

YEAR END FINANCIAL STATEMENT MANAGEMENT DISCUSSION AND ANALYSIS



Financial Results of Fiscal Year 2019/20



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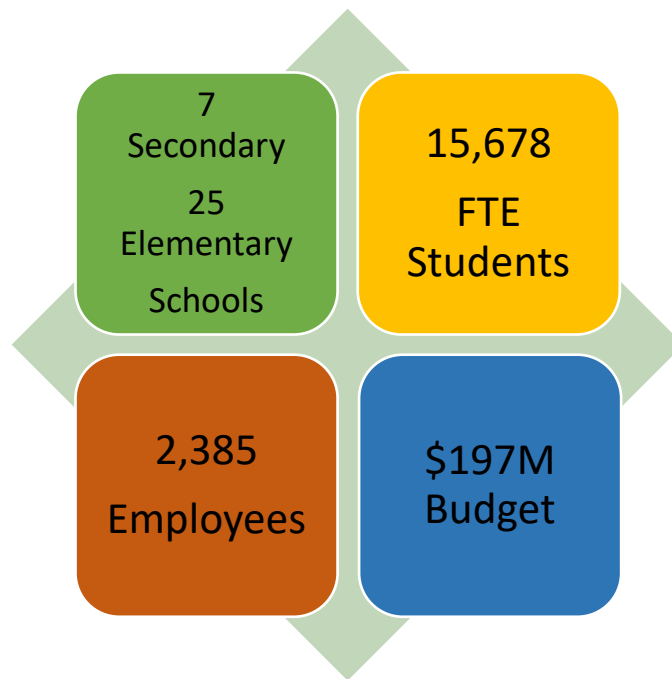
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School District Profile



The North Vancouver School District (NVSD) operates schools in the City of North Vancouver, and the District of North Vancouver. One of sixty BC Public School Districts, NVSD operates twenty-five elementary schools and seven secondary schools. In addition to the thirty-two school facilities, the District operates the Cheakamus Environmental Learning Centre in Squamish, and maintains an operations maintenance facility

and the Education Services Centre within the School District boundaries. The NVSD prepares its financial statements in accordance with Canadian public sector accounting standards using guidelines developed by the Public Sector Accounting Board (PSAB). KPMG is the Board-appointed auditor. We are the 11th largest in the province. In 2019/20, we served over 15,000 students, their families and more than 2,300 staff.



Covid-19 and the 2019/20 School Year

The suspension of in-class learning in March required a sudden, dramatic shift in the K-12 model across the province. It also required an enormous effort on the part of staff to ensure educational continuity for our students through remote online learning delivery methods. Overnight, staff became familiar with new technologies, adopted new teaching techniques, and many found themselves



juggling the overwhelming demands of both caring for family and working full-time. In the span of three months, our staff adapted to the technological and psychological challenges brought on by the Covid-19 pandemic. They responded with



grace, enthusiasm and resiliency. Field trips, art shows, sports events, drama productions and of course, grade twelve graduation ceremonies were either cancelled or took another format. Despite the challenges and disappointments, the



professionalism and deep commitment demonstrated by staff to keep students connected, engaged and learning for the remainder of the 2019/20 school year was commendable. Innovative alternatives including physically distanced and/or virtual performances and professionally produced and recorded grad ceremonies replaced traditional events, marking the end to arguably, the most



remarkable and unique school year in recent memory. Covid-19's impact is likely to persist into the fall and beyond, continuing to place significant demands on the school district's resources, both human and financial. Given what was learned when remote on-line learning was offered in the spring and when schools partially reopened in June, the school district has demonstrated it can successfully confront any challenges that arise as staff get set to reopen in September for the new school year.

Our Mandate

The provincial mandate governs our general policies, service delivery and accountability structures. The mandate is broad, and flexible to provide the Board the ability to develop policies and programs that meet the legislated requirements of the School Act, and are responsive to the local needs of our community. The Provincial Statement of Education Policy Order emphasizes that in preparing students as future citizens, schools assist in developing “well-educated people who have the ability to think clearly and critically, and to adapt to change.” Progress towards these goals is supported by educated citizens who accept the tolerant and multi-faceted nature of Canadian society.

Seven elected Trustees comprise the North Vancouver Board of Education. Four are elected from the District of North Vancouver, and three from the City of North Vancouver. Collectively, the Board is responsible for the allocation of resources, hiring and assignment of teachers, administrators, support staff, and making the major policy decisions to effectively deliver the Ministry of Education’s K-12 Curriculum as mandated by the *School Act*. In the 2020 school year, the Board oversaw a total budget of more than \$190 million.



We provide world-class instruction and a rich diversity of engaging programs to inspire success for every student and bring communities together to learn, share and grow.

Our Shared Values

Our shared values set the tone for how we relate to one another in pursuing common goals. Our values assist us in demonstrating consistent and fair leadership and guide us in working collaboratively and productively together to realize our Vision.

Trust

We act with integrity. We are open and honest in our communication with one another.

Respect

We relate to each other with care and appreciation. We honour diversity and recognize the exceptional in everyone.

Responsibility

We are accountable for our actions. We support positive change, continuous improvement and the pursuit of excellence.

