                          | Balance at<br>July 1, 2016 | Additions            | Disposals             | Balance at<br>June 30, 2017 |
|--------------------------|----------------------------|----------------------|-----------------------|-----------------------------|
| <b>Cost</b>              |                            |                      |                       |                             |
| Sites                    | \$ 54,787,848              | \$ 143,289           | \$ (299,887)          | \$ 54,631,250               |
| Buildings                | 357,088,249                | 5,629,912            | -                     | 362,718,161                 |
| Buildings - WIP          | -                          | 3,427,367            | -                     | 3,427,367                   |
| Computer hardware        | 14,153,101                 | 1,842,204            | (2,895,325)           | 13,099,980                  |
| Computer software        | 92,633                     | 14,429               | (60,344)              | 46,718                      |
| Furniture & equipment    | 10,733,039                 | 690,310              | (964,886)             | 10,458,463                  |
| Vehicles                 | 6,223,568                  | 1,452,301            | (40,216)              | 7,635,653                   |
| <b>Total</b>             | <b>\$ 443,078,438</b>      | <b>\$ 13,199,812</b> | <b>\$ (4,260,658)</b> | <b>\$ 452,017,592</b>       |
| <b>Acc. Amortization</b> |                            |                      |                       |                             |
| Buildings                | \$ 151,610,177             | \$ 8,044,420         | \$ -                  | \$ 159,654,597              |
| Computer hardware        | 5,952,151                  | 2,830,620            | (2,895,325)           | 5,887,446                   |
| Computer software        | 62,365                     | 18,527               | (60,344)              | 20,548                      |
| Furniture & equipment    | 5,270,013                  | 1,073,304            | (964,886)             | 5,378,431                   |
| Vehicles                 | 2,506,475                  | 622,357              | (40,216)              | 3,088,616                   |
| <b>Total</b>             | <b>\$ 165,401,181</b>      | <b>\$ 12,589,228</b> | <b>\$ (3,960,771)</b> | <b>\$ 174,029,638</b>       |

Buildings - WIP having a value of \$4,986,036 (2017 - \$3,427,267) has not been amortized. Amortization of these assets will commence when the assets are put in service.

During the year, the District substantially completed building the new school board office which was funded by the sale of the existing board office, Annual Facilities funding, local capital and future land sales.

13. Prepaid expenses

|                                                              | 2018       | 2017       |
|--------------------------------------------------------------|------------|------------|
| Prepaid software licensing, deposits and classroom equipment | \$ 161,627 | \$ 353,171 |

**14. Disposal of site**

During the year, the School District disposed of one piece of property located on Underhill Street in Kelowna, BC. This property was owned by the independent Kelowna School District and transferred to the District upon incorporation in 1946. As such, the purchase was fully funded by the District and the corresponding gain on disposal has been recorded in local capital. Details of the recording of the disposition is as follows:

|                                 |                            |
|---------------------------------|----------------------------|
| Proceeds                        | \$ 5,700,000               |
| Net book value                  | <u>(1,301,288)</u>         |
| <b>Gain on sale of property</b> | <b><u>\$ 4,398,712</u></b> |

---

**15. Employee pension plans**

The School District and its employees contribute to the Teachers' Pension Plan and Municipal Pension Plan, jointly trusted pension plans. The boards of trustees for these plans represent plan members and employers, and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at December 31, 2016, the Teachers' Pension Plan has about 45,000 active members from school districts and approximately 37,000 retired members from school districts. As at December 31, 2016, the Municipal Plan has about 193,000 active contributors, of which approximately 24,000 are from school districts.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and the adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry age normal cost method, which produces the long term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability. The most recent valuation of the Teachers' Pension Plan as at December 31, 2014 indicated a \$449 million surplus for basic pension benefits on a going concern basis. As a result of the 2014 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, the employer basic contribution rate decreased. The next valuation for the Teachers' Pension Plan will be as at December 31, 2017, with results available in 2018.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rate remained unchanged. The next valuation will be as at December 31, 2018 with results available in 2019.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan. The School District paid \$19,220,290 (2017 - \$17,788,215) for employer contributions to these plans in the year ended June 30, 2018.

**16. Internally restricted surplus - operating fund**

|                                                    | 2018                | 2017                |
|----------------------------------------------------|---------------------|---------------------|
| Internally restricted (appropriated) by Board for: |                     |                     |
| Appropriated for next year's budget                | \$ 3,034,268        | \$ 2,610,224        |
| Net school surpluses                               | 963,383             | 1,471,330           |
| Student learning grant                             | -                   | 745,060             |
| Targeted aboriginal program                        | 402,302             | 252,237             |
| CUPE training funds                                | 164,119             | 177,563             |
| Comprehensive privacy and security foundation      | 100,000             | -                   |
| Energy manager shared service program              | 82,205              | 161,269             |
| Trades grant                                       | 27,075              | 142,532             |
| WCB core audit funds                               | 39,000              | 54,000              |
| Trustee travel                                     | 33,928              | 30,200              |
| Active kids grant                                  | -                   | 20,699              |
| International field trip                           | 23,400              | -                   |
| Subtotal (internally restricted)                   | 4,869,680           | 5,665,114           |
| Unrestricted operating surplus                     | 2,519,656           | 2,233,445           |
| <b>Total available for future operations</b>       | <b>\$ 7,389,336</b> | <b>\$ 7,898,559</b> |

**17. Expense by object**

|                                         | 2018                  | 2017                  |
|-----------------------------------------|-----------------------|-----------------------|
| Salaries and benefits                   | \$ 197,519,799        | \$ 185,583,184        |
| Services and supplies                   | 32,117,633            | 30,595,517            |
| Amortization on tangible capital assets | 12,593,566            | 12,589,226            |
| <b>Total expenses by object</b>         | <b>\$ 242,230,998</b> | <b>\$ 228,767,927</b> |

**18. Interfund transfers**

Inter-fund transfers between operating, special purpose and capital funds are for the year ended June 30, 2018 were as follows:

- Transfers in the amount of \$567,351 (2017 - \$663,684) were made from the Special Purpose Funds to the Capital Fund for capital asset purchases funded by the Special Purpose Funds.
- Transfers in the amount of \$1,050,069 (2017 - \$1,166,901) were made from the Operating Fund to the Capital Fund for capital asset purchases funded by the Operating Fund.
- Transfers in the amount of \$4,000,000 (2017 - \$2,627,415) were made from Local Capital within the Operating fund to the Capital Fund for capital asset purchases funded by Local Capital.

## **19. Related party transactions**

The School District is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations.

Transactions with all of these entities, unless disclosed separately, are generally considered to be in the normal course of operations and are recorded at the exchange amount.

---

## **20. Contractual obligations**

During the year, the School District has entered into several contractual obligations including:

- Construction contracts, relating to new middle schools in both the upper Mission and Lake Country, as well, bus and Annual Facilities purchases, resulting in commitments of \$61,687,838 at June 30, 2018 (2017 - \$45,033,744).
- These commitments will be funded by bylaw capital through the Province of British Columbia and will become liabilities in the future when the terms of the contracts are met.

---

## **21. Contingencies**

The School District is involved in certain legal actions. Some of these legal actions are managed and covered by the School District, School's Protection Program. The outcome of these matters cannot be determined at this time. In the event that any claims are successful, it is management's opinion that the settlements of such claims would not have a material effect on the financial position of the School District. The resulting loss to the School District, if any, will be recorded in the period in which it is determinable.

Legal liabilities may exist for the removal or disposal of asbestos in schools that will undergo major renovations or demolition. As at June 30, 2018, the liability is not reasonably determinable and accordingly, the fair value of the liability for asbestos removal or disposal will be recognized in the period in which it is incurred.

The School District has three letters of credit with the Royal Bank of Canada in the amounts of \$17,550 and \$428,172, both payable to the City of Kelowna, and \$35,000, payable to the Rutland Waterworks District. The City of Kelowna letter of credits are required in connection with the completion of works and service as well as landscaping relating to the new administration office located at 1040 Hollywood Road. These letter of credits were issued on July 29, 2016 and December 6, 2017 respectively. The \$17,550 letter of credit was reduced to \$1,000 on June 11, 2018. The Rutland Waterworks District letter of credit was necessary to cover hydrant installation and geoexchange improvements for the new administration office as well and was issued on April 5, 2017.

---

## **22. Subsequent event**

Subsequent to June 30, 2018, the School District disposed of property located on Berry Road in the District of Lake Country for \$1,875,000. The land and building was funded by both the District and Ministry of Education so the corresponding gain on disposal will be recorded in both Ministry of Education restricted capital (75%) and local capital (25%).

## 23. Risk management

The School District has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. The Board ensures that the School District has identified its risks and ensures that management monitors and controls them.

### **Credit risk**

Credit risk is the risk of financial loss to an institution if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held consisting of cash and cash equivalents, accounts receivable and portfolio investments.

