



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 18, 2019
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 19, 2019
(Attachment)

3. RECOGNITION/PRESENTATIONS/DELEGATIONS

**3.1 Presentation: Report to the Finance and Audit Committee – Communication of Audit
Results and Audited Financial Statements Fiscal Year 2018/2019**
(Attachment)

Presenters: Tyler Neels, Grant Thornton
Kate Cumming, Grant Thornton

4. PUBLIC QUESTION/COMMENT PERIOD

5. COMMITTEE MEMBERS QUERIES/COMMENTS

6. DISCUSSION/ACTION ITEMS

6.1 Audited Financial Statements Fiscal Year 2018/2019
(Attachment)

STAFF RECOMMENDATIONS:

**THAT: The Finance and Audit Committee receive the Audited Financial Statements
Fiscal Year 2018/2019, as attached to the agenda and as presented at the September 18,
2019 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 2018/2019.**

6.2 Renewal of External Auditors, Grant Thornton LLP
(Attachment)

STAFF RECOMMENDATION:

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

THAT: The Board of Education renew the appointment of Grant Thornton LLP as the auditors for the Central Okanagan School District for a period of five years beginning with the audit of the 2019/2020 fiscal year.

7. DISCUSSION/INFORMATION ITEMS

7.1 Financial Statement Discussion and Analysis the Year Ending June 30, 2019
(Attachment)

7.2 Funding Formula Update

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

- Young Parent Program Report
- School Meals Program Report
- Rental Program Report (Profitability)
- Review of all Joint Use Agreements
- Budget Development Principles
- Budget Development Timeline

September	October	November
- Presentation: Audited Financial Statements for the Fiscal Year - Audited Financial Statements for the Fiscal Year (<i>Action Item</i>)		- Financial Update at September 30th School District No. 23 (Central Okanagan) Budget Development Principles - School District No. 23 (Central Okanagan) Budget Development Timeline
January	February	April (1st meeting)
- Amended Annual Budget for the Fiscal Year - Ministry Recalculation Allocation – School District No. 23 and Provincial - Financial Update at December 31st - Budget Survey development - Annual Review of Committee's Mandate, Purpose and Function	- Budget Presentation	- Overview of Budget Allocation - Budget Consultation Input Received - Trustee Indemnity for the 2019/2020 Fiscal Year

April (2nd meeting)	May	June
- Central Okanagan School District Preliminary Budget Proposal – Superintendent’s Budget Recommendations - Financial Report at March 31st	- Auditor’s Report to the Finance and Audit Committee – Initial Communication on Audit Planning for the Year - Annual CommunityLINK Allocations - Financial Update – International Education Program	- School District No. 23 (Central Okanagan) Annual Budget for the Fiscal Year

12. FUTURE FINANCE AND AUDIT 2019 COMMITTEE MEETINGS

October 16, 2019 at 4:00 pm November 20, 2019 at 4:00 pm

13. MEDIA QUESTIONS

14. ADJOURNMENT

CENTRAL OKANAGAN PUBLIC SCHOOLS – BOARD COMMITTEE REPORT

COMMITTEE: Finance and Audit Committee Meeting DATE: June 19, 2019

CHAIRPERSON: Trustee C. Cacchioni STAFF CONTACT: D. Carmichael, Assistant Secretary-Treasurer

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

In attendance:

Board of Education:

Trustee R. Cacchioni (Chairperson)
Trustee J. Fraser (Committee Member)
Trustee L. Tiede (Committee Member)
Trustee M. Baxter
Trustee C. Desrosiers

In attendance:

Staff:

K. Kaardal, Superintendent of Schools/CEO
E. Sadlowski, Secretary-Treasurer/CFO
D. Carmichael, Assistant Secretary-Treasurer
V. Dougans, Finance Manager
M. DesRochers, Executive Assistant (*Recorder*)

Regrets:

T. Beaudry, Deputy Superintendent of Schools

Partner Group Representation:

COTA Susan Bauhart, President
COPAC Sarah Shakespeare, President
COPVPA Mike Dornian, Treasurer
CUPE No Representative
DSC Matthew Richardson, Grade 12 at Kelowna Secondary School

Agenda/Additions/Amendments/Deletions

Add Discussion/Information Item 7.3 Minister of Education Rob Fleming's Year-End Letter and Progress Report.

June 19, 2019 Agenda – approved as amended.

Reports/Matters Arising

May 15, 2019 Committee Report – received as presented.

Committee Members Queries/Comments

Susan Bauhart, COTA President, queried whether or not the provincial government provides the District with monies to provide loans to PACs for playground upgrades.

The Secretary-Treasurer/CFO stated that the provincial government does not fund the loans to PACs as they already provide a \$105,000 grant towards the purchase and installation of new playground equipment. As the grant is not sufficient, the District uses cash reserve to provide loans to PACs while they fundraise for the additional funds required. PACs agree to repay loans over a 3-5 year period.

Discussion/Action Items

1. 2019/2020 Annual Budget Bylaw

The Assistant Secretary-Treasurer outlined the differentials from the 2018/2019 Annual Budget and the 2019/2020 Annual Budget and responded to questions.

Outcomes

The Committee recommended 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 2019/2020 in the amount of \$264,765,096.

The Committee also recommended that the School District No. 23 (Central Okanagan) Annual Budget Bylaw for the Fiscal Year 2019/2020 in the amount of \$264,765,096 be read a first, second and third time, passed and adopted on the 26th day of June 2019.

Discussion/Information Items

1. Financial Update – International Education Program

Dr. Rick Oliver, Assistant Superintendent, provided a financial update for the International Education Program. Despite the program falling short of the District target of 400 Full-Time Equivalent (FTE) students, reaching 379 FTE, the financial targets were met for the 2018-2019 school year. The District is on target for 400 FTE for the 2019-2020 school year and will continue to provide additional language support and interpreters to assist all schools with students and families.

2. Travel Expense Rates Form – Per Diem Rates

The Assistant Secretary-Treasurer stated that the Travel Expense Rates Form – Per Diem Rates was shared at the May 15th Finance and Audit Committee Meeting and additional information was requested. In order to provide relevant, comparable information, staff conducted an informal survey of districts and reviewed rates across all districts as well as from the Ministry of Education, Canada Revenue Agency and the BCSTA. The following 'proposed' per diem meal rates are aligned with the Ministry of Education rates and more accurately reflect the actual costs being incurred:

Item	Current SD23	Proposed SD23	MOE	CRA	BCSTA	Prov Ave
Breakfast	10.00	15.00	19.00	20.50	11.00	12.04
Lunch	17.00	20.00	19.67	20.10	17.00	16.90
Dinner	23.00	30.00	27.83	50.65	25.00	25.24
Total	50.00	65.00	66.50	91.25	53.00	54.18

The Assistant Secretary-Treasurer shared that it has been over thirteen years since the per diem meal rates have been updated and all related Board Policies will be updated accordingly.

3. Minister of Education Rob Fleming's Year-End Letter and Progress Report

The Superintendent of Schools/CEO stated that the Minister of Education's letter and funding model review progress report will be posted to the District's website. After receiving this information, the District submitted questions to the Ministry of Education. The Superintendent of Schools/CEO shared these questions with the Committee.

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

Future Public Board Meeting:

- 2019/2020 Annual Budget Bylaw (Action Item)
- Financial Update – International Education Program (Information Item)
- Travel Expense Rates Form – Per Diem Rates (Information Item)
- Minister Rob Fleming's Year-End Letter and Progress Report (Information Item)

Items for Future Finance and Audit Committee Meetings

Future Public Finance and Audit Committee Meetings

- Young Parent Program Report
- School Meals Program Report
- Rental Program Report (Profitability)
- Review of all Joint Use Agreements

September	October	November
- Presentation: Audited Financial Statements for the Fiscal Year - Audited Financial Statements for the Fiscal Year (<i>Action Item</i>)	- Financial Update at September 30th	- School District No. 23 (Central Okanagan) Budget Development Principles - School District No. 23 (Central Okanagan) Budget Development Timeline
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April (2nd meeting)	May	June
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Meeting Schedule

September 18, 2019 at 4:00 pm November 20, 2019 at 4:00 pm
October 16, 2019 at 4:00 pm

Questions – Please Contact:

Trustee Rolli Cacchioni, Chairperson

Phone: 250-765-3419

email: Rolli.Cacchioni@sd23.bc.ca

Delta Carmichael, Assistant Secretary-Treasurer

Phone: 250-470-3233

email: Delta.Carmichael@sd23.bc.ca

Rolli Cacchioni, Chairperson

School District No. 23 (Central Okanagan)

For the year ended June 30, 2019

Report to the Finance and Audit Committee
Audit results

September 18, 2019

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Partner

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Appendix A – Draft independent auditor’s report
Appendix B – Draft Management representation letter

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, 2019. 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 Board of Education, the Finance and Audit Committee, 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 15, 2019
Independent auditor's report on the June 30, 2019 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

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 15, 2019.

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 18, 2019:

- 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

We have successfully executed our audit strategy in accordance with the plan presented to the Finance and Audit Committee on May 15, 2019.

Auditor's report modifications

Our responsibility is to form an opinion on the financial statements. We are also required to communicate matters that impact our standard auditor's report, including key audit matters or modifications to the reports.

Our auditor's report contained the following modifications:

- Emphasis of matter paragraph
- Other matter paragraph

A copy of our draft independent auditor's opinion is included in Appendix A.

Audit risks and 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
Construction in progress	The significant construction in progress throughout the year on Canyon Falls Middle School and the commencement of the construction of H.S Grenda Middle School has resulted in work in progress buildings additions of \$30M	• Audit procedures performed included agreeing significant building additions to progress billing invoices and vouching year-end holdback accruals to supporting documentation. • Our audit procedures did not uncover any significant findings to report.

Areas of focus

The following is a summary of areas of focus, and the related matters and findings we would like to communicate to the Finance and Audit Committee.

Area of focus	Matter	Our response and findings
Grant revenues	Grant revenues are material and significant to the financial statements	• Audit procedures performed included confirming grants received and receivable with the Ministry of Education and reconciling accounts. • Our audit procedures did not uncover any significant findings to report.
Tangible capital assets and deferred capital contributions	Tangible capital assets activities are not valid, and associated grant funding is not accounted for properly	• 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. • Our audit procedures did not uncover any significant findings to report.

Area of focus	Matter	Our response and findings
Investments	Fair value measurements are not correct or investment activities are not valid	- Audit procedures performed included confirming the fair value of investments with the investment custodian and reviewing significant transactions. - Our audit procedures did not uncover any significant findings to report.
Purchases and payables	Payables understated or not recorded in the correct period	- 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. - Our audit procedures did not uncover any significant findings to report.
Employee compensation	Employee compensation accruals or expenses understated	- 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. - Our audit procedures did not uncover any significant findings to report.