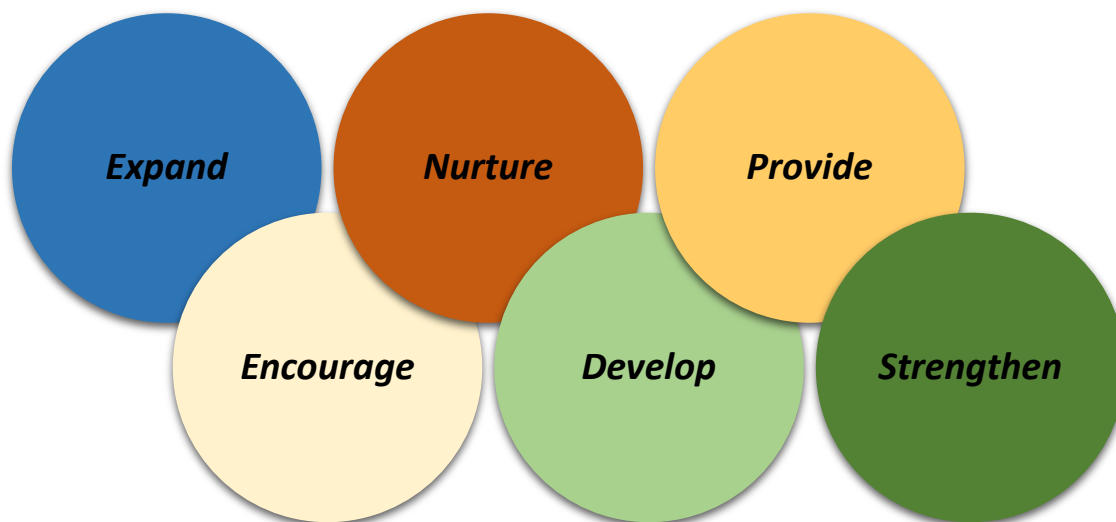
Collaboration

We develop relationships and affiliations to achieve shared goals and consider each other in our decisions and actions.



Ten Year Strategic Goals and Objectives

Fiscal 2019/20 is the second year of the Board's [Three Year Operating Plan 2019-2021](#). This plan establishes interim objectives and strategies designed to meet the Board's long-term goals identified in the [Ten Year Strategic Plan](#). These six long-term goals, established through an extensive process of consultation, brought together our partner groups and community members, combined our strengths, and provided the framework to promote an integrated, organizational-wide approach to realize the Board's Vision. During the year, the Board began an engagement process to provide input into the development of our next Strategic Plan. This work will continue throughout the next fiscal. Our financial discussion and analysis is framed within the context of the current vision, aligning these objectives throughout the organization.



Expand *the availability of best instructional practices and enriched curriculum*

Encourage *the growth of collaborative, adaptive and personalized learning environments*

Nurture *an inspiring and healthy work environment*

Develop *and promote innovative and sustainable programs*

Provide *leadership in environmental education and sustainability practices*

Strengthen *and expand reciprocal community relations*

School District Funding

The District is funded primarily through Operating Grants received from the Provincial Ministry of Education. The Operating Grant is based on student enrolment, confirmed three times per year in September, February, and July. The District receives a fixed amount per full-time enrolled student (FTE). For each identified student with unique needs, the District receives a supplementary grant on top of the basic per-pupil operating grant to support the needs of diverse students.



2019-2020 Ministry of Education Per Student Funding

- *Basic Operating Grant*
\$7,468 before additional funding
- *Summer School*
Grade 1-9 \$215
Grade 10-12 \$439
- *Indigenous Students*
\$1,450
- *English Language Learners* *\$1,495*
- *Students with Diverse Needs*
Level I \$42,400
Level II \$20,200
Level III \$10,250

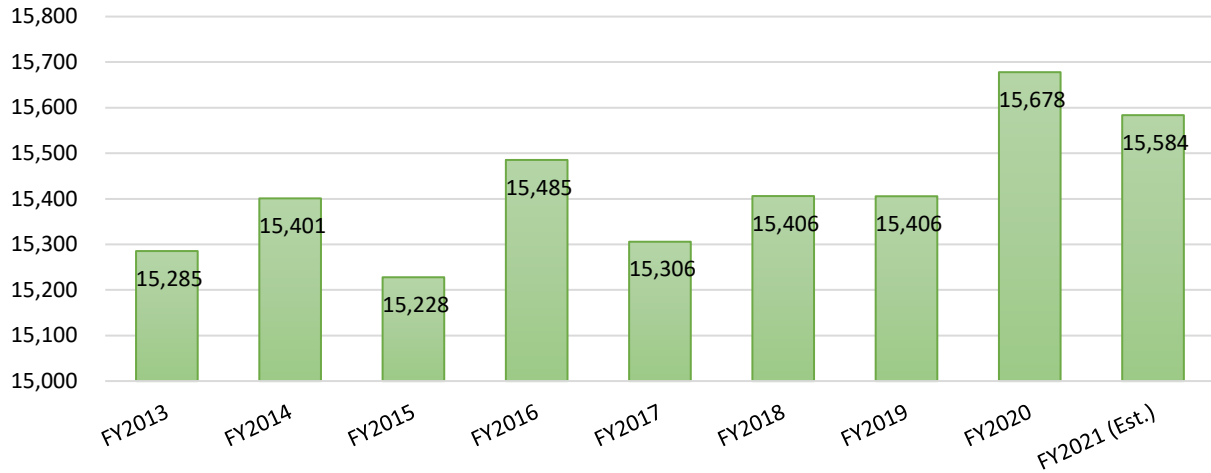
Counting Student Enrolments

In grades kindergarten through nine, one student equates to one FTE. At the secondary level, in grades ten through twelve, students are funded based on the percentage of full-time enrolment.