The School District is exposed to credit risk in the event of non-performance by a borrower. This risk is mitigated as most accounts receivable are due from the Province and are collectible.

It is management's opinion that the School District is not exposed to significant credit risk associated with its cash deposits and investments as they are placed with the Royal Bank of Canada and the School District invests solely in fixed income and money market securities. All bonds must have a 'BBB' or better credit rating.

### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. It is management's opinion that the School District is not exposed to significant currency risk, as amounts held and purchases made in foreign currency are insignificant.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The School District is exposed to interest rate risk through its cash and cash equivalents and portfolio investments. It is management's opinion that the School District is not exposed to significant interest rate risk as they invest solely in fixed income and money market securities.

### **Liquidity risk**

Liquidity risk is the risk that the School District will not be able to meet its financial obligations as they become due.

The School District manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the School District's reputation. It is management's opinion that the School District is not exposed to significant liquidity risk, as cash flows are guaranteed by the Ministry of Education.

Risk Management and insurance services for all School Districts in British Columbia are provided by the Risk Management Branch of the Ministry of Finance.

## 24. Economic dependence

The operations of the School District are dependent on continued funding from the Ministry of Education and various governmental agencies to carry out its programs. These financial statements have been prepared on a going concern basis.

## 25. Comparative figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

## 26. Budget figures

Budget figures included in the financial statements are the original planned budget approved by the Board through the adoption of an annual budget on June 28, 2017. While PSAS require the presentation of the originally planned budget, an amended budget based on more accurate enrollment numbers was approved by the Board and filed with the Ministry of Education on February 14, 2018. Significant changes between the original and amended budget are as follows:

|                                               | Amended<br>Annual<br>Budget | Annual<br>Budget      | Change              |
|-----------------------------------------------|-----------------------------|-----------------------|---------------------|
| <b>Revenue</b>                                |                             |                       |                     |
| Provincial Grants                             | \$ 215,583,258              | \$ 219,854,630        | \$ 4,271,372        |
| Tuition                                       | 5,600,000                   | 5,600,000             | -                   |
| Other Revenue                                 | 10,484,131                  | 10,291,281            | (192,850)           |
| Investment Income                             | 675,000                     | 575,000               | (100,000)           |
| Amortization of Deferred Cap Revenue          | 7,794,000                   | 7,794,000             | -                   |
| <b>Total Revenue</b>                          | <b>\$ 240,136,389</b>       | <b>\$ 244,114,911</b> | <b>\$ 3,978,522</b> |
| <b>Expense</b>                                |                             |                       |                     |
| Instruction                                   | \$ 199,908,824              | \$ 204,267,913        | \$ 4,359,089        |
| District Administration                       | 6,019,335                   | 5,950,004             | (69,331)            |
| Operations and Maintenance                    | 35,483,725                  | 35,051,246            | (432,479)           |
| Transportation and Housing                    | 3,941,432                   | 3,905,910             | (35,522)            |
| <b>Total Expense</b>                          | <b>\$ 245,353,316</b>       | <b>\$ 249,175,073</b> | <b>\$ 3,821,757</b> |
| <b>Net Revenue (Expense)</b>                  | <b>\$ (5,216,927)</b>       | <b>\$ (5,060,162)</b> | <b>\$ 156,765</b>   |
| Budget Allocation of Surplus (Deficit)        | 5,665,114                   | 5,214,224             | (450,890)           |
| <b>Budget Surplus (Deficit), for the year</b> | <b>\$ 448,187</b>           | <b>\$ 154,062</b>     | <b>\$ (294,125)</b> |

School District No. 23 (Central Okanagan)

Schedule of Changes in Accumulated Surplus (Deficit) by Fund

Year Ended June 30, 2018

|                                                          | Operating Fund | Special Purpose Fund | Capital Fund | 2018 Actual | 2017 Actual |
|----------------------------------------------------------|----------------|----------------------|--------------|-------------|-------------|
|                                                          | \$             | \$                   | \$           | \$          | \$          |
| Accumulated Surplus (Deficit), beginning of year         | 7,898,559      |                      | 101,272,568  | 109,171,127 | 105,631,114 |
| Changes for the year                                     |                |                      |              |             |             |
| Surplus (Deficit) for the year                           | 4,540,846      | 567,351              | 56,551       | 5,164,748   | 3,540,013   |
| Interfund Transfers                                      |                |                      |              |             |             |
| Tangible Capital Assets Purchased                        | (1,050,069)    | (567,351)            | 1,617,420    | -           | -           |
| Local Capital                                            | (4,000,000)    |                      | 4,000,000    | -           | -           |
| Net Changes for the year                                 | (509,223)      | -                    | 5,673,971    | 5,164,748   | 3,540,013   |
| Accumulated Surplus (Deficit), end of year - Statement 2 | 7,389,336      | -                    | 106,946,539  | 114,335,875 | 109,171,127 |
| Accumulated Remeasurement Gains (Losses) - Statement 3   | 750,978        |                      |              | 750,978     | 1,188,726   |
|                                                          | 8,140,314      | -                    | 106,946,539  | 115,086,853 | 110,359,853 |



# School District No. 23 (Central Okanagan)

Schedule of Operating Operations

Year Ended June 30, 2018

Schedule 2 (Unaudited)

|                                                                 | 2018<br>Budget<br>\$ | 2018<br>Actual<br>\$      | 2017<br>Actual<br>\$ |
|-----------------------------------------------------------------|----------------------|---------------------------|----------------------|
| <b>Revenues</b>                                                 |                      |                           |                      |
| Provincial Grants                                               |                      |                           |                      |
| Ministry of Education                                           | 201,610,204          | <b>198,814,251</b>        | 196,335,998          |
| Other                                                           | 604,928              | <b>695,250</b>            | 698,577              |
| Tuition                                                         | 5,600,000            | <b>5,886,182</b>          | 5,168,270            |
| Other Revenue                                                   | 2,416,281            | <b>3,049,887</b>          | 3,011,687            |
| Rentals and Leases                                              | 575,000              | <b>613,124</b>            | 629,784              |
| Investment Income                                               | 550,000              | <b>859,731</b>            | 771,678              |
| <b>Total Revenue</b>                                            | <u>211,356,413</u>   | <u><b>209,918,425</b></u> | <u>206,615,994</u>   |
| <b>Expenses</b>                                                 |                      |                           |                      |
| Instruction                                                     | 180,465,617          | <b>174,843,957</b>        | 170,219,569          |
| District Administration                                         | 5,950,004            | <b>5,737,562</b>          | 5,344,439            |
| Operations and Maintenance                                      | 22,651,246           | <b>20,617,258</b>         | 21,022,149           |
| Transportation and Housing                                      | 3,905,910            | <b>4,178,802</b>          | 3,900,421            |
| <b>Total Expense</b>                                            | <u>212,972,777</u>   | <u><b>205,377,579</b></u> | <u>200,486,578</u>   |
| <b>Operating Surplus (Deficit) for the year</b>                 | <u>(1,616,364)</u>   | <u><b>4,540,846</b></u>   | <u>6,129,416</u>     |
| <b>Budgeted Appropriation (Retirement) of Surplus (Deficit)</b> | <u>5,214,224</u>     |                           |                      |
| <b>Net Transfers (to) from other funds</b>                      |                      |                           |                      |
| Tangible Capital Assets Purchased                               | (1,019,447)          | <b>(1,050,069)</b>        | (1,166,901)          |
| Local Capital                                                   | (2,578,413)          | <b>(4,000,000)</b>        | (2,627,415)          |
| <b>Total Net Transfers</b>                                      | <u>(3,597,860)</u>   | <u><b>(5,050,069)</b></u> | <u>(3,794,316)</u>   |
| <b>Total Operating Surplus (Deficit), for the year</b>          | <u>-</u>             | <u><b>(509,223)</b></u>   | <u>2,335,100</u>     |
| <b>Operating Surplus (Deficit), beginning of year</b>           |                      | <b>7,898,559</b>          | 5,563,459            |
| <b>Operating Surplus (Deficit), end of year</b>                 |                      | <u><b>7,389,336</b></u>   | <u>7,898,559</u>     |
| <b>Operating Surplus (Deficit), end of year</b>                 |                      |                           |                      |
| Internally Restricted (Note 16)                                 |                      | <b>4,869,680</b>          | 5,665,114            |
| Unrestricted                                                    |                      | <b>2,519,656</b>          | 2,233,445            |
| <b>Total Operating Surplus (Deficit), end of year</b>           |                      | <u><b>7,389,336</b></u>   | <u>7,898,559</u>     |

# School District No. 23 (Central Okanagan)

Schedule 2A (Unaudited)