Use of experts

We used the work of independent third party specialists for the following:

- Future employee benefits – we relied on the report prepared by the Ministry of Education’s actuary to value your employee future benefits. As a result of our audit work performed, we did not uncover any significant findings to report.

Adjustments and uncorrected misstatements

Adjustments

We have no adjusted misstatements to report as a result of our audit procedures.

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.

Based on the results of our audit, we did not identify any reportable observations 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
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To the Board of Education of School District No. 23 (Central Okanagan) and the Ministry of Education

Opinion

We have audited the financial statements of School District No. 23 (Central Okanagan) ("the District"), which comprise the statement of financial position as at June 30, 2019, 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.

In our opinion, the accompanying financial statements of School District No. 23 (Central Okanagan) as at June 30, 2019 and for the year then ended, 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 ("Section 23.1").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Schedule 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting requirements of Section 23.1, 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.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kelowna, Canada
September 18, 2019

Chartered Professional Accountants

Appendix B

Draft Management representation letter

SCHOOL DISTRICT NO. 23 (CENTRAL OKANAGAN)

1040 Hollywood Road South
Kelowna BC V1X 4N2

September 18, 2019

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, 2019 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements, the financial position, results of operations, and cash flows of the District 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 (“Section 23.1”).

We acknowledge that we have fulfilled our responsibilities for the preparation of the financial statements in accordance with the accounting requirements of 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 18, 2019, the following representations made to you during your audit.

Financial statements

- 1 The financial statements referred to above present the financial position of the District as at June 30, 2019 and the results of its operations and its cash flows for the year then ended are prepared, in all material respects, in accordance with the accounting requirements of 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, 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 arrangements 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 has any been pledged as collateral except as noted in the financial statements.
- 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 the notes to the financial statements. 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,

Ryan Stierman, CFO/Secretary-Treasurer, CPA, CMA, MBA

Delta Carmichael, Assistant Secretary-Treasurer, CPA, CA

Valerie Dougans, Finance Manager, CPA, CA

Audited Financial Statements of

School District No. 23 (Central Okanagan)

June 30, 2019

DRAFT

School District No. 23 (Central Okanagan)

June 30, 2019

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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)

DRAFT

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

Opinion

We have audited the financial statements of School District No. 23 (Central Okanagan) ("the District"), which comprise the statement of financial position as at June 30, 2019, 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.

In our opinion, the accompanying financial statements of School District No. 23 (Central Okanagan) as at June 30, 2019 and for the year then ended, 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 ("Section 23.1").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Schedule 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting requirements of Section 23.1, 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.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kelowna, Canada
September 18, 2019

Chartered Professional Accountants

School District No. 23 (Central Okanagan)

Statement 1

Statement of Financial Position

As at June 30, 2019

	2019 Actual	2018 Actual
	\$	\$
Financial Assets		
Cash and Cash Equivalents (Note 3)	40,422,485	34,086,861
Accounts Receivable		
Due from Province - Ministry of Education	4,250,920	3,299,399
Other (Note 4)	1,213,684	1,599,698
Portfolio Investments	13,618,451	12,851,508
Total Financial Assets	59,505,540	51,837,466
Liabilities		
Accounts Payable and Accrued Liabilities		
Other	18,388,099	13,894,386
Unearned Revenue (Note 7)	2,723,262	2,468,063
Deferred Revenue (Note 8)	4,022,848	3,950,547
Deferred Capital Revenue (Note 9)	218,349,557	186,474,275
Employee Future Benefits (Note 10)	9,901,753	9,584,436
Other Liabilities (Note 11)	9,997,237	9,454,077
Total Liabilities	263,382,756	225,825,784
Net Financial Assets (Debt)	(203,877,216)	(173,988,318)
Non-Financial Assets		
Tangible Capital Assets (Note 12)	317,748,173	288,668,213
Prepaid Expenses (Note 13)	264,966	161,627
Supplies Inventory	210,589	245,331
Total Non-Financial Assets	318,223,728	289,075,171
Accumulated Surplus (Deficit)	114,346,512	115,086,853
Accumulated Surplus (Deficit) is comprised of:		
Accumulated Surplus (Deficit) from Operations	113,033,343	114,335,875
Accumulated Remeasurement Gains (Losses)	1,313,169	750,978
	114,346,512	115,086,853
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

School District No. 23 (Central Okanagan)

Statement 2

Statement of Operations

Year Ended June 30, 2019

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
Revenues			
Provincial Grants			
Ministry of Education	221,220,349	225,231,798	215,504,211
Other	604,928	748,352	695,250
Tuition	5,600,000	5,423,538	5,886,182
Other Revenue	10,432,995	11,260,953	11,154,669
Rentals and Leases	575,000	693,048	613,124
Investment Income	890,500	599,749	950,891
Gain (Loss) on Disposal of Tangible Capital Assets (Note 14)		209,745	4,398,712
Amortization of Deferred Capital Revenue	8,192,707	8,340,880	8,192,707
Total Revenue	<u>247,516,479</u>	<u>252,508,063</u>	<u>247,395,746</u>
Expenses			
Instruction	204,622,137	207,362,866	198,957,506
District Administration	6,173,486	6,271,205	5,737,562
Operations and Maintenance	36,637,336	35,654,688	33,357,128
Transportation and Housing	4,043,149	4,521,836	4,178,802
Total Expense	<u>251,476,108</u>	<u>253,810,595</u>	<u>242,230,998</u>
Surplus (Deficit) for the year	<u>(3,959,629)</u>	<u>(1,302,532)</u>	<u>5,164,748</u>
Accumulated Surplus (Deficit) from Operations, beginning of year		114,335,875	109,171,127
Accumulated Surplus (Deficit) from Operations, end of year		<u><u>113,033,343</u></u>	<u><u>114,335,875</u></u>

School District No. 23 (Central Okanagan)

Statement 3

Statement of Remeasurement Gains and Losses

Year Ended June 30, 2019

	2019 Actual	2018 Actual
	\$	\$
Accumulated Remeasurement Gains (Losses) at beginning of year	750,978	1,188,726
Unrealized Gains (Losses) attributable to:		
Portfolio Investments	658,752	31,425
Amounts Reclassified to the Statement of Operations:		
Portfolio Investments	(96,561)	(469,173)
Net Remeasurement Gains (Losses) for the year	562,191	(437,748)
Accumulated Remeasurement Gains (Losses) at end of year	1,313,169	750,978

School District No. 23 (Central Okanagan)

Statement 4

Statement of Changes in Net Financial Assets (Debt)

Year Ended June 30, 2019

	2019 Budget \$	2019 Actual \$	2018 Actual \$
Surplus (Deficit) for the year	(3,959,629)	(1,302,532)	5,164,748
Effect of change in Tangible Capital Assets			
Acquisition of Tangible Capital Assets	(29,589,692)	(42,518,456)	(24,575,113)
Amortization of Tangible Capital Assets	12,593,000	13,195,051	12,593,566
Net carrying value of Tangible Capital Assets disposed of		243,445	1,301,288
Total Effect of change in Tangible Capital Assets	(16,996,692)	(29,079,960)	(10,680,259)
Acquisition of Prepaid Expenses		(131,886)	(64,747)
Use of Prepaid Expenses		28,546	256,291
Acquisition of Supplies Inventory		(1,109,240)	(1,264,882)
Use of Supplies Inventory		1,143,983	1,215,810
Total Effect of change in Other Non-Financial Assets	-	(68,597)	142,472
(Increase) Decrease in Net Financial Assets (Debt), before Net Remeasurement Gains (Losses)	(20,956,321)	(30,451,089)	(5,373,039)
Net Remeasurement Gains (Losses)		562,191	(437,748)
(Increase) Decrease in Net Financial Assets (Debt)		(29,888,898)	(5,810,787)
Net Financial Assets (Debt), beginning of year		(173,988,318)	(168,177,531)
Net Financial Assets (Debt), end of year		(203,877,216)	(173,988,318)

School District No. 23 (Central Okanagan)

Statement 5

Statement of Cash Flows

Year Ended June 30, 2019

	2019 Actual \$	2018 Actual \$
Operating Transactions		
Surplus (Deficit) for the year	(1,302,532)	5,164,748
Changes in Non-Cash Working Capital		
Decrease (Increase)		
Accounts Receivable	(565,507)	(2,764,948)
Supplies Inventories	34,742	(49,072)
Prepaid Expenses	(103,339)	191,544
Increase (Decrease)		
Accounts Payable and Accrued Liabilities	4,493,713	(520,861)
Unearned Revenue	255,199	77,887
Deferred Revenue	72,301	200,799
Employee Future Benefits	317,317	148,308
Other Liabilities	543,160	301,254
Loss (Gain) on Disposal of Tangible Capital Assets	(209,745)	(4,398,712)
Amortization of Tangible Capital Assets	13,195,051	12,593,566
Amortization of Deferred Capital Revenue	(8,340,880)	(8,192,707)
Recognition of Deferred Capital Revenue Spent on Sites	(79,181)	(27,241)
Total Operating Transactions	8,310,299	2,724,565
Capital Transactions		
Tangible Capital Assets Purchased	(12,503,942)	(19,589,077)
Tangible Capital Assets -WIP Purchased	(30,014,514)	(4,986,036)
District Portion of Proceeds on Disposal	453,190	5,700,000
Total Capital Transactions	(42,065,266)	(18,875,113)
Financing Transactions		
Capital Revenue Received	40,295,343	14,372,005
Total Financing Transactions	40,295,343	14,372,005
Investing Transactions		
Increase (Decrease) in Remeasurement Gains (Losses)	562,191	(437,748)
Investment in Portfolio Investments	(766,943)	(1,448,661)
Total Investing Transactions	(204,752)	(1,886,409)
Net Increase (Decrease) in Cash and Cash Equivalents	6,335,624	(3,664,952)
Cash and Cash Equivalents, beginning of year	34,086,861	37,751,813
Cash and Cash Equivalents, end of year	40,422,485	34,086,861
Cash and Cash Equivalents, end of year, is made up of:		
Cash	26,393,949	19,317,179
Cash Equivalents	14,028,536	14,769,682
	40,422,485	34,086,861

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, 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>
Year ended June 30, 2019 - increase in annual surplus by	<u>\$ 29,056,283</u>
June 30, 2019 - increase in accumulated surplus & decrease in deferred contributions by	<u>\$ 213,016,866</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, 2019 and projected to March 31, 2022. The next valuation will be performed at March 31, 2022 for use at June 30, 2022. 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 \$240,419 (2018 - \$266,244), 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 \$8,569,902 (2018 - \$7,909,361), restricted and paid out to teachers who contribute and take part in the District's self-funded summer saving plan.