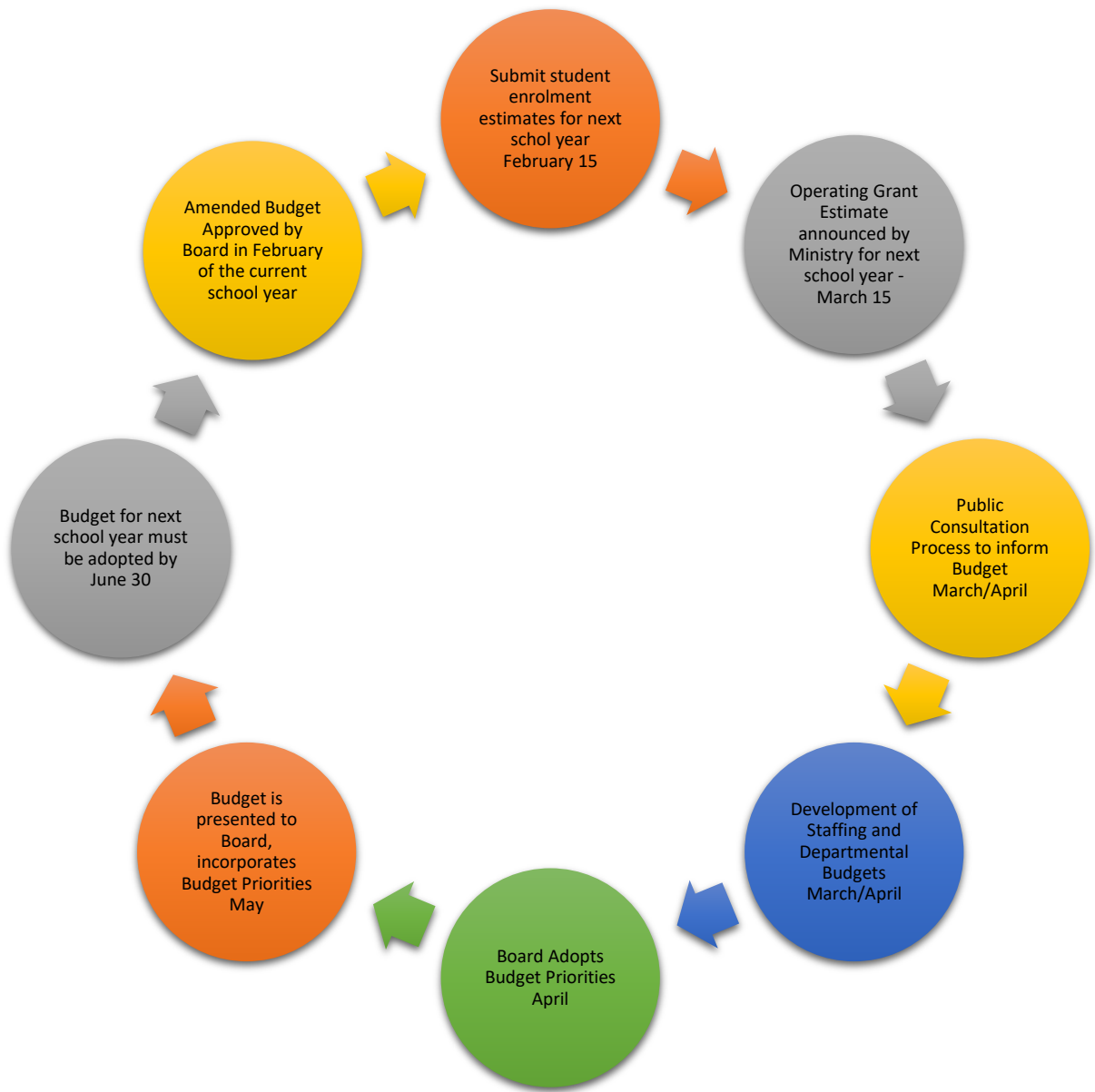
The basic operating grant provided for students in secondary is adjusted to match their course load. Secondary students often take less than a full course load or seek learning opportunities and experiences outside of school to meet their credit requirements. This variation from year to year in student enrolment influences course offerings, required staffing levels, and predictions of future capacity requirements of District schools. Each year, the School District undertakes a comprehensive process including an analysis of population data and consideration of municipal development approvals to predict future enrolment

trends. The number of students enrolled directly impacts the number of classrooms. A reliable estimate of student enrolment is crucial to the integrity of the operating budget, as 87% of expenditures support salaries and benefits. Student enrolment has experienced some variability in previous years.

NVSD Student FTE Enrolment 2013-2021



The Financial Planning Process



Annual Budget Development: The annual budget cycle begins with the Board’s endorsement of a process and timeline for budget adoption in December of each year. By February 15th, management submits to the Ministry, the expected student enrolment for the upcoming school year. Provincial operating grant funding estimates will be based on these initial student enrolment projections, and are released to districts in March. Throughout the spring, a public consultation process is undertaken to identify budget priorities. Management incorporates those priorities into the preliminary operating budget as directed by the Board. By June 30th each year, the Board must adopt a budget for the upcoming school year. Each year, in February, once all the actual student counts are known, and provincial funding is confirmed, the Board will pass an Amended Budget for the current school year.