Schedule of Operating Revenue by Source

Year Ended June 30, 2018

|                                                        | 2018<br>Budget<br>\$ | 2018<br>Actual<br>\$ | 2017<br>Actual<br>\$ |
|--------------------------------------------------------|----------------------|----------------------|----------------------|
| <b>Provincial Grants - Ministry of Education</b>       |                      |                      |                      |
| Operating Grant, Ministry of Education                 | 199,560,179          | <b>196,542,196</b>   | 192,838,092          |
| DISC/LEA Recovery                                      | (891,281)            | <b>(1,034,101)</b>   | (1,057,995)          |
| Other Ministry of Education Grants                     |                      |                      |                      |
| Pay Equity                                             | 1,238,323            | <b>1,238,323</b>     | 1,238,323            |
| Funding for Graduated Adults                           | 15,000               |                      | 18,549               |
| Transportation Supplement                              | 600,000              | <b>600,000</b>       | 600,000              |
| Economic Stability Dividend                            |                      | <b>134,530</b>       | 118,642              |
| Return of Administrative Savings                       | 967,983              | <b>967,983</b>       | 967,983              |
| Carbon Tax Grant                                       | 120,000              | <b>164,666</b>       | 262,217              |
| Student Learning Grant                                 |                      |                      | 1,114,394            |
| Audit Recoveries                                       |                      | <b>(124,533)</b>     |                      |
| Shared Energy Manager Funding                          |                      | <b>200,000</b>       | 200,000              |
| Cohesive Data Funding                                  |                      | <b>70,000</b>        |                      |
| FSA & Exam                                             |                      | <b>27,292</b>        | 27,293               |
| Other                                                  |                      | <b>27,895</b>        | 8,500                |
| <b>Total Provincial Grants - Ministry of Education</b> | <b>201,610,204</b>   | <b>198,814,251</b>   | 196,335,998          |
| <b>Provincial Grants - Other</b>                       | <b>604,928</b>       | <b>695,250</b>       | 698,577              |
| <b>Federal Grants</b>                                  | <b>-</b>             | <b>-</b>             | <b>-</b>             |
| <b>Tuition</b>                                         |                      |                      |                      |
| International and Out of Province Students             | 5,600,000            | <b>5,886,182</b>     | 5,168,270            |
| <b>Total Tuition</b>                                   | <b>5,600,000</b>     | <b>5,886,182</b>     | 5,168,270            |
| <b>Other Revenues</b>                                  |                      |                      |                      |
| Other School District/Education Authorities            | 525,000              | <b>715,022</b>       | 668,248              |
| LEA/Direct Funding from First Nations                  | 891,281              | <b>1,034,101</b>     | 1,057,995            |
| Miscellaneous                                          |                      |                      |                      |
| Transportation fees                                    | 400,000              | <b>486,964</b>       | 473,201              |
| Wage Recoveries                                        | 360,000              | <b>339,943</b>       | 316,818              |
| City of Kelowna                                        | 40,000               | <b>40,000</b>        | 40,000               |
| District of Lake Country                               | 70,000               | <b>71,981</b>        | 71,981               |
| Other                                                  | 130,000              | <b>361,876</b>       | 383,444              |
| <b>Total Other Revenue</b>                             | <b>2,416,281</b>     | <b>3,049,887</b>     | 3,011,687            |
| <b>Rentals and Leases</b>                              | <b>575,000</b>       | <b>613,124</b>       | 629,784              |
| <b>Investment Income</b>                               | <b>550,000</b>       | <b>859,731</b>       | 771,678              |
| <b>Total Operating Revenue</b>                         | <b>211,356,413</b>   | <b>209,918,425</b>   | 206,615,994          |

**DRAFT** - Not Finalized

September 12, 2018 8:12

000050

# School District No. 23 (Central Okanagan)

Schedule 2B (Unaudited)

Schedule of Operating Expense by Object

Year Ended June 30, 2018

|                                     | 2018<br>Budget | 2018<br>Actual | 2017<br>Actual |
|-------------------------------------|----------------|----------------|----------------|
|                                     | \$             | \$             | \$             |
| <b>Salaries</b>                     |                |                |                |
| Teachers                            | 97,438,257     | 92,711,135     | 90,899,615     |
| Principals and Vice Principals      | 10,889,462     | 10,950,478     | 10,549,981     |
| Educational Assistants              | 13,883,717     | 14,107,613     | 13,105,811     |
| Support Staff                       | 20,299,570     | 19,073,882     | 18,782,589     |
| Other Professionals                 | 3,014,779      | 2,984,128      | 2,647,034      |
| Substitutes                         | 6,465,851      | 6,664,739      | 6,953,750      |
| <b>Total Salaries</b>               | 151,991,636    | 146,491,975    | 142,938,780    |
| <b>Employee Benefits</b>            | 37,585,048     | 36,509,487     | 35,874,540     |
| <b>Total Salaries and Benefits</b>  | 189,576,684    | 183,001,462    | 178,813,320    |
| <b>Services and Supplies</b>        |                |                |                |
| Services                            | 4,887,978      | 5,323,378      | 5,256,577      |
| Student Transportation              | 347,949        | 354,938        | 365,740        |
| Professional Development and Travel | 1,902,548      | 1,912,494      | 1,746,867      |
| Rentals and Leases                  | 302,500        | 136,573        | 214,167        |
| Dues and Fees                       | 355,500        | 421,885        | 374,581        |
| Insurance                           | 503,000        | 590,220        | 628,737        |
| Interest                            | -              | -              | -              |
| Supplies                            | 11,245,278     | 9,993,256      | 9,478,503      |
| Utilities                           | 3,851,340      | 3,643,373      | 3,608,086      |
| <b>Total Services and Supplies</b>  | 23,396,093     | 22,376,117     | 21,673,258     |
| <b>Total Operating Expense</b>      | 212,972,777    | 205,377,579    | 200,486,578    |

School District No. 23 (Central Okanagan)

Operating Expense by Function, Program and Object

Year Ended June 30, 2018

|                                                 | Teachers          | Principals and    | Educational       | Support           | Other            | Substitutes      | Total              |
|-------------------------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|--------------------|
|                                                 | Salaries          | Vice Principals   | Assistants        | Staff             | Professionals    | Salaries         | Salaries           |
|                                                 | \$                | \$                | \$                | \$                | \$               | \$               | \$                 |
| <b>1 Instruction</b>                            |                   |                   |                   |                   |                  |                  |                    |
| 1.02 Regular Instruction                        | 75,842,535        | 1,385,152         | 264,823           | 1,075,215         |                  | 5,832,131        | 84,399,856         |
| 1.03 Career Programs                            | 726,471           |                   | 54,350            | 321,415           |                  | 14,111           | 1,116,347          |
| 1.07 Library Services                           | 1,933,915         | 223,676           |                   | 1,318,772         | 90,150           | 9,830            | 3,576,343          |
| 1.08 Counselling                                | 2,536,373         |                   |                   |                   |                  | 9,240            | 2,545,613          |
| 1.10 Special Education                          | 10,411,426        | 224,329           | 12,128,029        | 746,238           |                  | 538,428          | 24,048,450         |
| 1.30 English Language Learning                  | 650,681           |                   |                   | 67,694            |                  | 5,005            | 723,380            |
| 1.31 Aboriginal Education                       | 507,864           | 82,351            | 1,660,411         | 32,787            |                  | 20,020           | 2,303,433          |
| 1.41 School Administration                      |                   | 8,471,789         |                   | 3,369,176         |                  | 57,835           | 11,898,800         |
| 1.62 International and Out of Province Students | 101,870           | 122,338           |                   | 61,921            | 265,127          | 12,570           | 563,826            |
| <b>Total Function 1</b>                         | <b>92,711,135</b> | <b>10,509,635</b> | <b>14,107,613</b> | <b>6,993,218</b>  | <b>355,277</b>   | <b>6,499,170</b> | <b>131,176,048</b> |
| <b>4 District Administration</b>                |                   |                   |                   |                   |                  |                  |                    |
| 4.11 Educational Administration                 |                   | 310,976           |                   | 187,665           | 598,017          | 123,117          | 1,219,775          |
| 4.40 School District Governance                 |                   |                   |                   |                   | 133,326          |                  | 133,326            |
| 4.41 Business Administration                    |                   | 129,867           |                   | 871,646           | 1,072,314        | 42,452           | 2,116,279          |
| <b>Total Function 4</b>                         | <b>-</b>          | <b>440,843</b>    | <b>-</b>          | <b>1,059,311</b>  | <b>1,803,657</b> | <b>165,569</b>   | <b>3,469,380</b>   |
| <b>5 Operations and Maintenance</b>             |                   |                   |                   |                   |                  |                  |                    |
| 5.41 Operations and Maintenance Administration  |                   |                   |                   | 178,793           | 497,920          |                  | 676,713            |
| 5.50 Maintenance Operations                     |                   |                   |                   | 7,890,950         | 85,594           |                  | 7,976,544          |
| 5.52 Maintenance of Grounds                     |                   |                   |                   | 686,030           |                  |                  | 686,030            |
| 5.56 Utilities                                  |                   |                   |                   | 131,941           | 179,469          |                  | 311,410            |
| <b>Total Function 5</b>                         | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>8,887,714</b>  | <b>762,983</b>   | <b>-</b>         | <b>9,650,697</b>   |
| <b>7 Transportation and Housing</b>             |                   |                   |                   |                   |                  |                  |                    |
| 7.41 Transportation and Housing Administration  |                   |                   |                   | 163,194           | 62,211           |                  | 225,405            |
| 7.70 Student Transportation                     |                   |                   |                   | 1,970,445         |                  |                  | 1,970,445          |
| <b>Total Function 7</b>                         | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>2,133,639</b>  | <b>62,211</b>    | <b>-</b>         | <b>2,195,850</b>   |
| <b>9 Debt Services</b>                          |                   |                   |                   |                   |                  |                  |                    |
| <b>Total Function 9</b>                         | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>         | <b>-</b>         | <b>-</b>           |
| <b>Total Functions 1 - 9</b>                    | <b>92,711,135</b> | <b>10,950,478</b> | <b>14,107,613</b> | <b>19,073,882</b> | <b>2,984,128</b> | <b>6,664,739</b> | <b>146,491,975</b> |