4. Accounts receivable - other

	2019	2018
GST rebate	\$ 399,394	\$ 301,727
Invoices receivable	373,999	326,570
Long term receivable	19,877	71,908
Other receivable	420,414	899,493
Total accounts receivable - other	\$ 1,213,684	\$ 1,599,698

5. Accounts payable and accrued liabilities - other

	2019	2018
Trade	\$ 4,840,573	\$ 3,701,154
International Education	1,380,555	1,406,212
Summer Savings program	8,585,148	7,909,361
Deferred Salary Leave program	241,200	266,244
Miscellaneous	3,340,623	611,415
Total accounts payable and accrued liabilities - other	\$ 18,388,099	\$ 13,894,386

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, 2019 the balance outstanding under this credit facility was \$nil (2018 – \$nil).

7. Unearned revenue

	2019	2018
Balance, beginning of year	\$ 2,468,063	\$ 2,390,176
Changes for the year;		
Increase:		
Transportation fees	59,735	57,290
Tuition fees	3,901,890	4,527,283
Other	13,724	14,833
	<u>3,975,349</u>	<u>4,599,406</u>
Decrease:		
Transportation fees	(57,290)	(140,551)
Tuition fees	(3,648,027)	(4,369,070)
Other	(14,833)	(11,898)
	<u>(3,720,150)</u>	<u>(4,521,519)</u>
Balance, end of year	\$ 2,723,262	\$ 2,468,063

	2019	2018
Unearned revenue comprised of:		
Transportation fees	\$ 59,735	\$ 57,290
Tuition fees	2,649,803	2,395,940
Other	13,724	14,833
	<u>\$ 2,723,262</u>	<u>\$ 2,468,063</u>

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.

	2019	2018
Balance, beginning of year	\$ 3,950,547	\$ 3,749,748
Contributions received during the year	25,241,179	24,881,699
Revenue recognized from deferred contributions	(25,168,878)	(24,680,900)
	<u>72,301</u>	<u>200,799</u>
Balance, end of year	\$ 4,022,848	\$ 3,950,547

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.

	2019	2018
Balance, beginning of year	\$ 186,474,275	\$ 180,322,218
Contributions received during the year	40,199,080	14,337,644
Investment income	96,263	34,361
Revenue recognized from deferred contributions	(8,340,880)	(8,192,707)
Site purchases	(79,181)	(27,241)
Balance, end of year	\$ 218,349,557	\$ 186,474,275

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.

10. Employee future benefits (*continued*)

	2019	2018
Reconciliation of accrued benefit obligation		
Accrued benefit obligation - April 1	\$ 8,645,417	\$ 8,653,674
Service cost	729,177	708,445
Interest cost	245,741	244,205
Benefit payments	(548,159)	(911,443)
Actuarial loss (gain)	351,384	(49,464)
Accrued benefit obligation - March 31	\$ 9,423,560	\$ 8,645,417
Reconciliation of funded status at end of fiscal year		
Accrued benefit obligation - March 31	\$ (9,423,560)	\$ (8,645,417)
Employer contributions after measurement date	291,124	235,269
Benefit expense after measurement date	(267,211)	(243,730)
Unamortized net actuarial (gain) loss	(502,106)	(930,558)
Accrued benefit obligation - June 30	\$ (9,901,753)	\$ (9,584,436)
Reconciliation of change in accrued benefit liability		
Accrued benefit liability - July 1	\$ 9,584,436	\$ 9,436,128
Net expense for fiscal year	921,331	886,248
Employer contributions	(604,014)	(737,940)
Accrued benefit liability - June 30	\$ 9,901,753	\$ 9,584,436
Components of net benefit expense		
Service cost	\$ 753,490	\$ 713,628
Interest cost	244,909	244,589
Amortization of net actuarial (gain) loss	(77,068)	(71,969)
Net benefit expense	\$ 921,331	\$ 886,248

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

	2019	2018
Discount rate - April 1	2.75%	2.75%
Discount rate - March 31	2.50%	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	10.1	9.7

School District No. 23 (Central Okanagan)
Notes to the Financial Statements
June 30, 2019

11. Other liabilities

	2019	2018
Accrued vacation payable	\$ 1,324,988	\$ 1,302,705
Benefits payable	7,625,135	6,976,235
Wages payable	742,750	694,713
Other payables	304,364	480,424
Total other liabilities	\$ 9,997,237	\$ 9,454,077

12. Tangible capital assets

	2019	2018
Net Book Value		
Sites	\$ 53,654,361	\$ 53,782,634
Buildings	208,475,874	210,494,440
Buildings - WIP	35,000,550	4,986,036
Computer hardware	8,919,863	9,132,134
Computer software	15,462	22,031
Furniture & equipment	5,899,680	5,837,869
Vehicles	5,782,383	4,413,069
Total	\$ 317,748,173	\$ 288,668,213

	Balance at July 1, 2018	Additions	Disposals	Net WIP Transfer	Balance at June 30, 2019
Cost					
Sites	\$ 53,782,634	\$ 79,181	\$ (207,454)	\$ -	\$ 53,654,361
Buildings	378,013,175	6,531,527	(249,075)	-	384,295,627
Buildings - WIP	4,986,036	30,014,514	-	-	35,000,550
Computer hardware	14,333,217	2,654,372	(2,510,304)	-	14,477,285
Computer software	32,841	-	-	-	32,841
Furniture & equipment	10,828,123	1,144,624	(1,713,692)	-	10,259,055
Vehicles	7,249,237	2,094,238	(457,100)	-	8,886,375
Total	\$ 469,225,263	\$ 42,518,456	\$ (5,137,625)	\$ -	\$ 506,606,094

Acc. Amortization

Buildings	\$ 167,518,735	\$ 8,514,102	\$ (213,084)	\$ -	\$ 175,819,753
Computer hardware	5,201,083	2,866,643	(2,510,304)	-	5,557,422
Computer software	10,810	6,569	-	-	17,379
Furniture & equipment	4,990,254	1,082,813	(1,713,692)	-	4,359,375
Vehicles	2,836,168	724,924	(457,100)	-	3,103,992
Total	\$ 180,557,050	\$ 13,195,051	\$ (4,894,180)	\$ -	\$ 188,857,921

School District No. 23 (Central Okanagan)
Notes to the Financial Statements
June 30, 2019

12. Tangible capital assets (continued)

	Balance at July 1, 2017	Additions	Disposals	Net WIP Transfer	Balance at June 30, 2018
Cost					
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
Total	\$ 452,017,592	\$ 24,575,113	\$ (7,367,442)	\$ -	\$ 469,225,263
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
Total	\$ 174,029,638	\$ 12,593,566	\$ (6,066,154)	\$ -	\$ 180,557,050

Buildings - WIP having a value of \$35,000,550 (2018 - \$4,986,036) has not been amortized. Amortization of these assets will commence when the assets are put in service.

13. Prepaid expenses

	2019	2018
Prepaid software licensing, deposits and classroom equipment	<u>\$ 264,966</u>	<u>\$ 161,627</u>

14. Disposal of site

During the year, the School District disposed of property located on Berry Road in the District of Lake Country, BC. 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%). Details of the recording of the disposition is as follows:

Net proceeds	\$	1,812,756
Net book value		(243,445)
Ministry of Education restricted capital		(1,359,566)
Gain on sale of property	\$	<u>209,745</u>

15. Employee pension plans

The School District and its employees contribute to the Teachers' Pension Plan and Municipal Pension Plan, jointly trustee 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, 2017, the Teachers' Pension Plan has about 46,000 active members from school districts and approximately 38,000 retired members from school districts. As at December 31, 2017, the Municipal Plan has about 197,000 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, 2017 indicated a \$1,656 million surplus for basic pension benefits on a going concern basis. As a result of the 2017 basic account actuarial valuation surplus, plan enhancements and contribution rate adjustments were made; the remaining \$644 million surplus was transferred to the rate stabilization account. The next valuation for the Teachers' Pension Plan will be as at December 31, 2020, with results available in 2021.

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 \$18,457,877 (2018 - \$19,220,290) for employer contributions to these plans in the year ended June 30, 2019.

16. Internally restricted surplus - operating fund

	2019	2018
Internally restricted (appropriated) by Board for:		
Appropriated for next year's budget	\$ 2,642,193	\$ 2,917,346
Net school surpluses	727,309	1,080,305
Targeted aboriginal program	274,503	402,302
CUPE training funds	121,161	164,119
Comprehensive privacy and security foundation	-	100,000
Energy manager shared service program	150,370	82,205
Trades grant	-	27,075
WCB core audit funds	49,000	39,000
Trustee travel	21,528	33,928
Apprenticeship program	37,430	-
International field trip	-	23,400
Subtotal (internally restricted)	4,023,494	4,869,680
Unrestricted operating surplus	1,866,565	2,519,656
Total available for future operations	\$ 5,890,059	\$ 7,389,336

17. Expense by object

	2019	2018
Salaries and benefits	\$ 208,149,821	\$ 197,519,797
Services and supplies	32,465,723	32,117,633
Amortization on tangible capital assets	13,195,051	12,593,564
Total expenses by object	\$ 253,810,595	\$ 242,230,994

18. Interfund transfers

Inter-fund transfers between operating, special purpose and capital funds are for the year ended June 30, 2019 were as follows:

- Transfers in the amount of \$703,672 (2018 - \$567,351) 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 \$732,842 (2018 - \$1,050,069) were made from the Operating Fund to the Capital Fund for capital asset purchases funded by the Operating Fund.
- Transfers in the amount of \$3,178,413 (2018 - \$4,000,000) 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 \$34,135,768 at June 30, 2019 (2018 - \$61,687,838).
- 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, 2019, 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 two letters of credit with the Royal Bank of Canada in the amounts of \$428,172, payable to the City of Kelowna, and \$35,000, payable to the Rutland Waterworks District. The City of Kelowna letter of credit was required in connection with the completion of works and services relating to the new administration office located at 1040 Hollywood Road. This letter of credit was issued on December 6, 2017. The Rutland Waterworks District letter of credit was necessary to cover hydrant installation and geoexchange improvements for the new administration office and was issued on April 5, 2017. This letter of credit was reduced to \$15,000 on June 13, 2019.

22. Subsequent event

Subsequent to June 30, 2019, the School District disposed of its interest in a 6 acre parcel of land located in the Kettle Valley neighbourhood of Kelowna, BC for \$650,000. This interest was originally transferred to the School District as satisfaction in full for the balance of school site acquisition charges owed to the School District for the development of this land.