Consolidated Statement of Financial Position

	FY2020	FY2019	\$ Change	% Change
Financial Assets				
Cash and Cash Equivalents	66,908,608	50,804,816	16,103,792	31.7%
Accounts Receivable				
Due from Province - Ministry of Education	697,047	3,069,828	(2,372,781)	(77.3%)
Other	832,709	1,512,721	(680,012)	(45.0%)
Inventories for Resale	312,540	353,004	(40,464)	(11.5%)
Total Financial Assets	68,750,904	55,740,369	13,010,535	23.3%
Liabilities				
Accounts Payable and Accrued Liabilities				
Due to Province - Ministry of Education	29,758	54,997	(25,239)	(45.9%)
Other	23,601,552	15,770,934	7,830,618	49.7%
Unearned Revenue	8,000,991	10,009,398	(2,008,407)	(20.1%)
Deferred Revenue	5,059,288	4,678,968	380,320	8.1%
Deferred Capital Revenue	241,192,037	194,580,740	46,611,297	24.0%
Employee Future Benefits	7,742,500	7,516,625	225,875	3.0%
Capital Lease Obligations	386,086	544,708	(158,622)	(29.1%)
Total Liabilities	286,012,212	233,156,370	52,855,842	22.7%
Net Financial Assets (Debt)	(217,261,308)	(177,416,001)	(39,845,307)	22.5%
Non-Financial Assets				
Tangible Capital Assets	335,492,245	288,599,693	46,892,552	16.2%
Prepaid Expenses	722,218	2,994,896	(2,272,678)	(75.9%)
Supplies Inventory	1,678		1,678	
Total Non-Financial Assets	336,216,141	291,594,589	44,621,552	15.3%
Accumulated Surplus (Deficit)	118,954,833	114,178,588	4,776,245	4.2%

Cash Holdings: School District funds are held in the operating bank account, the individual schools' bank accounts, in the provincial Centralized Deposit System, and at the Blueshore Credit Union. Funds held at Blueshore include an Investment certificate at a rate of 2.15% (FY2019 – 2.05%); of these funds, \$2million is pledged as collateral for a letter of credit in favour of the District of North Vancouver as security for the school construction projects at Argyle, Handsworth and Mountainside. The change in cash balances from FY2019 to FY2020 can be attributed to several factors including the significant year over year decrease in accounts receivable, the increase in accounts payable at June 30, and the increase in Accumulated Operating Surplus. The District was holding significant cash reserves at year end in anticipation of refunds for international students expected to be returned in the following fiscal. The numbers of international students is expected to decrease in 2020/21 as the border remains closed until at least the end of September, 2020.

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Allocation of Cash at June 30, 2020	FY2020	FY2019
Operating Accounts	43,861,698	28,346,616
Provincial CDS Program	20,505,953	19,970,868
BlueShore Financial	2,540,957	2,487,332
Total	\$66,908,608	\$50,804,816

Accounts Receivable: The most significant change in Accounts Receivable year over year is represented by a \$2.3million decrease in the amount due from the Province of BC at year end. Amounts due from the Ministry of Education at June 30th relate to the Argyle, Handsworth and Mountainside construction projects.

Prepaid Expenses: In FY2020, prepaid expenses decreased by \$2million, monies were returned to the School District by the District of North Vancouver in exchange for a Letter of Credit to secure the School District’s seismic replacement construction projects.

Accounts Payable: Accounts payable were \$23.6million. (FY2019 \$15.7million) There was a significant increase over the previous year which is attributed to the District’s capital construction projects. Increased trade payables and lien holdbacks relating to these capital projects account for the bulk of the increase, however payroll liabilities increased over last year. Vacation pay owing was approximately \$100,000 higher as fewer staff were able to take their vacation due to COVID-19, and there was a \$700,000 increase to accrued Employer Health Tax owing as a result of the provincial government extending the remittance due date for until September as a means to provide financial relief to business.

Unearned Revenues: Unearned revenues represent amounts that have been collected by the District in advance of providing the related programming. Most of these unearned revenues represent prepaid International Student Tuition Fees and prepaid Academy Program and Band and String Program fees. These funds will be recognized and recorded as revenue over the course of the next fiscal year consistent with the delivery of the programming. The FY2020 balance was \$2million lower than the previous year. Management attributes this decrease to COVID-19. International students are hesitant to commit to studying at the District given the closure of the border, and program registrations are lower than prior years as uncertainty exists among families as to how the programs will be delivered in the fall.

Deferred Revenues: Deferred revenues represent grant amounts received in advance of the related expenditures being made, unspent school generated funds, and unspent funds held in trust for the schools. These amounts will be recognized as revenue and in future years as the expenses are incurred. In FY2020, the balance of deferred revenue was approximately \$5 million, up slightly from FY2019 deferred revenue balance of \$4.68M. This is consistent with the suspension of in-class instruction in the spring, as programs and activities were cancelled, schools were left with funds that won’t be spent until some time in the future.