# School District No. 23 (Central Okanagan)

Operating Expense by Function, Program and Object

Year Ended June 30, 2018

|                                                 | Total Salaries     | Employee Benefits | Total Salaries and Benefits | Services and Supplies | 2018 Actual        | 2018 Budget        | 2017 Actual        |
|-------------------------------------------------|--------------------|-------------------|-----------------------------|-----------------------|--------------------|--------------------|--------------------|
|                                                 | \$                 | \$                | \$                          | \$                    | \$                 | \$                 | \$                 |
| <b>1 Instruction</b>                            |                    |                   |                             |                       |                    |                    |                    |
| 1.02 Regular Instruction                        | 84,399,856         | 20,341,094        | 104,740,950                 | 8,029,341             | 112,770,291        | 118,974,400        | 112,316,111        |
| 1.03 Career Programs                            | 1,116,347          | 303,645           | 1,419,992                   | 124,235               | 1,544,227          | 1,463,047          | 1,490,409          |
| 1.07 Library Services                           | 3,576,343          | 912,623           | 4,488,966                   | 450,540               | 4,939,506          | 5,132,133          | 4,967,375          |
| 1.08 Counselling                                | 2,545,613          | 613,029           | 3,158,642                   | 5,091                 | 3,163,733          | 3,294,443          | 2,966,638          |
| 1.10 Special Education                          | 24,048,450         | 6,411,963         | 30,460,413                  | 1,066,462             | 31,526,875         | 31,444,704         | 29,267,341         |
| 1.30 English Language Learning                  | 723,380            | 168,664           | 892,044                     | 25,157                | 917,201            | 654,908            | 445,269            |
| 1.31 Aboriginal Education                       | 2,303,433          | 618,178           | 2,921,611                   | 220,294               | 3,141,905          | 3,501,536          | 3,048,377          |
| 1.41 School Administration                      | 11,898,800         | 2,791,994         | 14,690,794                  | 52,230                | 14,743,024         | 13,975,227         | 13,733,980         |
| 1.62 International and Out of Province Students | 563,826            | 114,783           | 678,609                     | 1,418,586             | 2,097,195          | 2,025,219          | 1,984,069          |
| <b>Total Function 1</b>                         | <b>131,176,048</b> | <b>32,275,973</b> | <b>163,452,021</b>          | <b>11,391,936</b>     | <b>174,843,957</b> | <b>180,465,617</b> | <b>170,219,569</b> |
| <b>4 District Administration</b>                |                    |                   |                             |                       |                    |                    |                    |
| 4.11 Educational Administration                 | 1,219,775          | 286,785           | 1,506,560                   | 261,421               | 1,767,981          | 1,635,596          | 1,560,149          |
| 4.40 School District Governance                 | 133,326            | 2,214             | 135,540                     | 127,339               | 262,879            | 276,246            | 244,735            |
| 4.41 Business Administration                    | 2,116,279          | 495,355           | 2,611,634                   | 1,095,068             | 3,706,702          | 4,038,162          | 3,539,555          |
| <b>Total Function 4</b>                         | <b>3,469,380</b>   | <b>784,354</b>    | <b>4,253,734</b>            | <b>1,483,828</b>      | <b>5,737,562</b>   | <b>5,950,004</b>   | <b>5,344,439</b>   |
| <b>5 Operations and Maintenance</b>             |                    |                   |                             |                       |                    |                    |                    |
| 5.41 Operations and Maintenance Administration  | 676,713            | 154,778           | 831,491                     | 519,722               | 1,351,213          | 1,366,775          | 1,341,021          |
| 5.50 Maintenance Operations                     | 7,976,544          | 2,411,580         | 10,388,124                  | 2,969,644             | 13,357,768         | 14,918,580         | 13,738,237         |
| 5.52 Maintenance of Grounds                     | 686,030            | 155,162           | 841,192                     | 440,507               | 1,281,699          | 1,414,931          | 1,122,348          |
| 5.56 Utilities                                  | 311,410            | 58,512            | 369,922                     | 4,256,656             | 4,626,578          | 4,950,960          | 4,820,543          |
| <b>Total Function 5</b>                         | <b>9,650,697</b>   | <b>2,780,032</b>  | <b>12,430,729</b>           | <b>8,186,529</b>      | <b>20,617,258</b>  | <b>22,651,246</b>  | <b>21,022,149</b>  |
| <b>7 Transportation and Housing</b>             |                    |                   |                             |                       |                    |                    |                    |
| 7.41 Transportation and Housing Administration  | 225,405            | 52,707            | 278,112                     | 31,088                | 309,200            | 325,253            | 294,330            |
| 7.70 Student Transportation                     | 1,970,445          | 616,421           | 2,586,866                   | 1,282,736             | 3,869,602          | 3,580,657          | 3,606,091          |
| <b>Total Function 7</b>                         | <b>2,195,850</b>   | <b>669,128</b>    | <b>2,864,978</b>            | <b>1,313,824</b>      | <b>4,178,802</b>   | <b>3,905,910</b>   | <b>3,900,421</b>   |
| <b>9 Debt Services</b>                          |                    |                   |                             |                       |                    |                    |                    |
| <b>Total Function 9</b>                         | -                  | -                 | -                           | -                     | -                  | -                  | -                  |
| <b>Total Functions 1 - 9</b>                    | <b>146,491,975</b> | <b>36,509,487</b> | <b>183,001,462</b>          | <b>22,376,117</b>     | <b>205,377,579</b> | <b>212,972,777</b> | <b>200,486,578</b> |

School District No. 23 (Central Okanagan)

Schedule of Special Purpose Operations  
Year Ended June 30, 2018

|                                                             | 2018<br>Budget<br>\$ | 2018<br>Actual<br>\$ | 2017<br>Actual<br>\$ |
|-------------------------------------------------------------|----------------------|----------------------|----------------------|
| <b>Revenues</b>                                             |                      |                      |                      |
| Provincial Grants                                           |                      |                      |                      |
| Ministry of Education                                       | 17,639,498           | 16,662,719           | 9,002,460            |
| Other Revenue                                               | 7,300,000            | 8,017,283            | 7,208,174            |
| Investment Income                                           |                      | 898                  | 440                  |
| <b>Total Revenue</b>                                        | 24,939,498           | 24,680,900           | 16,211,074           |
| <b>Expenses</b>                                             |                      |                      |                      |
| Instruction                                                 | 23,802,296           | 24,113,549           | 15,547,390           |
| <b>Total Expense</b>                                        | 23,802,296           | 24,113,549           | 15,547,390           |
| <b>Special Purpose Surplus (Deficit) for the year</b>       | 1,137,202            | 567,351              | 663,684              |
| <b>Net Transfers (to) from other funds</b>                  |                      |                      |                      |
| Tangible Capital Assets Purchased                           | (1,137,202)          | (567,351)            | (663,684)            |
| <b>Total Net Transfers</b>                                  | (1,137,202)          | (567,351)            | (663,684)            |
| <b>Total Special Purpose Surplus (Deficit) for the year</b> | -                    | -                    | -                    |
| <b>Special Purpose Surplus (Deficit), beginning of year</b> |                      |                      |                      |
| <b>Special Purpose Surplus (Deficit), end of year</b>       |                      | -                    | -                    |



**Schedule 3A (Unaudited)**

| Community     | LINK   |
|---------------|--------|
| \$            | 25,988 |
| 1,239,231     |        |
| 898           |        |
| 1,240,129     |        |
| 1,225,896     |        |
| <b>40,221</b> |        |
| 1,224,998     |        |
| 898           |        |
| 1,225,896     |        |
| 51,812        |        |
| 7,508         |        |
| 59,320        |        |
| 12,538        |        |
| 1,154,038     |        |
| 1,225,896     |        |
| -             |        |
| -             |        |
| -             |        |
| -             |        |
| -             |        |