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 27, 2018. 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 13, 2019. Significant changes between the original and amended budget are as follows:

	Amended Annual Budget	Annual Budget	Change
Revenue			
Provincial Grants	\$ 225,605,899	\$ 221,825,277	\$ (3,780,622)
Tuition	5,600,000	5,600,000	-
Other Revenue	11,074,130	11,007,995	(66,135)
Investment Income	650,000	890,500	240,500
Amortization of Deferred Cap Revenue	8,340,880	8,192,707	(148,173)
Total Revenue	\$ 251,270,909	\$ 247,516,479	\$ (3,754,430)
Expense			
Instruction	\$ 208,084,419	\$ 204,622,137	\$ (3,462,282)
District Administration	6,270,721	6,173,486	(97,235)
Operations and Maintenance	36,546,004	36,637,336	91,332
Transportation and Housing	4,044,253	4,043,149	(1,104)
Total Expense	\$ 254,945,397	\$ 251,476,108	\$ (3,469,289)
Net Revenue (Expense)	\$ (3,674,488)	\$ (3,959,629)	\$ (285,141)
Budget Allocation of Surplus (Deficit)	4,869,680	4,239,028	(630,652)
Budget Surplus (Deficit), for the year	\$ 1,195,192	\$ 279,399	\$ (915,793)

School District No. 23 (Central Okanagan)

Schedule 1 (Unaudited)

Schedule of Changes in Accumulated Surplus (Deficit) by Fund
 Year Ended June 30, 2019

	Operating Fund	Special Purpose Fund	Capital Fund	2019 Actual	2018 Actual
	\$	\$	\$	\$	\$
Accumulated Surplus (Deficit), beginning of year	7,389,336		106,946,539	114,335,875	109,171,127
Changes for the year					
Surplus (Deficit) for the year	2,411,978	703,672	(4,418,182)	(1,302,532)	5,164,748
Interfund Transfers					
Tangible Capital Assets Purchased	(732,842)	(703,672)	1,436,514	-	
Local Capital	(3,178,413)		3,178,413	-	
Net Changes for the year	(1,499,277)	-	196,745	(1,302,532)	5,164,748
Accumulated Surplus (Deficit), end of year - Statement 2	5,890,059	-	107,143,284	113,033,343	114,335,875
Accumulated Remeasurement Gains (Losses) - Statement 3	1,313,169			1,313,169	750,978
	7,203,228	-	107,143,284	114,346,512	115,086,853

School District No. 23 (Central Okanagan)

Schedule 2 (Unaudited)

Schedule of Operating Operations

Year Ended June 30, 2019

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
Revenues			
Provincial Grants			
Ministry of Education	204,244,457	207,911,121	198,814,251
Other	604,928	748,352	695,250
Tuition	5,600,000	5,423,538	5,886,182
Other Revenue	3,132,995	3,334,550	3,049,887
Rentals and Leases	575,000	693,048	613,124
Investment Income	800,000	486,612	859,731
Total Revenue	<u>214,957,380</u>	<u>218,597,221</u>	<u>209,918,425</u>
Expenses			
Instruction	181,161,096	182,934,768	174,843,957
District Administration	6,173,486	6,271,205	5,737,562
Operations and Maintenance	24,044,336	22,457,434	20,617,258
Transportation and Housing	4,043,149	4,521,836	4,178,802
Total Expense	<u>215,422,067</u>	<u>216,185,243</u>	<u>205,377,579</u>
Operating Surplus (Deficit) for the year	<u>(464,687)</u>	<u>2,411,978</u>	<u>4,540,846</u>
Budgeted Appropriation (Retirement) of Surplus (Deficit)	<u>4,239,028</u>		
Net Transfers (to) from other funds			
Tangible Capital Assets Purchased	(1,395,928)	(732,842)	(1,050,069)
Local Capital	(2,378,413)	(3,178,413)	(4,000,000)
Total Net Transfers	<u>(3,774,341)</u>	<u>(3,911,255)</u>	<u>(5,050,069)</u>
Total Operating Surplus (Deficit), for the year	<u>-</u>	<u>(1,499,277)</u>	<u>(509,223)</u>
Operating Surplus (Deficit), beginning of year		7,389,336	7,898,559
Operating Surplus (Deficit), end of year		<u>5,890,059</u>	<u>7,389,336</u>
Operating Surplus (Deficit), end of year			
Internally Restricted (Note 16)		4,023,494	4,869,680
Unrestricted		1,866,565	2,519,656
Total Operating Surplus (Deficit), end of year		<u>5,890,059</u>	<u>7,389,336</u>

School District No. 23 (Central Okanagan)

Schedule 2A (Unaudited)

Schedule of Operating Revenue by Source

Year Ended June 30, 2019

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
Provincial Grants - Ministry of Education			
Operating Grant, Ministry of Education	203,079,126	205,949,625	196,417,663
ISC/LEA Recovery	(1,057,995)	(1,094,811)	(1,034,101)
Other Ministry of Education Grants			
Pay Equity	1,238,323	1,238,323	1,238,323
Funding for Graduated Adults	15,000	108,890	
Transportation Supplement	600,000	600,000	600,000
Economic Stability Dividend		259,954	134,530
Return of Administrative Savings			967,983
Carbon Tax Grant	120,003	165,522	164,666
Employer Health Tax Grant		517,658	
Strategic Priorities - Mental Health Grant		30,300	
Support Staff Benefits Grant		10,816	
BCTEA - LEA Capacity Building Grant		6,850	
FSA & Exam		27,292	27,292
Other		5,000	27,895
Salary Differential		85,702	
Shared Energy Manager	250,000		200,000
Cohesive Data			70,000
Total Provincial Grants - Ministry of Education	204,244,457	207,911,121	198,814,251
Provincial Grants - Other	604,928	748,352	695,250
Tuition			
International and Out of Province Students	5,600,000	5,423,538	5,886,182
Total Tuition	5,600,000	5,423,538	5,886,182
Other Revenues			
Other School District/Education Authorities	525,000	591,650	715,022
LEA Funding from First Nations	1,057,995	1,094,811	1,034,101
Miscellaneous			
Transportation Fees	900,000	819,103	486,964
Wage Recoveries	300,000	353,162	339,943
City of Kelowna	40,000	40,000	40,000
District of Lake Country	70,000	70,000	71,981
Other	240,000	365,824	361,876
Total Other Revenue	3,132,995	3,334,550	3,049,887
Rentals and Leases	575,000	693,048	613,124
Investment Income	800,000	486,612	859,731
Total Operating Revenue	214,957,380	218,597,221	209,918,425

School District No. 23 (Central Okanagan)

Schedule 2B (Unaudited)

Schedule of Operating Expense by Object

Year Ended June 30, 2019

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
Salaries			
Teachers	97,405,418	97,553,838	92,711,135
Principals and Vice Principals	11,302,073	11,532,441	10,950,478
Educational Assistants	14,479,605	15,181,643	14,107,613
Support Staff	20,838,024	20,718,076	19,073,882
Other Professionals	3,042,586	3,129,848	2,984,128
Substitutes	6,665,887	6,663,623	6,664,739
Total Salaries	153,733,593	154,779,469	146,491,975
Employee Benefits	38,521,514	38,367,891	36,509,487
Total Salaries and Benefits	192,255,107	193,147,360	183,001,462
Services and Supplies			
Services	5,289,439	5,351,555	5,323,378
Student Transportation	391,335	377,037	354,938
Professional Development and Travel	1,992,673	2,004,203	1,912,494
Rentals and Leases	1,317,000	131,203	136,573
Dues and Fees	396,500	428,871	421,885
Insurance	610,000	711,916	590,220
Supplies	9,468,674	10,363,854	9,993,256
Utilities	3,701,339	3,669,244	3,643,373
Total Services and Supplies	23,166,960	23,037,883	22,376,117
Total Operating Expense	215,422,067	216,185,243	205,377,579

School District No. 23 (Central Okanagan)

Schedule 2C (Unaudited)

Operating Expense by Function, Program and Object

Year Ended June 30, 2019

	Teachers Salaries	Principals and Vice Principals Salaries	Educational Assistants Salaries	Support Staff Salaries	Other Professionals Salaries	Substitutes Salaries	Total Salaries
	\$	\$	\$	\$	\$	\$	\$
1 Instruction							
1.02 Regular Instruction	80,726,204	831,672	319,088	1,243,924		5,840,035	88,960,923
1.03 Career Programs	751,814		63,330	323,527		32,101	1,170,772
1.07 Library Services	1,810,650	223,476		1,207,269	94,910	5,477	3,341,782
1.08 Counselling	2,472,880					19,110	2,491,990
1.10 Special Education	10,303,262	753,489	12,869,921	828,029		506,230	25,260,931
1.30 English Language Learning	788,479			66,339		3,315	858,133
1.31 Aboriginal Education	579,050	127,301	1,929,304	41,724		28,455	2,705,834
1.41 School Administration		8,850,324		3,358,489		56,414	12,265,227
1.62 International and Out of Province Students	121,499	147,906		47,649	260,971	8,553	586,578
Total Function 1	97,553,838	10,934,168	15,181,643	7,116,950	355,881	6,499,690	137,642,170
4 District Administration							
4.11 Educational Administration		327,935		189,360	564,328	130,127	1,211,750
4.40 School District Governance					141,531		141,531
4.41 Business Administration		270,338		947,026	1,167,616	33,806	2,418,786
Total Function 4	-	598,273	-	1,136,386	1,873,475	163,933	3,772,067
5 Operations and Maintenance							
5.41 Operations and Maintenance Administration				195,621	539,172		734,793
5.50 Maintenance Operations				8,990,442	88,685		9,079,127
5.52 Maintenance of Grounds				838,726			838,726
5.56 Utilities				118,952	172,809		291,761
Total Function 5	-	-	-	10,143,741	800,666	-	10,944,407
7 Transportation and Housing							
7.41 Transportation and Housing Administration				163,108	99,826		262,934
7.70 Student Transportation				2,157,891			2,157,891
Total Function 7	-	-	-	2,320,999	99,826	-	2,420,825
9 Debt Services							
Total Function 9	-	-	-	-	-	-	-
Total Functions 1 - 9	97,553,838	11,532,441	15,181,643	20,718,076	3,129,848	6,663,623	154,779,469

School District No. 23 (Central Okanagan)

Schedule 2C (Unaudited)