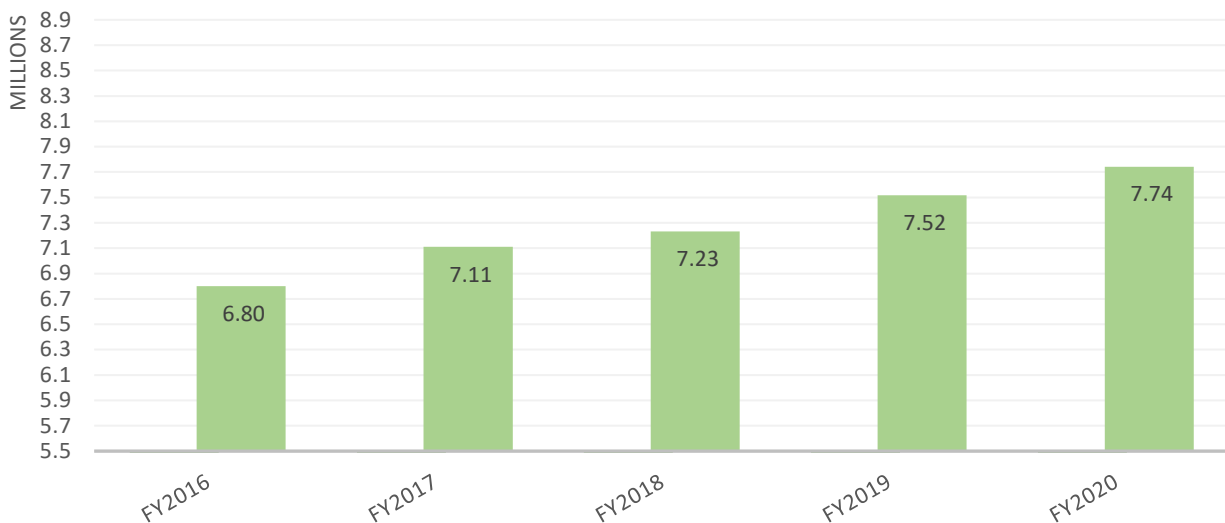
Deferred Capital Revenues: These revenues relate to Ministry of Education funding received in prior years which have been spent on the construction and acquisition of capital assets. As a requirement of Treasury Board Regulations, the grant revenue is not immediately recognized, instead, it is recorded as a deferred revenue liability. Over time, this liability is drawn down and recognized as revenue over the expected life of the asset.

The balance in the Deferred Capital Revenue increases each year by new Provincial grant funding received, and is reduced each year by the systematic recognition of revenue over the life of each capital asset. The change in the Deferred Capital Revenue account balance is explained by the table below:

Deferred Capital Revenues	FY2020	FY2019	Change
Deferred Capital Revenue – Opening Balance	194,580,740	182,273,101	12,307,639
Additions – Grant Funds received for Capital Assets and Construction Projects	52,843,248	18,483,189	34,360,059
Current Year Recognition of Deferred Grant Revenue	(6,231,951)	(6,175,550)	(56,401)
Closing Deferred Revenue Balance	241,192,037	194,580,740	46,611,297

Employee Future Benefit Liability: The liability is provided annually to the District by the Ministry of Education and is based on actuarial estimates. It measures the estimated future cost to the District to provide employee benefits such as retirement allowances, vacation, sick pay and maternity leave benefits. The annual increase is linear and predictable, suggesting that the cost of benefits increases over time as wages increase, and that the workforce is stable, continuously accumulating additional seniority and benefit entitlements over time.

Employee Future Benefit Liability
(\$Millions)



Capital Lease Obligation: During FY2018, the District entered into a long-term photocopier lease contract expiring November, 2023. The contract met the conditions of a capital lease. The amount owing on the lease at the end of FY2020 was \$386,086 (FY2019 \$544,708). Over the course of the year, the District made lease payments of \$182,149 which included \$23,528 in lease interest expense.

Tangible Capital Assets: Each year, the District acquires new capital assets, either by way of upgrading and extending the useful life of its existing buildings, or the construction of new, replacement projects, or the purchase of furniture and equipment. The funds expended on these capital projects, as well as those spent on fleet and maintenance vehicles, furniture and equipment and computer hardware and software are capitalized as Tangible Capital Assets. The costs of these assets are recognized over their expected useful lives through a systematic recording of Amortization Expense. Furniture and equipment, fleet and maintenance vehicles, and computer hardware and software are all deemed to be disposed of at the end of their useful life, and the asset value, and its related accumulated amortization are removed from the asset register.

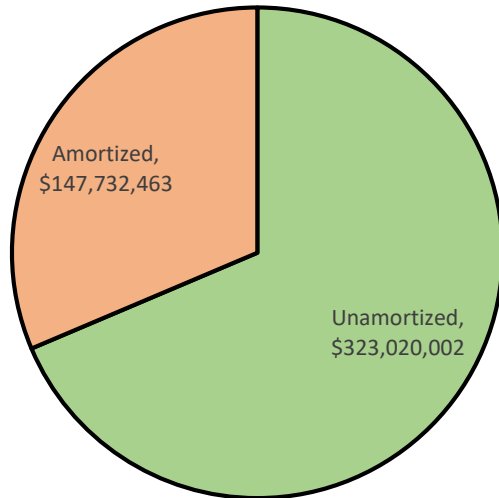
Estimated Useful Lives of Tangible Capital Assets:

- | | |
|------------------------------|---------------------|
| Buildings | • 40 years |
| Furniture and Equipment | • 10 years |
| Vehicles | • 10 years |
| Computer Hardware & Software | • 5 years |
| Assets under Capital Lease | • Term of the Lease |

The District’s Tangible Capital Asset balances are recorded in the schedule below:

	Sites	Buildings	Furn & Equipment	Vehicles	IT Equip & Software	FY2020 Total	FY2019 Total
Opening Balance	12,472,243	382,242,559	3,912,747	1,311,405	4,482,401	404,421,355	400,617,274
Additions		5,931,531	740,740	290,708	1,824,692	8,787,671	5,349,764
Deemed Disposals			(201,952)		(806,365)	(1,008,317)	(1,545,683)
Closing Balance	12,472,243	388,174,090	4,451,535	1,602,113	5,500,728	412,200,709	404,421,355
Add: WIP Balance		71,023,999				71,023,999	22,829,819
Tangible Capital Assets Total	12,472,243	459,198,089	4,451,535	1,602,113	5,500,728	483,224,708	427,251,174
Accum. Amortization Opening		135,212,361	1,304,094	418,734	1,716,292	138,651,481	130,132,146
Amortization Expense		8,670,402	391,275	131,141	896,481	10,089,299	10,065,018
Deemed Disposals			(201,952)		(806,365)	(1,008,317)	(1,545,683)
Accum. Amortization Closing		143,882,763	1,493,417	549,875	1,806,408	147,732,463	138,651,481
Closing Net Book Value of TCA	12,472,243	315,315,326	2,958,118	1,052,238	3,694,320	335,492,245	288,599,693

Amortization as a Proportion of Total Investment in Tangible Capital Assets *(excludes land)*



A high proportion of fully-amortized tangible capital assets may suggest an organization's assets are nearing the end of their expected lives and additional investments in capital renewal and replacement should be considered.

Capital Asset Additions FY2020:

Buildings: Total investment in Building Additions in FY2020 was \$5.9M in completed projects, and \$48.8M in Work In Progress. These additions are generally funded through Ministry of Education Capital Grants. More information about these projects is included in the Capital Project section of this report.

Furniture and Equipment: Total Furniture and Equipment additions were \$740,740. Acquisitions this year included approximately \$100,000 spent on new custodial equipment and \$190,000 of playground upgrades. Equipment purchases were made for the new Argyle Secondary School totalling \$240,000. Several other small purchases of furniture and equipment across several schools makes up the balance of furniture and equipment acquisitions.

Vehicles: This year, three new vehicles were acquired. Two school buses for a total of \$245,000 and a replacement fleet vehicle for use by maintenance staff for \$45,000.

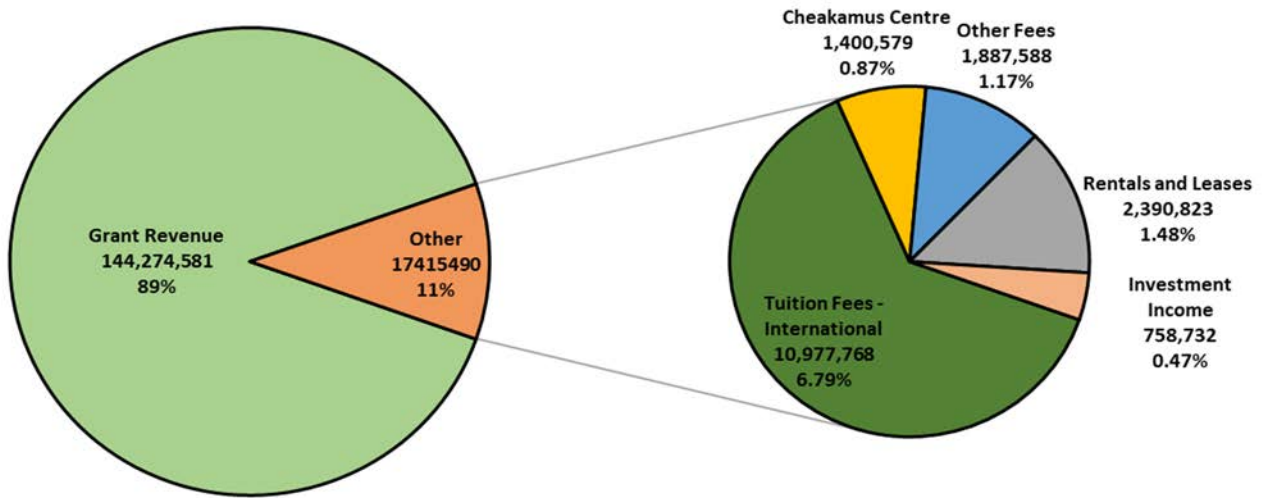
IT Hardware: Approximately \$630,000 of IT and audio visual equipment was purchased for the new Argyle Secondary School. The Phase I rollout of the District Technology Plan costing approximately \$900,000 was initiated this year, providing laptops to all teaching staff. \$175,000 was invested in upgrading wireless access points throughout the school district, and several other smaller purchases of computer hardware made up the remainder of the \$1.8M expenditure.

Statement of Operations (Operating Fund)

Revenue: The District records all general operating revenue and expenses in the Operating Fund. 89% of the School District's Operating revenue is received each year as student funding through the Operating Grant. Operating Revenues are summarized below:

	2020 BUDGET	2020 ACTUAL	Actual vs Budget		2019 ACTUAL
			Variance	%	
PROVINCIAL GRANTS - MINISTRY OF EDUCATION					
Operating Grant, Ministry of Education	\$ 137,361,827	\$ 137,468,116	\$ 106,289	0.08%	\$ 133,449,509
Other Ministry of Education Grants					
Pay Equity	2,966,047	2,966,047			2,966,047
Funding for Graduated Adults	8,501	16,557	8,056	94.77%	13,503
Transportation Supplement	40,566	40,566			40,566
Economic Stability Dividend					173,377
Carbon Tax Grant	90,000	41,805	(48,195)	-53.55%	97,355
Employer Health Tax	1,210,892	1,210,892			367,966
FSA Assessment	17,740	17,740			17,740
Support Staff Labour Settlement	663,000	663,000			
Teachers' Labour Settlement		1,696,618	1,696,618		
Support Staff Benefits	133,495	133,495			104,118
Other Miscellaneous	2,000	5,677	3,677	183.85%	70,850
Total Provincial Grants - MOE	142,494,068	144,260,513	1,766,445	1.24%	137,301,031
PROVINCIAL GRANTS - OTHER	10,000	7,068	-2,932	-29.32%	25,096
FEDERAL GRANTS	5,000	7,000	2,000	40.00%	6,650
TUITION					
Summer School Fees	123,000	131,300	8,300	6.75%	141,125
Offshore Tuition Fees	9,795,800	10,846,468	1,050,668	10.73%	10,718,409
Total Tuition	9,918,800	10,977,768	1,058,968	10.68%	10,859,534
OTHER REVENUE					
Miscellaneous					
Cheakamus Centre	1,797,168	1,400,579	(396,589)	-22.07%	2,377,832
District Miscellaneous	391,000	161,695	(229,305)	-58.65%	501,576
Band & Strings	622,000	617,715	(4,285)	-0.69%	607,383
Recoveries and Donations	77,500	103,172	25,672	33.13%	349,360
Cafeteria and Vending	81,000	83,634	2,634	3.25%	86,756
Artists for Kids	376,772	363,226	(13,546)	-3.60%	251,704
Academy Fees	899,075	558,146	(340,929)	-37.92%	1,004,325
Total Other Revenue	4,244,515	3,288,167	(956,348)	-22.53%	5,178,936
RENTALS AND LEASES	2,372,735	2,390,823	18,088	0.76%	2,266,635
INVESTMENT INCOME	801,500	758,732	-42,768	-5.34%	905,151
TOTAL OPERATING REVENUE	\$ 159,846,618	\$ 161,690,071	\$ 1,843,453	1.15%	\$ 156,543,033

Sources of Operating Revenue FY2020



Analysis of Changes in Operating Revenue:

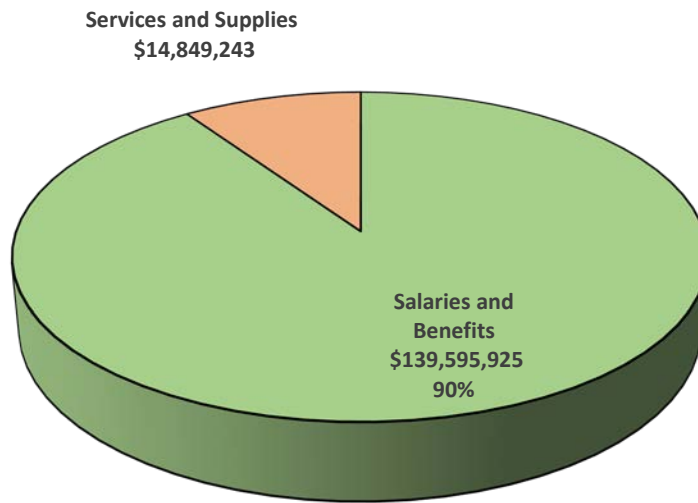
Revenues from the Ministry grant were in line with budget expectations. The BCTF and BCPSEA successfully negotiated a new collective agreement in March, resulting in \$1.7M of additional funding to pay for a 2% retroactive Teacher salary adjustment. Starting with the 2020/21 school year, the provincial government has rolled the Carbon Tax Rebate into the operating grant. No Carbon Tax Rebate payments were received in respect of the period from January – June 2020. This change in policy has resulted in a Carbon Tax Rebate grant variance of \$48,195 lower than budget.

The most significant source of District Operating Revenue, aside from Provincial Operating Grants, comes from International Tuition Fees which accounted for approximately 7% of operating revenue in FY2020. The Board’s policy on International Tuition Fees requires that fees be paid in advance and does not provide for refunds after the school year begins. As a result, all tuition fees for the 2019/20 school year were collected in full.

Cheakamus Centre Operations, Rentals and Leases, Programs of Choice and Other Miscellaneous Revenues account for approximately 4% of Operating Revenue, and the remainder, less than 1%, is earned through investment income.

The suspension of in-class instruction resulted in a cancellation of programs and events booked at the Cheakamus Centre. Cheakamus program revenue was under budget in excess of 20% due to the closure. Despite the suspension, both the Artists for Kids programs and the Elementary Band and Strings programs continued throughout, and there was no impact to revenues from these programs. All sports academy programs were suspended as of April, and fees refunded resulting in a significant reduction of Academy revenue.

Salaries and Benefits as a Proportion of Total Operating Budget FY2020



Analysis of Salaries and Benefits Expenses

Total Operating Expenses in 2019/2020 were \$154,245,168 with salaries and benefit costs accounting for 90%. This proportionate expenditure on salaries is approximately 2-3% higher than what is typically expected. Suspension of in class instruction meant that the District had savings on supply expenses, while maintaining most staffing positions to deliver educational programming during April, May and June. Total expenditure on staffing as compared to budget is presented in the table below:

Operating Fund Expenses	2020 BUDGET	2020 ACTUAL	Actual vs Budget		2019 ACTUAL
			VARIANCE	%	
SALARIES AND BENEFITS					
Teachers	\$ 69,147,606	\$ 69,221,537	\$ 73,931	0.11%	\$ 65,464,889
Principals and Vice Principals	10,481,987	10,342,118	(139,869)	-1.33%	9,863,456
Educational Assistants	13,470,816	12,300,596	(1,170,220)	-8.69%	12,674,667
Support Staff	12,184,956	12,105,352	(79,604)	-0.65%	11,121,985
Other Professionals	4,173,549	4,211,118	37,569	0.90%	3,891,897
Substitutes	3,779,510	4,070,038	290,528	7.69%	5,288,690
	113,238,424	112,250,759	(987,665)	-0.87%	108,305,584
EMPLOYEE BENEFITS	27,638,196	27,345,166	(293,030)	-1.06%	26,386,900
TOTAL SALARIES AND BENEFITS	\$ 140,876,620	\$ 139,595,925	\$ (1,280,695)	-0.91%	\$ 134,692,484

Variance Analysis of Salary Expense: Operating Fund expenditures do not capture additional staffing or classroom space costs resulting from the restoration of class size and composition language. All of these additional expenses have been recorded as expenditures within the Special Purpose Fund. See discussion section within Special Purpose Fund on Classroom Enhancement Funding for further information.