School District No. 23 (Central Okanagan)

Changes in Special Purpose Funds and Expense by Object  
Year Ended June 30, 2018

Deferred Revenue, beginning of year

Add: Restricted Grants  
Provincial Grants - Ministry of Education  
Other  
Investment Income

Less: Allocated to Revenue  
Deferred Revenue, end of year

Revenues

Provincial Grants - Ministry of Education  
Other Revenue  
Investment Income

Expenses

Salaries  
Teachers  
Educational Assistants  
Support Staff  
Other Professionals  
Substitutes

Employee Benefits  
Services and Supplies

Net Revenue (Expense) before Interfund Transfers

Interfund Transfers

Tangible Capital Assets Purchased

Net Revenue (Expense)

| Coding and Curriculum Implementation | Classroom Enhancement Fund - Overhead | Classroom Enhancement Fund - Staffing | Provincial Resource Prg. | TOTAL      |
|--------------------------------------|---------------------------------------|---------------------------------------|--------------------------|------------|
| \$                                   | \$                                    | \$                                    | \$                       | \$         |
| 134,362                              |                                       |                                       | 795                      | 3,749,748  |
|                                      |                                       |                                       |                          |            |
|                                      | 781,920                               | 12,480,742                            | 173,902                  | 16,901,818 |
|                                      |                                       |                                       |                          | 7,978,983  |
|                                      |                                       |                                       |                          | 898        |
| -                                    | 781,920                               | 12,480,742                            | 173,902                  | 24,881,699 |
| 111,198                              | 781,920                               | 12,443,634                            | 169,991                  | 24,680,900 |
| 23,164                               | -                                     | 37,108                                | 4,706                    | 3,950,547  |
|                                      |                                       |                                       |                          |            |
|                                      |                                       |                                       |                          |            |
| 111,198                              | 781,920                               | 12,443,634                            | 169,991                  | 16,662,719 |
|                                      |                                       |                                       |                          | 8,017,283  |
|                                      |                                       |                                       |                          | 898        |
| 111,198                              | 781,920                               | 12,443,634                            | 169,991                  | 24,680,900 |
|                                      |                                       |                                       |                          |            |
|                                      |                                       | 9,929,665                             | 87,685                   | 10,260,226 |
|                                      |                                       |                                       |                          | 693,681    |
|                                      | 114,874                               |                                       |                          | 324,324    |
|                                      |                                       |                                       |                          | 5,510      |
|                                      | 428,174                               |                                       |                          | 463,533    |
| -                                    | 543,048                               | 9,929,665                             | 87,685                   | 11,747,274 |
|                                      |                                       | 2,513,969                             | 21,129                   | 2,771,061  |
| 111,198                              | 76,507                                |                                       | 61,177                   | 9,595,214  |
| 111,198                              | 619,555                               | 12,443,634                            | 169,991                  | 24,113,549 |
|                                      |                                       |                                       |                          |            |
| -                                    | 162,365                               | -                                     | -                        | 567,351    |
|                                      |                                       |                                       |                          |            |
|                                      |                                       |                                       |                          |            |
|                                      | (162,365)                             |                                       |                          | (567,351)  |
| -                                    | (162,365)                             | -                                     | -                        | (567,351)  |
|                                      |                                       |                                       |                          |            |
| -                                    | -                                     | -                                     | -                        | -          |
|                                      |                                       |                                       |                          |            |
|                                      |                                       |                                       |                          |            |



# School District No. 23 (Central Okanagan)

Schedule 4 (Unaudited)

Schedule of Capital Operations

Year Ended June 30, 2018

|                                                          | 2018<br>Budget     | 2018 Actual                            |                    |                    | 2017<br>Actual     |
|----------------------------------------------------------|--------------------|----------------------------------------|--------------------|--------------------|--------------------|
|                                                          | \$                 | Invested in Tangible<br>Capital Assets | Local<br>Capital   | Fund<br>Balance    | \$                 |
| <b>Revenues</b>                                          |                    |                                        |                    |                    |                    |
| Provincial Grants                                        |                    |                                        |                    |                    |                    |
| Ministry of Education                                    |                    | 27,241                                 |                    | 27,241             |                    |
| Other Revenue                                            |                    |                                        | 87,499             | 87,499             | 33,407             |
| Investment Income                                        | 25,000             |                                        | 90,262             | 90,262             | 91,217             |
| Gain (Loss) on Disposal of Tangible Capital Assets       |                    | 4,398,712                              |                    | 4,398,712          | 1,400,113          |
| Amortization of Deferred Capital Revenue                 | 7,794,000          | 8,192,707                              |                    | 8,192,707          | 7,956,135          |
| <b>Total Revenue</b>                                     | <b>7,819,000</b>   | <b>12,618,660</b>                      | <b>177,761</b>     | <b>12,796,421</b>  | <b>9,480,872</b>   |
| <b>Expenses</b>                                          |                    |                                        |                    |                    |                    |
| Operations and Maintenance                               |                    |                                        | 146,304            | 146,304            | 144,731            |
| Amortization of Tangible Capital Assets                  |                    |                                        |                    |                    |                    |
| Operations and Maintenance                               | 12,400,000         | 12,593,566                             |                    | 12,593,566         | 12,589,228         |
| <b>Total Expense</b>                                     | <b>12,400,000</b>  | <b>12,593,566</b>                      | <b>146,304</b>     | <b>12,739,870</b>  | <b>12,733,959</b>  |
| <b>Capital Surplus (Deficit) for the year</b>            | <b>(4,581,000)</b> | <b>25,094</b>                          | <b>31,457</b>      | <b>56,551</b>      | <b>(3,253,087)</b> |
| <b>Net Transfers (to) from other funds</b>               |                    |                                        |                    |                    |                    |
| Tangible Capital Assets Purchased                        | 2,156,649          | 1,617,420                              |                    | 1,617,420          | 1,830,585          |
| Local Capital                                            | 2,578,413          |                                        | 4,000,000          | 4,000,000          | 2,627,415          |
| <b>Total Net Transfers</b>                               | <b>4,735,062</b>   | <b>1,617,420</b>                       | <b>4,000,000</b>   | <b>5,617,420</b>   | <b>4,458,000</b>   |
| <b>Other Adjustments to Fund Balances</b>                |                    |                                        |                    |                    |                    |
| District Portion of Proceeds on Disposal                 |                    | (5,700,000)                            | 5,700,000          | -                  |                    |
| Tangible Capital Assets Purchased from Local Capital     |                    | 9,904,713                              | (9,904,713)        | -                  |                    |
| Tangible Capital Assets WIP Purchased from Local Capital |                    |                                        | -                  | -                  |                    |
| <b>Total Other Adjustments to Fund Balances</b>          |                    | <b>4,204,713</b>                       | <b>(4,204,713)</b> | <b>-</b>           |                    |
| <b>Total Capital Surplus (Deficit) for the year</b>      | <b>154,062</b>     | <b>5,847,227</b>                       | <b>(173,256)</b>   | <b>5,673,971</b>   | <b>1,204,913</b>   |
| <b>Capital Surplus (Deficit), beginning of year</b>      |                    | <b>98,659,035</b>                      | <b>2,613,533</b>   | <b>101,272,568</b> | <b>100,067,655</b> |
| <b>Capital Surplus (Deficit), end of year</b>            |                    | <b>104,506,262</b>                     | <b>2,440,277</b>   | <b>106,946,539</b> | <b>101,272,568</b> |

**DRAFT** - Not Finalized

September 12, 2018 8:12

000057

School District No. 23 (Central Okanagan)