Operating Expense by Function, Program and Object

Year Ended June 30, 2019

	Total Salaries	Employee Benefits	Total Salaries and Benefits	Services and Supplies	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$	\$	\$	\$	\$
1 Instruction							
1.02 Regular Instruction	88,960,923	21,515,059	110,475,982	8,042,365	118,518,347	118,240,666	112,770,291
1.03 Career Programs	1,170,772	314,336	1,485,108	100,021	1,585,129	1,642,294	1,544,227
1.07 Library Services	3,341,782	884,854	4,226,636	501,016	4,727,652	4,985,265	4,939,506
1.08 Counselling	2,491,990	607,415	3,099,405	3,589	3,102,994	3,626,153	3,163,733
1.10 Special Education	25,260,931	6,797,828	32,058,759	1,089,183	33,147,942	31,393,977	31,526,875
1.30 English Language Learning	858,133	206,490	1,064,623	35,918	1,100,541	998,192	917,201
1.31 Aboriginal Education	2,705,834	706,815	3,412,649	284,818	3,697,467	3,630,120	3,141,905
1.41 School Administration	12,265,227	2,746,141	15,011,368	67,456	15,078,824	14,363,199	14,743,024
1.62 International and Out of Province Students	586,578	130,871	717,449	1,258,423	1,975,872	2,281,230	2,097,195
Total Function 1	137,642,170	33,909,809	171,551,979	11,382,789	182,934,768	181,161,096	174,843,957
4 District Administration							
4.11 Educational Administration	1,211,750	282,452	1,494,202	334,433	1,828,635	1,784,485	1,767,981
4.40 School District Governance	141,531	3,429	144,960	162,895	307,855	309,007	262,879
4.41 Business Administration	2,418,786	568,426	2,987,212	1,147,503	4,134,715	4,079,994	3,706,702
Total Function 4	3,772,067	854,307	4,626,374	1,644,831	6,271,205	6,173,486	5,737,562
5 Operations and Maintenance							
5.41 Operations and Maintenance Administration	734,793	170,461	905,254	598,221	1,503,475	1,440,173	1,351,213
5.50 Maintenance Operations	9,079,127	2,517,615	11,596,742	3,125,977	14,722,719	16,191,490	13,357,768
5.52 Maintenance of Grounds	838,726	167,481	1,006,207	449,581	1,455,788	1,410,262	1,281,699
5.56 Utilities	291,761	60,129	351,890	4,423,562	4,775,452	5,002,411	4,626,578
Total Function 5	10,944,407	2,915,686	13,860,093	8,597,341	22,457,434	24,044,336	20,617,258
7 Transportation and Housing							
7.41 Transportation and Housing Administration	262,934	54,750	317,684	2,358	320,042	325,578	309,200
7.70 Student Transportation	2,157,891	633,339	2,791,230	1,410,564	4,201,794	3,717,571	3,869,602
Total Function 7	2,420,825	688,089	3,108,914	1,412,922	4,521,836	4,043,149	4,178,802
9 Debt Services							
Total Function 9	-	-	-	-	-	-	-
Total Functions 1 - 9	154,779,469	38,367,891	193,147,360	23,037,883	216,185,243	215,422,067	205,377,579

School District No. 23 (Central Okanagan)

Schedule 3 (Unaudited)

Schedule of Special Purpose Operations

Year Ended June 30, 2019

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
Revenues			
Provincial Grants			
Ministry of Education	16,975,892	17,241,496	16,662,719
Other Revenue	7,300,000	7,873,043	8,017,283
Investment Income	500	17,231	898
Total Revenue	<u>24,276,392</u>	<u>25,131,770</u>	<u>24,680,900</u>
Expenses			
Instruction	23,461,041	24,428,098	24,113,549
Total Expense	<u>23,461,041</u>	<u>24,428,098</u>	<u>24,113,549</u>
Special Purpose Surplus (Deficit) for the year	<u>815,351</u>	<u>703,672</u>	<u>567,351</u>
Net Transfers (to) from other funds			
Tangible Capital Assets Purchased	(815,351)	(703,672)	(567,351)
Total Net Transfers	<u>(815,351)</u>	<u>(703,672)</u>	<u>(567,351)</u>
Total Special Purpose Surplus (Deficit) for the year	<u>-</u>	<u>-</u>	<u>-</u>
Special Purpose Surplus (Deficit), beginning of year			
Special Purpose Surplus (Deficit), end of year		<u>-</u>	<u>-</u>

School District No. 23 (Central Okanagan)

Changes in Special Purpose Funds and Expense by Object

Year Ended June 30, 2019

Schedule 3A (Unaudited)

	Annual Facility Grant \$	Learning Improvement Fund \$	Special Education Equipment \$	Service Delivery Transformation \$	School Generated Funds \$	Strong Start \$	Ready, Set, Learn \$	OLEP \$	CommunityLINK \$
Deferred Revenue, beginning of year	361,094	-	30,187	91,684	3,362,383	-	-	-	40,221
Add: Restricted Grants									
Provincial Grants - Ministry of Education	785,351	786,857				256,000	75,950	366,595	1,241,934
Other					7,990,949				
Investment Income	14,192								1,581
	799,543	786,857	-	-	7,990,949	256,000	75,950	366,595	1,243,515
Less: Allocated to Revenue	759,402	711,638	8,122	91,684	7,873,043	256,000	75,950	343,695	1,268,991
Recovered									
Deferred Revenue, end of year	401,235	75,219	22,065	-	3,480,289	-	-	22,900	14,745
Revenues									
Provincial Grants - Ministry of Education	745,210	711,638	8,122	91,684		256,000	75,950	343,695	1,267,410
Other Revenue					7,873,043				
Investment Income	14,192								1,581
	759,402	711,638	8,122	91,684	7,873,043	256,000	75,950	343,695	1,268,991
Expenses									
Salaries									
Teachers					55,894		46,950	78,250	53,993
Educational Assistants		601,774							
Support Staff						192,626			
Other Professionals				28,991					
Substitutes		1,085						82,346	
	-	602,859	-	28,991	55,894	192,626	46,950	160,596	53,993
Employee Benefits		108,779		6,028	13,750	46,827	11,550	19,250	13,283
Services and Supplies	66,851			56,665	7,803,399	16,547	17,450	160,850	1,201,715
	66,851	711,638	-	91,684	7,873,043	256,000	75,950	340,696	1,268,991
Net Revenue (Expense) before Interfund Transfers	692,551	-	8,122	-	-	-	-	2,999	-
Interfund Transfers									
Tangible Capital Assets Purchased	(692,551)		(8,122)					(2,999)	
	(692,551)	-	(8,122)	-	-	-	-	(2,999)	-
Net Revenue (Expense)	-	-	-	-	-	-	-	-	-

School District No. 23 (Central Okanagan)

Changes in Special Purpose Funds and Expense by Object

Year Ended June 30, 2019

Schedule 3A (Unaudited)

	Coding and Curriculum Implementation	Classroom Enhancement Fund - Overhead	Classroom Enhancement Fund - Staffing	Classroom Enhancement Fund - Remedies	Provincial Resource Program	TOTAL
	\$	\$	\$	\$	\$	\$
Deferred Revenue, beginning of year	23,164	-	-	37,108	4,706	3,950,547
Add: Restricted Grants						
Provincial Grants - Ministry of Education		616,135	12,916,104	10,650	177,423	17,232,999
Other						7,990,949
Investment Income				1,458		17,231
	-	616,135	12,916,104	12,108	177,423	25,241,179
Less: Allocated to Revenue	23,164	616,135	12,916,104	12,108	175,734	25,131,770
Recovered				37,108		37,108
Deferred Revenue, end of year	-	-	-	-	6,395	4,022,848
Revenues						
Provincial Grants - Ministry of Education	23,164	616,135	12,916,104	10,650	175,734	17,241,496
Other Revenue						7,873,043
Investment Income				1,458		17,231
	23,164	616,135	12,916,104	12,108	175,734	25,131,770
Expenses						
Salaries						
Teachers			10,374,199	12,108	89,839	10,711,233
Educational Assistants						601,774
Support Staff		96,250				288,876
Other Professionals						28,991
Substitutes		473,510			390	557,331
	-	569,760	10,374,199	12,108	90,229	12,188,205
Employee Benefits		18,907	2,541,905		21,374	2,801,653
Services and Supplies	23,164	27,468			64,131	9,438,240
	23,164	616,135	12,916,104	12,108	175,734	24,428,098
Net Revenue (Expense) before Interfund Transfers	-	-	-	-	-	703,672
Interfund Transfers						
Tangible Capital Assets Purchased						(703,672)
	-	-	-	-	-	(703,672)
Net Revenue (Expense)	-	-	-	-	-	-

School District No. 23 (Central Okanagan)

Schedule 4 (Unaudited)

Schedule of Capital Operations

Year Ended June 30, 2019

	2019 Budget	2019 Actual			2018 Actual
		Invested in Tangible Capital Assets	Local Capital	Fund Balance	
	\$	\$	\$	\$	\$
Revenues					
Provincial Grants					
Ministry of Education		79,181		79,181	27,241
Other Revenue			53,360	53,360	87,499
Investment Income	90,000		95,906	95,906	90,262
Gain (Loss) on Disposal of Tangible Capital Assets		209,745		209,745	4,398,712
Amortization of Deferred Capital Revenue	8,192,707	8,340,880		8,340,880	8,192,707
Total Revenue	8,282,707	8,629,806	149,266	8,779,072	12,796,421
Expenses					
Operations and Maintenance			2,203	2,203	146,304
Amortization of Tangible Capital Assets					
Operations and Maintenance	12,593,000	13,195,051		13,195,051	12,593,566
Total Expense	12,593,000	13,195,051	2,203	13,197,254	12,739,870
Capital Surplus (Deficit) for the year	(4,310,293)	(4,565,245)	147,063	(4,418,182)	56,551
Net Transfers (to) from other funds					
Tangible Capital Assets Purchased	2,211,279	1,436,514		1,436,514	1,617,420
Local Capital	2,378,413		3,178,413	3,178,413	4,000,000
Total Net Transfers	4,589,692	1,436,514	3,178,413	4,614,927	5,617,420
Other Adjustments to Fund Balances					
District Portion of Proceeds on Disposal		(453,190)	453,190	-	
Tangible Capital Assets Purchased from Local Capital		3,605,598	(3,605,598)	-	
Total Other Adjustments to Fund Balances		3,152,408	(3,152,408)	-	
Total Capital Surplus (Deficit) for the year	279,399	23,677	173,068	196,745	5,673,971
Capital Surplus (Deficit), beginning of year		104,506,262	2,440,277	106,946,539	101,272,568
Capital Surplus (Deficit), end of year		104,529,939	2,613,345	107,143,284	106,946,539

School District No. 23 (Central Okanagan)

Schedule 4A (Unaudited)