Tangible Capital Assets  
Year Ended June 30, 2018

|                                             | Sites      | Buildings   | Furniture and<br>Equipment | Vehicles  | Computer<br>Software | Computer<br>Hardware | Total       |
|---------------------------------------------|------------|-------------|----------------------------|-----------|----------------------|----------------------|-------------|
|                                             | \$         | \$          | \$                         | \$        | \$                   | \$                   | \$          |
| Cost, beginning of year                     | 54,631,250 | 362,718,161 | 10,458,463                 | 7,635,653 | 46,718               | 13,099,980           | 448,590,225 |
| Changes for the Year                        |            |             |                            |           |                      |                      |             |
| Increase:                                   |            |             |                            |           |                      |                      |             |
| Purchases from:                             |            |             |                            |           |                      |                      |             |
| Deferred Capital Revenue - Bylaw            | 27,241     | 6,587,388   | 408,056                    | 629,596   |                      | 282,802              | 7,935,083   |
| Deferred Capital Revenue - Other            |            |             | 131,861                    |           |                      |                      | 131,861     |
| Operating Fund                              |            | 85,766      | 465,818                    |           | 5,206                | 493,279              | 1,050,069   |
| Special Purpose Funds                       |            | 357,406     | 44,862                     |           |                      | 165,083              | 567,351     |
| Local Capital                               | 55,722     | 5,497,472   | 753,087                    |           |                      | 3,598,432            | 9,904,713   |
| Transferred from Work in Progress           |            | 3,427,367   |                            |           |                      |                      | 3,427,367   |
|                                             | 82,963     | 15,955,399  | 1,803,684                  | 629,596   | 5,206                | 4,539,596            | 23,016,444  |
| Decrease:                                   |            |             |                            |           |                      |                      |             |
| Disposed of                                 | 931,579    | 660,385     |                            |           |                      |                      | 1,591,964   |
| Deemed Disposals                            |            |             | 1,434,024                  | 1,016,012 | 19,083               | 3,306,359            | 5,775,478   |
|                                             | 931,579    | 660,385     | 1,434,024                  | 1,016,012 | 19,083               | 3,306,359            | 7,367,442   |
| Cost, end of year                           | 53,782,634 | 378,013,175 | 10,828,123                 | 7,249,237 | 32,841               | 14,333,217           | 464,239,227 |
| Work in Progress, end of year               |            | 4,986,036   |                            |           |                      |                      | 4,986,036   |
| Cost and Work in Progress, end of year      | 53,782,634 | 382,999,211 | 10,828,123                 | 7,249,237 | 32,841               | 14,333,217           | 469,225,263 |
| Accumulated Amortization, beginning of year |            | 159,654,597 | 5,378,431                  | 3,088,615 | 20,549               | 5,887,446            | 174,029,638 |
| Changes for the Year                        |            |             |                            |           |                      |                      |             |
| Increase: Amortization for the Year         |            | 8,154,814   | 1,045,847                  | 763,565   | 9,344                | 2,619,996            | 12,593,566  |
| Decrease:                                   |            |             |                            |           |                      |                      |             |
| Disposed of                                 |            | 290,676     |                            |           |                      |                      | 290,676     |
| Deemed Disposals                            |            |             | 1,434,024                  | 1,016,012 | 19,083               | 3,306,359            | 5,775,478   |
|                                             |            | 290,676     | 1,434,024                  | 1,016,012 | 19,083               | 3,306,359            | 6,066,154   |
| Accumulated Amortization, end of year       |            | 167,518,735 | 4,990,254                  | 2,836,168 | 10,810               | 5,201,083            | 180,557,050 |
| Tangible Capital Assets - Net               | 53,782,634 | 215,480,476 | 5,837,869                  | 4,413,069 | 22,031               | 9,132,134            | 288,668,213 |

School District No. 23 (Central Okanagan)

Schedule 4B (Unaudited)

Tangible Capital Assets - Work in Progress  
Year Ended June 30, 2018

|                                        | Buildings | Furniture and Equipment | Computer Software | Computer Hardware | Total     |
|----------------------------------------|-----------|-------------------------|-------------------|-------------------|-----------|
|                                        | \$        | \$                      | \$                | \$                | \$        |
| Work in Progress, beginning of year    | 3,427,367 |                         |                   |                   | 3,427,367 |
| Changes for the Year                   |           |                         |                   |                   |           |
| Increase:                              |           |                         |                   |                   |           |
| Deferred Capital Revenue - Bylaw       | 4,986,036 |                         |                   |                   | 4,986,036 |
|                                        | 4,986,036 | -                       | -                 | -                 | 4,986,036 |
| Decrease:                              |           |                         |                   |                   |           |
| Transferred to Tangible Capital Assets | 3,427,367 |                         |                   |                   | 3,427,367 |
|                                        | 3,427,367 | -                       | -                 | -                 | 3,427,367 |
| Net Changes for the Year               | 1,558,669 | -                       | -                 | -                 | 1,558,669 |
| Work in Progress, end of year          | 4,986,036 | -                       | -                 | -                 | 4,986,036 |

# School District No. 23 (Central Okanagan)

Schedule 4C (Unaudited)

Deferred Capital Revenue

Year Ended June 30, 2018

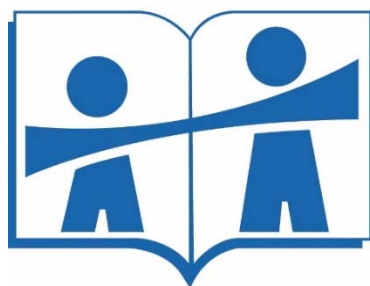
|                                                       | Bylaw<br>Capital | Other<br>Provincial | Other<br>Capital | Total<br>Capital |
|-------------------------------------------------------|------------------|---------------------|------------------|------------------|
|                                                       | \$               | \$                  | \$               | \$               |
| <b>Deferred Capital Revenue, beginning of year</b>    | 174,180,870      | 4,564,281           | 382,400          | 179,127,551      |
| <b>Changes for the Year</b>                           |                  |                     |                  |                  |
| Increase:                                             |                  |                     |                  |                  |
| Transferred from Deferred Revenue - Capital Additions | 7,907,842        | 111,754             | 20,107           | 8,039,703        |
|                                                       | 7,907,842        | 111,754             | 20,107           | 8,039,703        |
| Decrease:                                             |                  |                     |                  |                  |
| Amortization of Deferred Capital Revenue              | 7,931,408        | 145,798             | 115,501          | 8,192,707        |
|                                                       | 7,931,408        | 145,798             | 115,501          | 8,192,707        |
| <b>Net Changes for the Year</b>                       | (23,566)         | (34,044)            | (95,394)         | (153,004)        |
| <b>Deferred Capital Revenue, end of year</b>          | 174,157,304      | 4,530,237           | 287,006          | 178,974,547      |
| <b>Work in Progress, beginning of year</b>            |                  |                     |                  | -                |
| <b>Changes for the Year</b>                           |                  |                     |                  |                  |
| Increase                                              |                  |                     |                  |                  |
| Transferred from Deferred Revenue - Work in Progress  | 4,986,036        |                     |                  | 4,986,036        |
|                                                       | 4,986,036        | -                   | -                | 4,986,036        |
| <b>Net Changes for the Year</b>                       | 4,986,036        | -                   | -                | 4,986,036        |
| <b>Work in Progress, end of year</b>                  | 4,986,036        | -                   | -                | 4,986,036        |
| <b>Total Deferred Capital Revenue, end of year</b>    | 179,143,340      | 4,530,237           | 287,006          | 183,960,583      |

School District No. 23 (Central Okanagan)

Changes in Unspent Deferred Capital Revenue

Year Ended June 30, 2018

|                                           | Bylaw<br>Capital | MEd<br>Restricted<br>Capital | Other<br>Provincial<br>Capital | Land<br>Capital | Other<br>Capital | Total        |
|-------------------------------------------|------------------|------------------------------|--------------------------------|-----------------|------------------|--------------|
| Balance, beginning of year                | \$ 57,199        | \$                           | \$ 142,532                     | \$ 994,936      | \$               | \$ 1,194,667 |
| Changes for the Year                      |                  |                              |                                |                 |                  |              |
| Increase:                                 |                  |                              |                                |                 |                  |              |
| Provincial Grants - Ministry of Education | 12,885,105       |                              |                                |                 |                  | 12,885,105   |
| Provincial Grants - Other                 |                  |                              | 12,372                         |                 |                  | 12,372       |
| Other                                     |                  |                              |                                |                 | 20,107           | 20,107       |
| Investment Income                         |                  |                              |                                | 34,361          |                  | 34,361       |
| School Site Acquisition Charges           |                  |                              |                                | 1,420,060       |                  | 1,420,060    |
|                                           | 12,885,105       | -                            | 12,372                         | 1,454,421       | 20,107           | 14,372,005   |
| Decrease:                                 |                  |                              |                                |                 |                  |              |
| Transferred to DCR - Capital Additions    | 7,907,842        |                              | 111,754                        |                 | 20,107           | 8,039,703    |
| Transferred to DCR - Work in Progress     | 4,986,036        |                              |                                |                 |                  | 4,986,036    |
| Transferred to Revenue - Site Purchases   | 27,241           |                              |                                |                 |                  | 27,241       |
|                                           | 12,921,119       | -                            | 111,754                        | -               | 20,107           | 13,052,980   |
| Net Changes for the Year                  | (36,014)         | -                            | (99,382)                       | 1,454,421       | -                | 1,319,025    |
| Balance, end of year                      | 21,185           | -                            | 43,150                         | 2,449,357       | -                | 2,513,692    |