Tangible Capital Assets

Year Ended June 30, 2019

	Sites	Buildings	Furniture and Equipment	Vehicles	Computer Software	Computer Hardware	Total
	\$	\$	\$	\$	\$	\$	\$
Cost, beginning of year	53,782,634	378,013,175	10,828,123	7,249,237	32,841	14,333,217	464,239,227
Changes for the Year							
Increase:							
Purchases from:							
Deferred Capital Revenue - Bylaw	79,181	4,767,750	363,668	2,022,550			7,233,149
Deferred Capital Revenue - Other			228,681				228,681
Operating Fund		230,276	308,763			193,803	732,842
Special Purpose Funds		692,551	8,122			2,999	703,672
Local Capital		840,950	235,390	71,688		2,457,570	3,605,598
	79,181	6,531,527	1,144,624	2,094,238	-	2,654,372	12,503,942
Decrease:							
Disposed of	207,454	249,075					456,529
Deemed Disposals			1,713,692	457,100		2,510,304	4,681,096
	207,454	249,075	1,713,692	457,100	-	2,510,304	5,137,625
Cost, end of year	53,654,361	384,295,627	10,259,055	8,886,375	32,841	14,477,285	471,605,544
Work in Progress, end of year		35,000,550					35,000,550
Cost and Work in Progress, end of year	53,654,361	419,296,177	10,259,055	8,886,375	32,841	14,477,285	506,606,094
Accumulated Amortization, beginning of year		167,518,735	4,990,254	2,836,168	10,810	5,201,083	180,557,050
Changes for the Year							
Increase: Amortization for the Year		8,514,102	1,082,813	724,924	6,569	2,866,643	13,195,051
Decrease:							
Disposed of		213,084					213,084
Deemed Disposals			1,713,692	457,100		2,510,304	4,681,096
		213,084	1,713,692	457,100	-	2,510,304	4,894,180
Accumulated Amortization, end of year		175,819,753	4,359,375	3,103,992	17,379	5,557,422	188,857,921
Tangible Capital Assets - Net	53,654,361	243,476,424	5,899,680	5,782,383	15,462	8,919,863	317,748,173

School District No. 23 (Central Okanagan)

Schedule 4B (Unaudited)

Tangible Capital Assets - Work in Progress

Year Ended June 30, 2019

	Buildings	Furniture and Equipment	Computer Software	Computer Hardware	Total
	\$	\$	\$	\$	\$
Work in Progress, beginning of year	4,986,036				4,986,036
Changes for the Year					
Increase:					
Deferred Capital Revenue - Bylaw	30,014,514				30,014,514
	30,014,514	-	-	-	30,014,514
Net Changes for the Year	30,014,514	-	-	-	30,014,514
Work in Progress, end of year	35,000,550	-	-	-	35,000,550

School District No. 23 (Central Okanagan)

Schedule 4C (Unaudited)

Deferred Capital Revenue

Year Ended June 30, 2019

	Bylaw Capital	Other Provincial	Other Capital	Total Capital
	\$	\$	\$	\$
Deferred Capital Revenue, beginning of year	179,143,340	4,530,237	287,006	183,960,583
Changes for the Year				
Increase:				
Transferred from Deferred Revenue - Capital Additions	7,153,968	25,944	202,737	7,382,649
	7,153,968	25,944	202,737	7,382,649
Decrease:				
Amortization of Deferred Capital Revenue	8,101,396	156,973	82,511	8,340,880
	8,101,396	156,973	82,511	8,340,880
Net Changes for the Year	(947,428)	(131,029)	120,226	(958,231)
Deferred Capital Revenue, end of year	178,195,912	4,399,208	407,232	183,002,352
Work in Progress, beginning of year				-
Changes for the Year				
Increase				
Transferred from Deferred Revenue - Work in Progress	30,014,514			30,014,514
	30,014,514	-	-	30,014,514
Net Changes for the Year	30,014,514	-	-	30,014,514
Work in Progress, end of year	30,014,514	-	-	30,014,514
Total Deferred Capital Revenue, end of year	208,210,426	4,399,208	407,232	213,016,866

School District No. 23 (Central Okanagan)

Schedule 4D (Unaudited)

Changes in Unspent Deferred Capital Revenue

Year Ended June 30, 2019

	Bylaw Capital	MEd Restricted Capital	Other Provincial Capital	Land Capital	Other Capital	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	21,185	-	43,150	2,449,357		2,513,692
Changes for the Year						
Increase:						
Provincial Grants - Ministry of Education	37,316,038					37,316,038
Provincial Grants - Other			12,372			12,372
Other					202,737	202,737
Investment Income				96,263		96,263
MEd Restricted Portion of Proceeds on Disposal		1,359,566				1,359,566
School Site Acquisition Charges				1,308,367		1,308,367
	37,316,038	1,359,566	12,372	1,404,630	202,737	40,295,343
Decrease:						
Transferred to DCR - Capital Additions	7,153,968		25,944		202,737	7,382,649
Transferred to DCR - Work in Progress	30,014,514					30,014,514
Transferred to Revenue - Site Purchases	79,181					79,181
	37,247,663	-	25,944	-	202,737	37,476,344
Net Changes for the Year	68,375	1,359,566	(13,572)	1,404,630	-	2,818,999
Balance, end of year	89,560	1,359,566	29,578	3,853,987	-	5,332,691



Memorandum

Date: September 13, 2019
To: Finance and Audit Committee
From: Delta Carmichael, Assistant Secretary-Treasurer

Action Item: **Renewal of External Auditors, Grant Thornton LLP**

1.0 BACKGROUND

In the fall of 2014, a Request for Proposals was sent out to audit firms, inviting them to submit proposals for audit services of Central Okanagan School District. The selected firm would be appointed for a period of five years, commencing with the 2014/2015 fiscal year with the possibility of extending the contract for up to an additional five year term, provided both parties are in agreement. The fiscal year of Central Okanagan Public Schools is July 1 to June 30.

2.0 RELEVANT BOARD MOTION/DIRECTION

14P-190 (November 12, 2014 Public Board Meeting)

THAT: The Board of Education appoint Grant Thornton as the Auditors for the Central Okanagan School District for a period of five years, with an option [for the Board] to renew a further five years beginning with the audit of the 2014-2015 fiscal year.

3.0 POINTS FOR CONSIDERATION

Items to consider when evaluating whether or not to renew the appointment of Grant Thornton LLP as our external auditors for an additional five (5) year term include:

- Audit team has
 - provided reliable professional service and advice;
 - maintained relevant and professional development requirements;
 - an exceptional understanding of our business (values, needs, objectives);
 - knowledge and expertise of similar type audits (engagement partner for three school districts, one college, two private schools and five municipalities as well as the concurring partner for BCIT and Surrey School District);
- District staff has a long-standing relationship with the current audit firm and team;
- Audit firms are subject to the highest audit standards (Public Sector Accounting Standards);
- File consistency produces audit efficiencies (i.e. statements, notes, working papers);
- Audit fees have been reasonable and consistent with the original proposal received;

4.0 ASSISTANT SECRETARY-TREASURER COMMENTS

None.

5.0 STAFF RECOMMENDATION

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

THAT: The Board of Education renew the appointment of Grant Thornton LLP as the auditors for the Central Okanagan School District for a period of five years beginning with the audit of the 2019/2020 fiscal year.

6.0 APPENDIX

None.



**Central Okanagan
Public Schools**

Together We Learn

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

the Year Ending June 30, 2019



Financial Statement Discussion and Analysis

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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, 2019. 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 44 schools - 31 elementary, 7 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 is 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 30th. 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' 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:

- Completion of Canyon Falls Middle school.
- Preliminary work on H.S. Grenda Middle school.
- Multiple dust collector replacements;
- Multiple Annual Facilities Grant (AFG) assignments;

In July 2018, the District sold the Winfield Elementary site for \$1,875,000. The District's gain on disposal was \$209,745.

Subsequent to June 30, 2019, the District disposed of its interest in a 6 acre parcel of land located in the Kettle Valley neighbourhood of Kelowna, BC for \$650,000. This interest was originally transferred to the District as satisfaction in full for the balance of school site acquisition charges owed to the District for the development of this land.

INDICATORS OF FINANCIAL HEALTH

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

Combined Assets & Liabilities (STATEMENT 1-Current Year Compared to Prior Year)

FINANCIAL ASSETS

Cash & Cash Equivalents - Statement 5 (Cash Flow) provides information on how the District's cash is spent each year. The District's cash balance is high however it is required for several reasons including: Payment of current liabilities (\$9.6M), summer savings & deferred salary leave plans (\$8.8M); restricted cash for MOE deposits (\$14M), restricted school generated funds (\$3.4M). restricted cash for Int'l Ed. program (\$340K). As well, the monthly funding from the MOE drops significantly in July -Aug (3%) compared to our June funding (10%) so additional cash funds are required to carry the District through the summer.

Accounts Receivable - Additional COA funds were requested in 2019 vs 2018 as a result of the Canyon Falls & HS Grenda builds. In 2018, there was an additional \$357,241 AR related to CEF spending.

Portfolio Investments - Fluctuates as the market changes.

Tangible Capital Assets - Difference relates to capital work in progress for both new middle schools.

Prepaid Expenses - Prepayment of software & other licenses for multiple years.

Supplies Inventory - Central Stores maintains an inventory on hand for schools to access.

	(In millions)		
	2019	2018	\$ Diff
<u>Financial Assets</u>			
Cash & Cash Equivalents	40.4	34.1	6.3
Accounts Receivable	5.5	4.9	0.6
Portfolio Investments	13.6	12.9	0.8
Tangible Capital Assets	317.7	288.7	29.1
Prepaid Expenses	0.3	0.2	0.1
Supplies Inventory	0.2	0.2	(0.0)
Total Financial Assets	377.7	340.9	36.8

FINANCIAL LIABILITIES

Accounts Payable - Difference mainly due to increase in the summer savings program (\$700K); construction holdbacks & progress invoices for capital projects (\$4.4M).

Unearned Revenue - Fees collected from International Education students coming in the 2019/2020 school year.

Deferred Revenue - Special Purpose Funds remaining balances (i.e. Clink, LIF, school generated funds, AFG underspend) to be spent in future years.

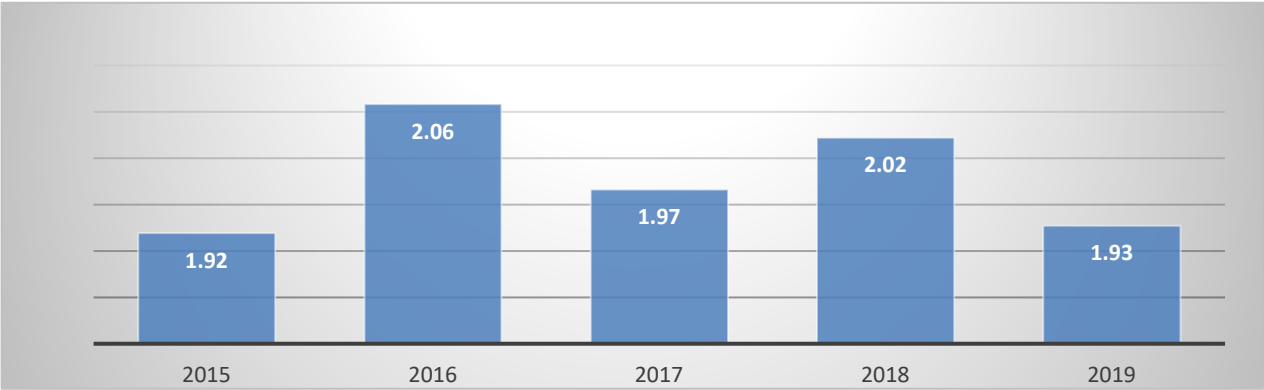
Deferred Capital Revenue - Difference relates to the MOE funding required relating to the capital work in progress for both new middle schools.

Employee Future Benefits - Relates to retirement payments to employees for years of service.

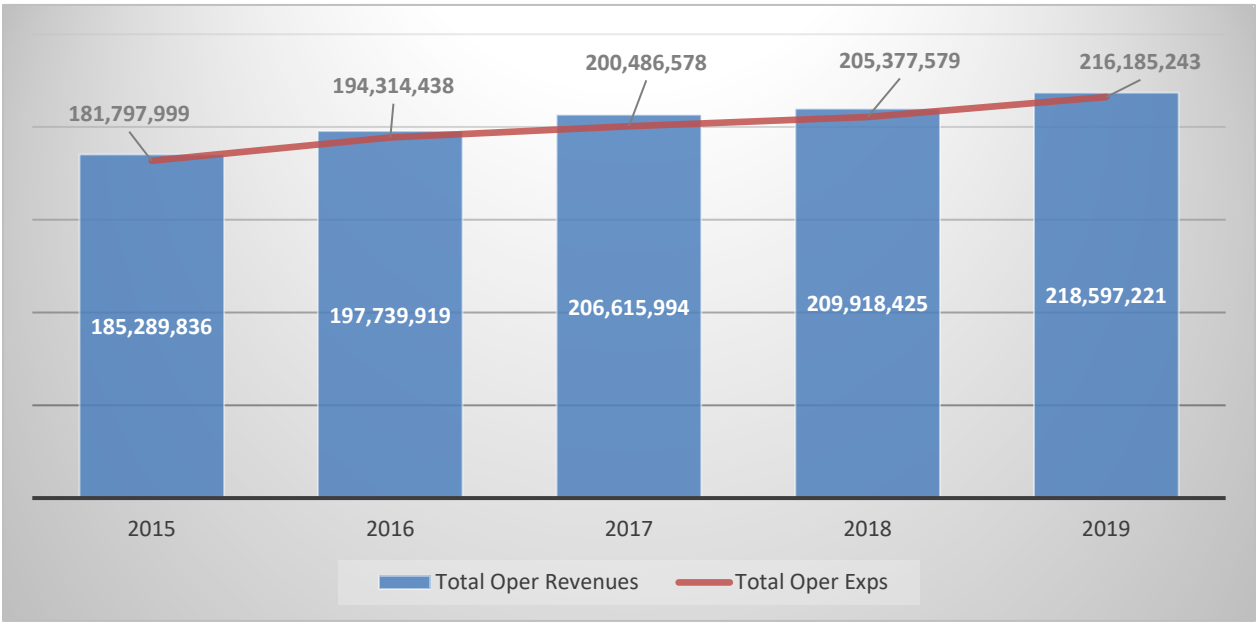
Other Liabilities - Diff relates to addition of the employer health tax owing (\$800K) less the reduction in teacher pension & MSP amounts owing

	(In millions)		
	2019	2018	\$ Diff
<u>Liabilities</u>			
Accounts Payable	18.4	13.9	4.5
Unearned Revenue	2.7	2.5	0.3
Deferred Revenue	4.0	4.0	0.1
Deferred Capital Revenue	218.3	186.5	31.9
Employee Future Benefits	9.9	9.6	0.3
Other Liabilities	10.0	9.5	0.5
Total Financial Liabilities	263.4	225.8	37.6

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.



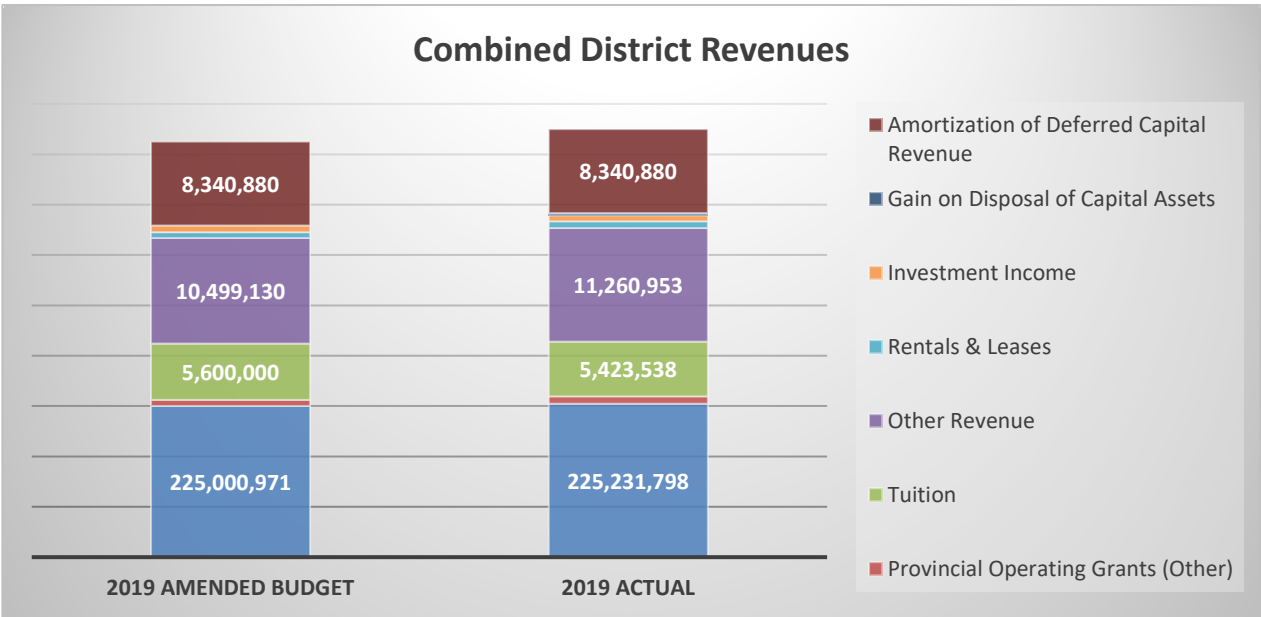
Combined Revenue & Expenses Trend (STATEMENT 2-Actual Compared to Amended Budget)

REVENUE

Provincial Grants - Amended Budget was adjusted for an overall student enrolment increase that was higher than anticipated, resulting in an increase in teacher FTE. Funds received for some programs such as apprenticeships and Interior Health Authority were higher than expected.

Tuition - The actual student FTE (382 FTE) for the International Education program was slightly lower than budgeted (400 FTE).

Other Revenue – School generated funds (special purpose funds) were higher than originally budgeted for. These funds are mostly being generated at the middle and secondary schools for field trips, fundraising and graduation expenses.



EXPENSES

Instruction - Spending was less than budgeted for many reasons including:

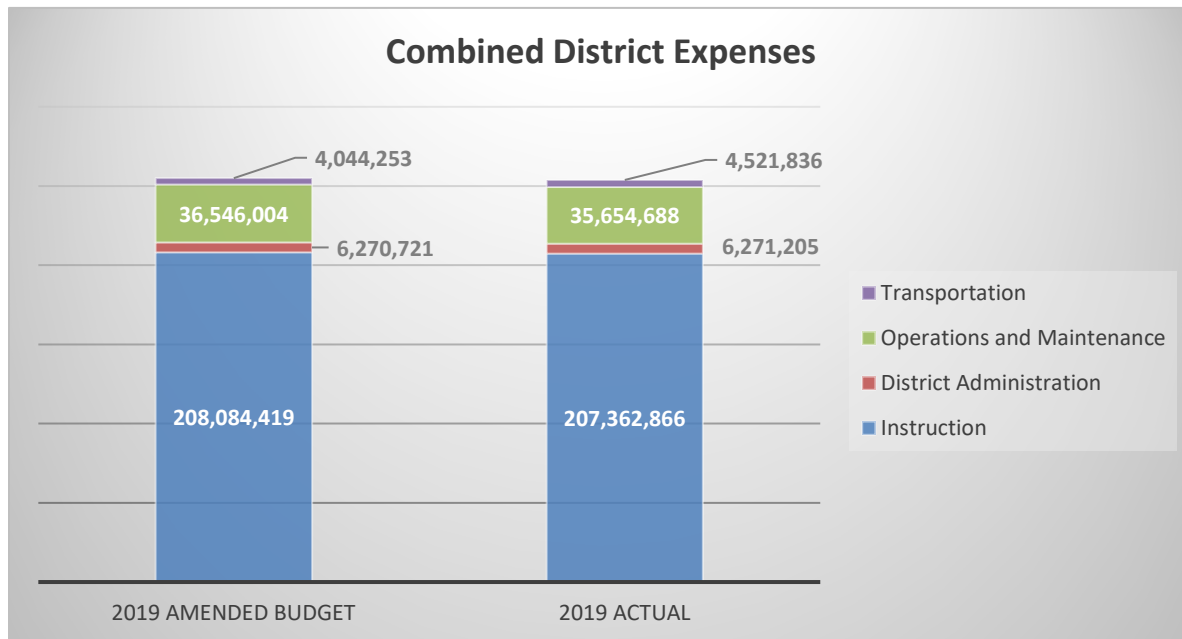
- Teacher illness was less than expected;
- Schools are spending less on supplies & resources than what was originally allocated to them as they want to commit current year surpluses to next year's budget in an attempt to maintain staffing;
- BCPSEA finally allowed Districts to place principal and vice principals on an approved grid resulting in raises effective September 1, 2018 that was fully funded by the District;
- 11 LIF CEA positions not fully filled during the year resulting in a savings;
- School generated fund spending (special purpose fund) was more than budgeted due to schools spending more on field trips, athletics & supplies at the school level.