**Central Okanagan  
Public Schools**

Together We Learn

# **FINANCIAL STATEMENT DISCUSSION AND ANALYSIS**

**the Year Ending  
June 30, 2018**



## Financial Statement Discussion and Analysis

### Table of Contents

| Description                                                                                                                                                                                                                                                       | Page |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| <b><u>Introduction</u></b>                                                                                                                                                                                                                                        | 3    |
| <ul style="list-style-type: none"><li>- The District and Overarching Goal</li><li>- Mission and Vision Statement</li><li>- Cultural Values</li></ul>                                                                                                              |      |
| <b><u>Financial Statement Composition Overview</u></b>                                                                                                                                                                                                            | 4    |
| <ul style="list-style-type: none"><li>- Statement of Financial Position</li><li>- Statement of Operations</li><li>- Schedule 2 - Operating Fund</li><li>- Schedule 3 - Special Purpose Fund</li><li>- Schedule 4 - Capital Fund</li></ul>                         |      |
| <b><u>Summary of Significant Events</u></b>                                                                                                                                                                                                                       | 4    |
| <b><u>Financial Health Indicators</u></b>                                                                                                                                                                                                                         | 5    |
| <ul style="list-style-type: none"><li>- Working Capital Ratio</li><li>- Operating Revenue &amp; Expenses Trend</li><li>- Operating Expenses per Student</li><li>- Changes in Capital Assets</li><li>- Changes in Surplus Compared to Operating Expenses</li></ul> |      |
| <b><u>Conclusion</u></b>                                                                                                                                                                                                                                          | 7    |



## **Introduction**

This report is a financial statement discussion and analysis of the financial performance of Central Okanagan Public Schools (aka School District No. 23 (Central Okanagan)) for the fiscal year ended June 30, 2018. It is based on currently known facts, decisions, or conditions. This should be read in conjunction with the District's financial statements. The preparation of this financial statement discussion and analysis is management's responsibility.

### **The District:**

- lives on Okanagan Territory;
- serves 180,000 citizens living in 4 municipalities - Peachland, West Kelowna, Kelowna, Lake Country, and the Regional District of Central Okanagan;
- is the 5th largest district in BC with approximately 22,000 students;
- has 43 schools - 31 elementary, 6 middle, 5 secondary, and 1 alternative school (operating on 4 campuses);
- has 7 Board of Education Trustees;
- has an increasing number of immigrant families residing in the Central Okanagan;
- welcomes more English Language Learners (ELL) and international students, and proud that more Aboriginal families are self-identifying;

### **Our Overarching Goal**

Each Central Okanagan Public Schools student (K-12) will provide evidence of being a learner, thinker, innovator, collaborator and contributor.

### **Mission Statement**

To educate students in a safe, inspirational learning environment where each student develops the knowledge and skills to be a lifelong learner and a healthy productive member of our global society.

### **Vision Statement**

Central Okanagan Public Schools is a progressive leader in education, which sets the standard for educational excellence and ensures that each student has opportunities to succeed.

### **Cultural Values**

- o **Honesty** is the building block for relationships and the basis for trust. It is the absence of falsehood and the action of full disclosure. It is the ultimate test of moral strength. When honesty is present, integrity will also be apparent.
- o **Responsibility** is being accountable for our actions and their consequences. When we demonstrate responsibility, we are doing our best to meet the expectations of ourselves and others.
- o **Respect** is "to consider worthy of high regard". Being respectful is an attitude of honouring people and caring about their rights.
- o **Empathy** is a feeling of concern, compassion and understanding of another's situation or feelings.
  - o While recognizing individual situations and differences, **Fairness** is ensuring impartiality where everyone plays by the same rules.



## **Financial Statement Composition Overview**

The two key audited statements are:

- **Statement of Financial Position** - summarizes the combined assets and liabilities at June 30<sup>th</sup>. This provides an indication of the financial health of the District;
- **Statement of Operations** - summarizes the combined revenues received and expenses incurred during the twelve months between July 1 and June 30. This provides an indication of the funding received by the District and how that funding was spent;

A Statement of Changes in Net Financial Assets (Debt), Statement of Cash Flows and the notes to the financial statements are also audited, and provide further analysis of the District's finances.

The schedules at the end of the notes to the financial statements are in a format prescribed by the Ministry of Education. These schedules provide more detail specific to each of the three funds (Operating, Special Purpose and Capital funds). The balances in these schedules are consistent, when combined together, with the financial statements. These schedules are comprised of:

- **Schedule 2: Operating Fund** – accounts for the District's grants and other operating revenues as well as the District's operating expenses. As the District must present a balanced Operating Fund budget, any surplus is carried forward to future years.
- **Schedule 3: Special Purpose Fund** – accounts for grant and other contributions whereby spending is for specific activities. As these are targeted funding, any unspent funds are accounted as deferred revenue, not accumulated surplus.
- **Schedule 4: Capital Fund** – accounts for the District's investment in capital assets, local capital as well as bylaw capital, other provincial capital, other capital, land capital and Ministry of Education restricted capital.

## **Summary of Significant Events**

During the year, the District managed several large capital projects including:

- Secondary school mechanical upgrade;
- Multiple Annual Facilities Grant (AFG) assignments;
- Numerous educational spaces added to twenty six (26) schools;
- Preliminary work on Canyon Falls Middle school.

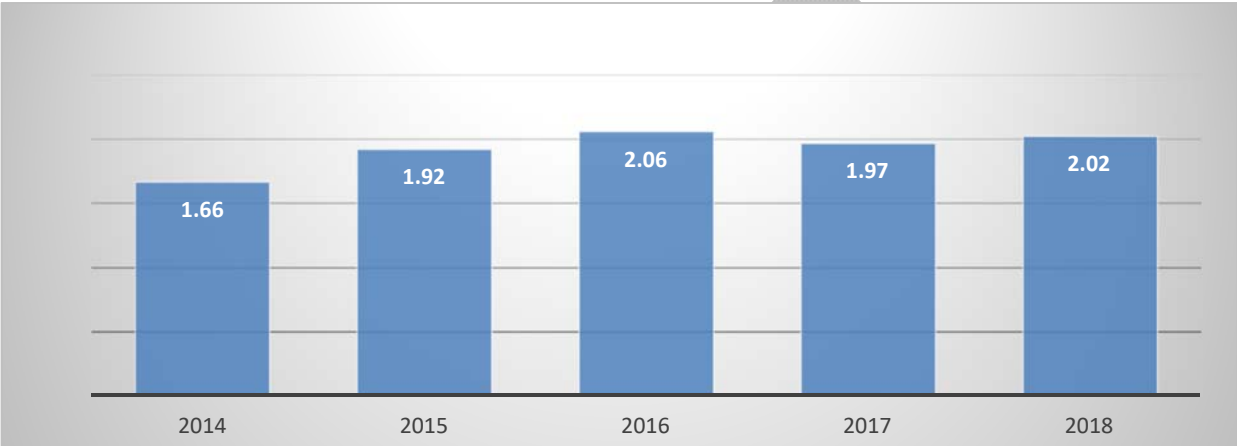
As well, the Ministry of Education announced funding for a new middle school in Lake Country to be opened in September 2021.

In July 2016, the District began building a new board office on Hollywood Road. In March 2018, staff moved to the newly opened board office and the old board office on Underhill Road was sold.

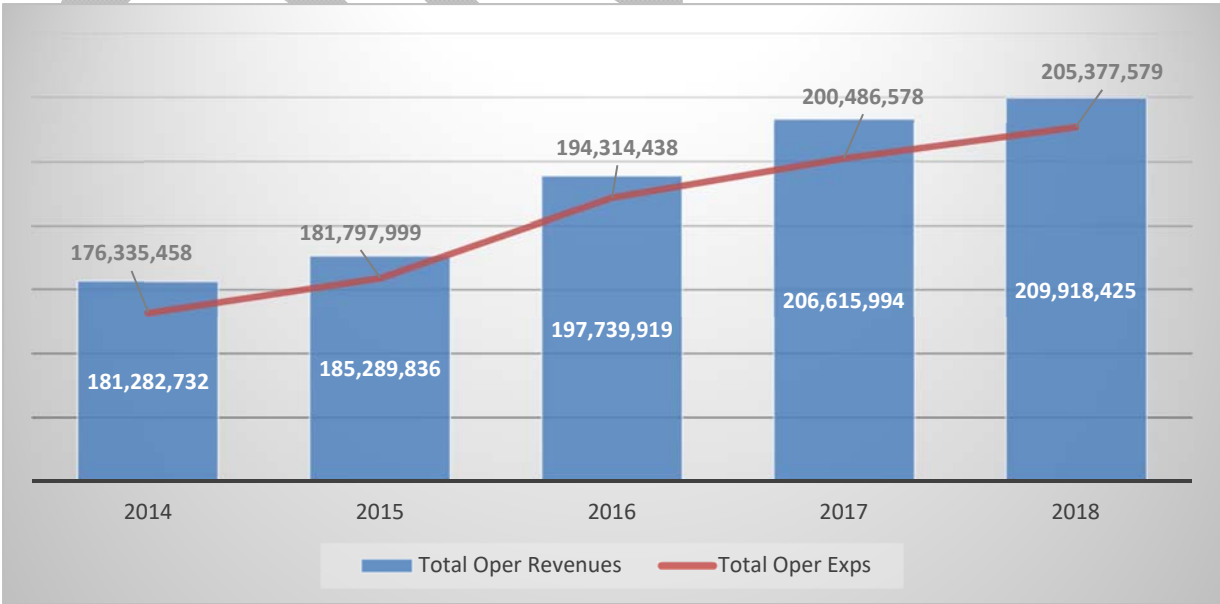
INDICATORS OF FINANCIAL HEALTH

The following highlights some of the more significant financial health indicators of the District.