Operations and Maintenance

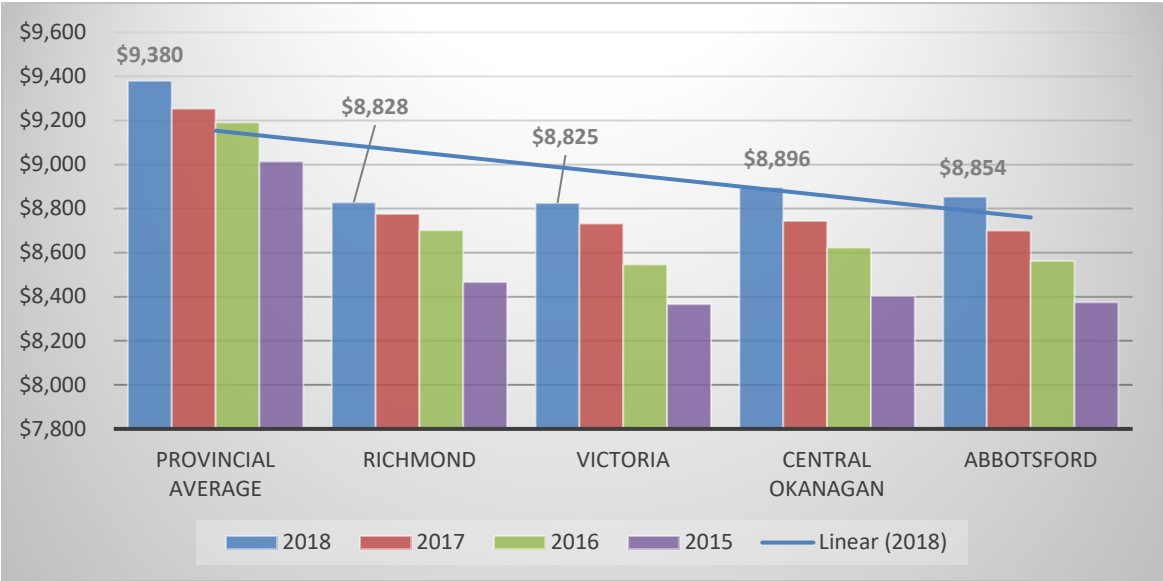
The Operations department continues to struggle to fill and keep qualified staff across the department due to the District's less than competitive pay grid. As well, we are required to spend our AFG funding within the year it is provided so staff is redirected to AFG throughout the year which results in less staff for general operations.

Transportation

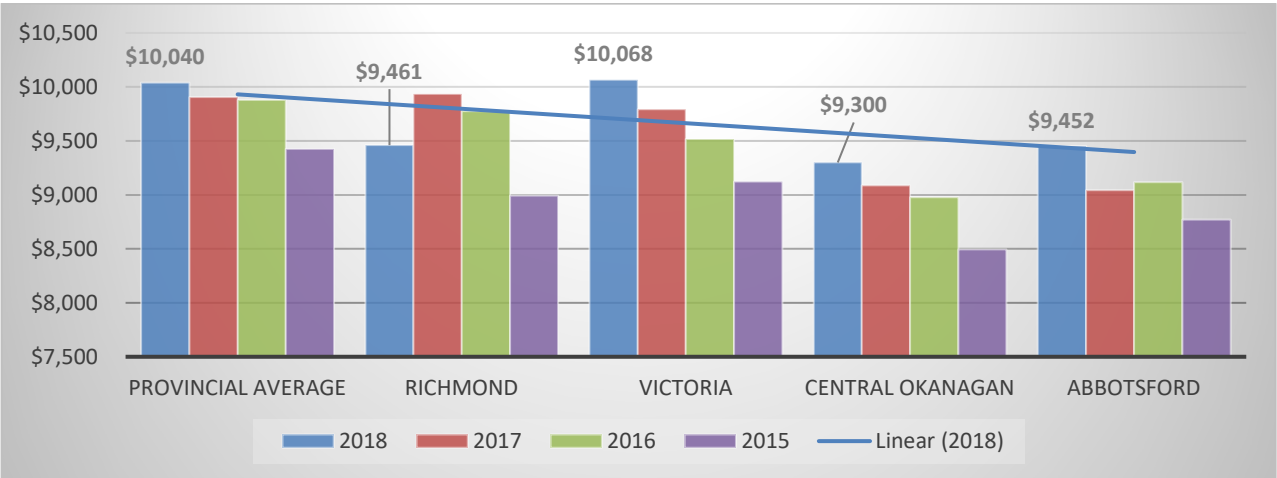
Transportation supply costs associated with buses (e.g. insurance, natural gas, diesel, gasoline) is higher than expected. Sick days were greater than the prior year by approx. 700 days so more casual bus drivers were required (not fully budgeted for).



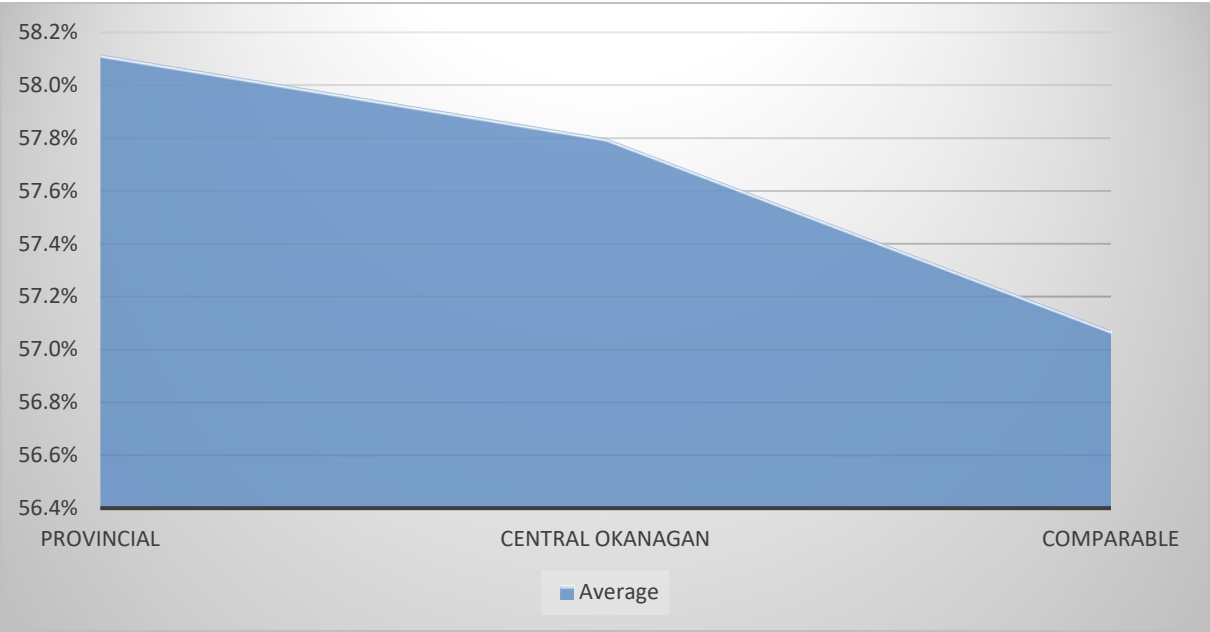
Ministry Operating Grant Funding per Student – The chart below indicates what our District receives in funding, on average, per FTE student compared to other comparable size districts and the province. The information shows that our District receives less funding per FTE student than the provincial average. This differential occurs because there are specialty grants provided to districts that address factors unique to specific districts i.e. geographical differences, special education enrolment and salary differentials.



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. Alternate sources of funding allow districts to spend more per FTE than the Ministry Operating Grant funding illustrated above.

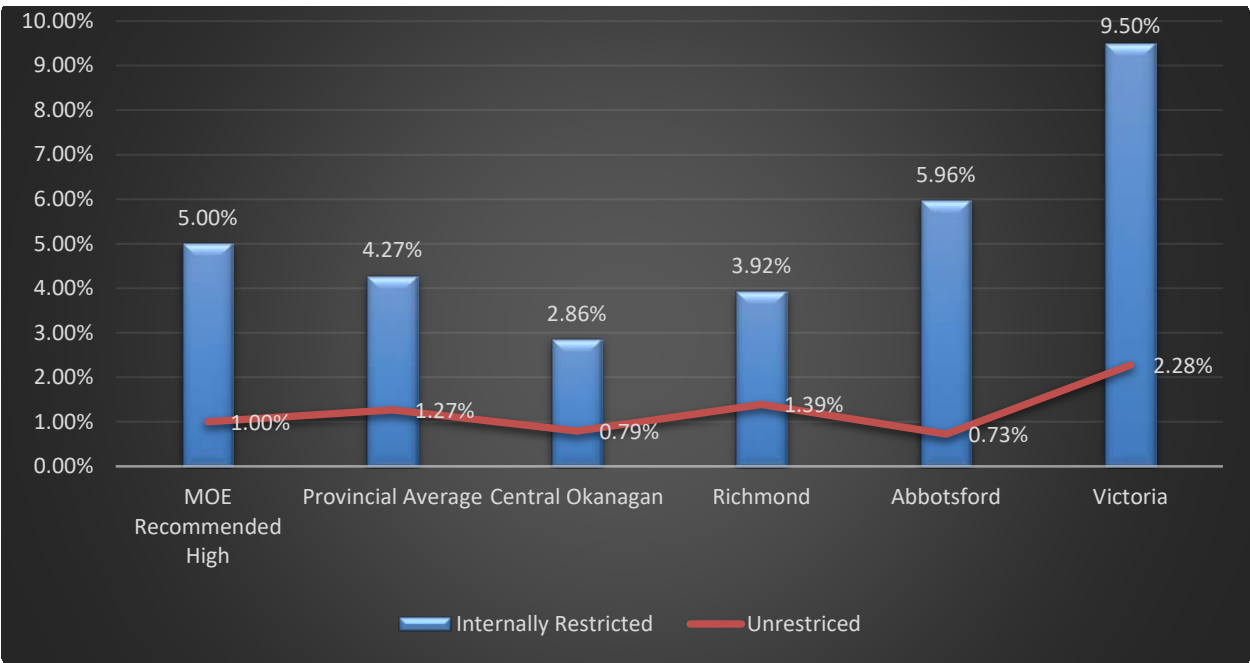


Changes in Capital Assets – If you compare the District's capital asset net book value (cost less amortization) to the capital assets historical cost (cost when purchased), the percentage illustrates the relative age of the asset. A high percentage indicates newer assets whereas a lower percentage indicates 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 five year average for buildings only (buildings account for over 80% of the District's total assets) of 57.8% is slightly less than the provincial average of 58.1% and just over the average of comparable size FTE districts at 57.1%. This indicates the District is maintaining its buildings in a timely fashion.



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), using a five year average, the District is maintaining both an internally and unrestricted surplus within the acceptable range.



Overall Financial Health

Overall, as of June 30, 2019, 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 and internally restricted surpluses remaining within the recommended Ministry ranges (unrestricted range of .5% - 1% and internally restricted range of 2.5% - 5%). This strong financial health can be contributed to sound financial management, planning and governance.