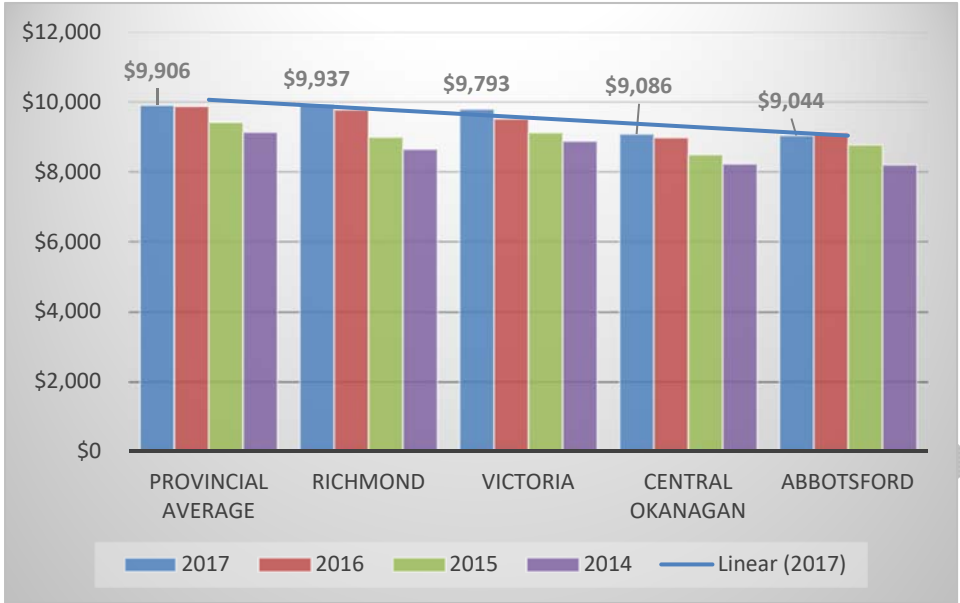
Working Capital Ratio - also called the current ratio, is a liquidity ratio that measures a District's ability to pay off its current liabilities with current assets. A working capital ratio greater than one is desirable as it means that the District has the ability to pay current liabilities as they are due. A working capital ratio of less than one (1) indicates that the District would have to borrow to meet short term obligations. The working capital ratio is calculated as current assets divided by current liabilities. The District's working capital ratio is healthy and well above one (1).



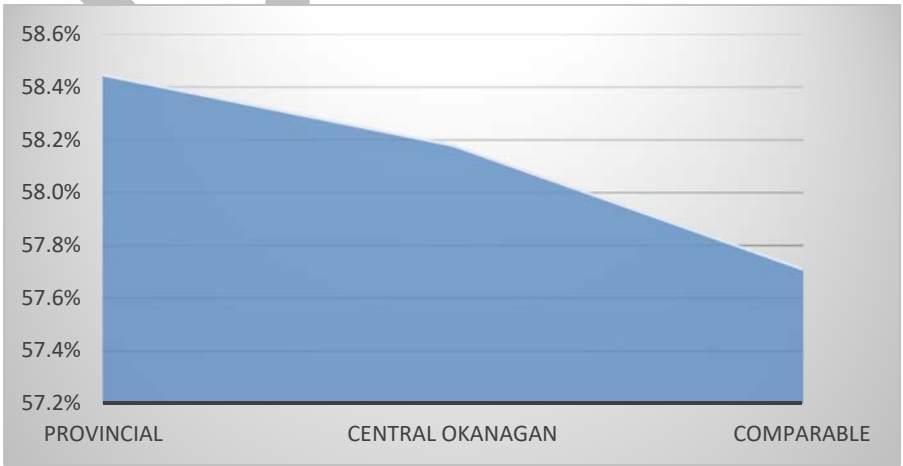
Operating Revenue & Expenses Trend – the following chart illustrates the District's operating revenue and expenses over a five year period. This data shows a constant upward trend in both revenues and expenses. Revenue is mainly impacted by enrolment changes while expenses are primarily affected by staffing and collective agreement commitments.



Operating Expenses per Student – The majority of the District's spending is dedicated towards salaries and benefits. The following chart illustrates what the District spends, on average, per FTE student compared to other comparable size districts and the province. The data indicates an overall increase in operating expenses as enrolment increases. This also correlates with the level of per student FTE funding that is availability for distribution from the Ministry of Education.

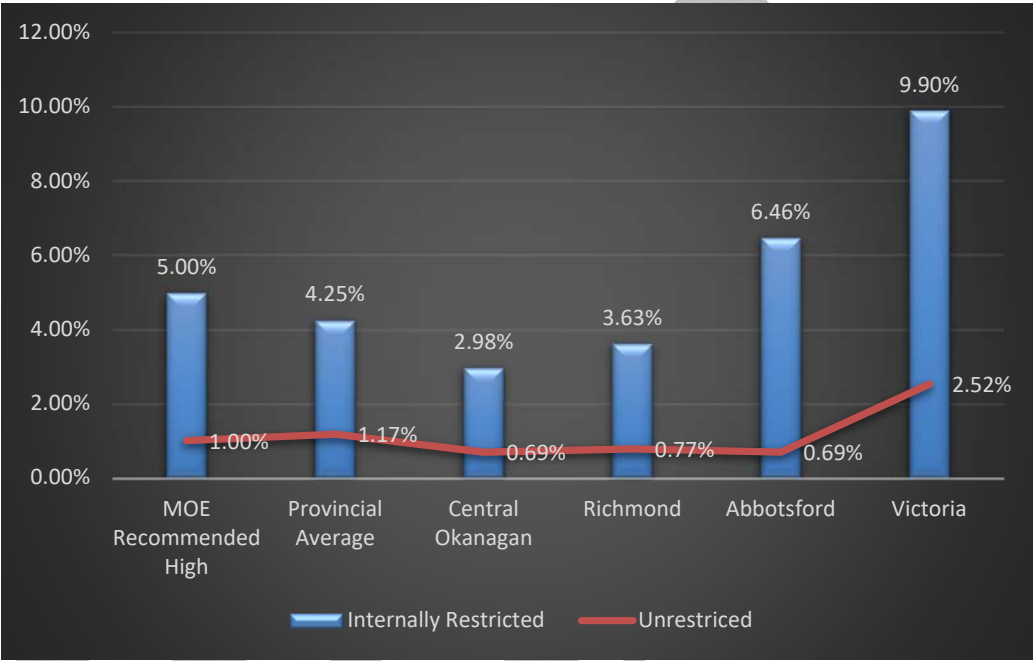


Changes in Capital Assets – If you compare the District's capital asset net book value (cost less amortization) to the capital assets historical cost (cost when purchased), the % illustrates how new a district's assets are. A relatively high % indicates newer assets whereas a lower % indicates older assets. The concern with a low ratio is that capital assets may not be replaced on a regular basis, which may be an indication of potential health and safety issues, or a significant cost in the future to replace capital assets. As illustrated in the graph below, the District's 4 year average for buildings only (buildings account for over 80% of the District's total assets) of 58.2% is slightly less than the provincial average of 58.5% and just over the average of comparable size FTE districts at 57.7%. This indicates the District is maintaining its buildings.



Changes in Surplus Compared to Operating Expenses – one of the key indicators of the financial health of an organization is the accumulated operating surplus. This indicator takes Accumulated Surplus from Operations (District's accumulated revenue in excess of expenses over time) and is compared to expenditures to determine the District's ability to react to emergent situations and the ability to fund special initiatives.

When compared to the province, comparable size FTE districts and the Ministry recommended ranges (2.5-5% for internally restricted surplus and .5-1% for unrestricted surplus), the District is maintaining both an internally and unrestricted surplus within the acceptable range.



**Overall Financial Health**

Overall, the District has strong financial health when compared to comparable districts and the province. This is illustrated throughout this report, including a working capital ratio above one, a high % in changes in capital assets indicating the District's maintains new assets and the average unrestricted surpluses remaining within the recommended Ministry range of .5% - 1%. The internally restricted surpluses average is slightly below the recommended Ministry range of 2.5% - 5%. This strong financial health can be contributed to sound financial management, planning and governance.