As the suspension of in-class instruction led to a shift in delivery of programming to a remote learning model requiring a continuity of staffing, there was little impact to District staffing levels during the 2019/20 school year. Total expenditures for each staffing category came in close to budget expectations, save for Educational Assistants. Challenging labour market recruitment conditions were exacerbated during the closure due to cancellation of several in-person recruitment events, as well as anecdotal reports of fewer people actively looking for work, relying instead on the income supports provided by federal government programs. In response, the District has implemented innovative training and recruitment programs for the next school year, including a training support subsidy providing financial assistance to staff to assist them in completing the Educational Assistant program at Capilano University.

Analysis of Supplies and Services Expenses

As a direct result of the suspension of in-class learning, total services and supplies expenses were lower last year. Expenditure in these categories was almost \$2M lower than budget, and approximately \$1.2M lower than prior year. Total expenditures as compared to budget in the various service and supply categories are presented in the chart below:

Operating Fund Expenses	2020	2020	Actual vs Budget		2019
	BUDGET	ACTUAL	\$ Variance	%	ACTUAL
SERVICES AND SUPPLIES					
Services	8,669,204	8,154,503	(514,701)	-5.94%	8,861,147
Student Transportation	91,000	65,713	(25,287)	-27.79%	78,485
Professional Dev & Travel	839,503	609,056	(230,447)	-27.45%	926,298
Rentals and Leases	35,000	50,753	15,753	45.01%	34,485
Dues and Fees	61,500	59,126	(2,374)	-3.86%	57,669
Insurance	397,500	418,818	21,318	5.36%	327,453
Supplies	3,844,537	2,907,671	(936,866)	-24.37%	3,086,163
Utilities	2,687,200	2,383,603	(303,597)	-11.30%	2,542,590
TOTAL SERVICES AND SUPPLIES	\$ 16,625,444	\$ 14,649,243	\$ (1,976,201)	-11.89%	\$ 15,914,290

Services: As expected, actual expenses vary from budget in several service categories throughout the District. Typically, these variances, both over and under combine to bring actual expenditures in line with budget. In FY2020, services expenses were approximately \$515,000 under budget. Two of the most significant contributing factors are described below; these expenses had offsetting impacts to revenues, also below budget.

- **Savings from payments to Academy Service Providers** - *Impact to expenses: \$300,000 decrease from Budget* - With the cancellation of the Sports Academies in April, May and June, payments to the related service providers were cancelled, resulting in significant savings.
- **Cheakamus Centre Operations** - *Impact to expenses: \$250,000 decrease from Budget*
The pandemic required a suspension of programming at the Cheakamus Centre, which resulted in approximately \$250,000 in cost savings during the year.

Although significant, neither of the two cost savings identified above contributed significantly to the net financial position of the District. This is because both programs have associated revenue streams which were also lost with the shuttering of the programs. With school start up in the fall, the decision to offer Academy programs and host students at Cheakamus Centre will be reviewed.

Student Transportation: Many of the District events that require transportation of students, such as Primary Days of Music and several spring sporting events were cancelled this year, thus resulting in cost savings of approximately \$25,000 less than budgeted.

Professional Development and Travel Expenses: Many Pro-D opportunities scheduled for the spring were cancelled this year due to COVID-19, resulting in savings of approximately \$230,000. While some events were able to go ahead in an on-line format, these savings generally resulted from cancellation of many of the associated travel and accommodation costs that are often part of conferences and professional development events.

Supplies: Acquisition of supplies at most schools was significantly reduced during March, April and May due to suspension of in-class instruction. Overall spending by the schools was estimated to be approximately \$500,000 lower than a typical year. Several smaller savings were realized district-wide on other purchases including paper and office supplies, fuel and oil, and computer supplies. In total, FY2020 supplies expenses were \$936,000 lower than budget.

Utilities: FY2020 utility expenses were lower than budget by approximately \$300,000. Close to half of these savings resulted from savings on electricity costs, approximately \$30,000 from savings in water and sewer costs, and \$90,000 savings from lower Next Generation Network fees.

Accumulated Operating Surplus

The accumulated operating surplus represents a source of funding that the Board may draw from to balance future operating budgets, pay for non-recurring extraordinary expenses, use as a source of working capital, and create resiliency to address unusual events. Uncertainty stemming from the Covid-19 pandemic requiring additional expenditures on health and safety measures combined with the likelihood of decreased revenues will require further utilization of accumulated operating surplus in school year 2021/22 and possibly beyond.

Policy No. 710, *Accumulated Operating Surplus* requires that the Board undertake an annual review of the Accumulated Operating Surplus balance, and identify appropriations each year. At the end of FY2020, the annual operating surplus was \$11,083,840, as a result of current year operations:

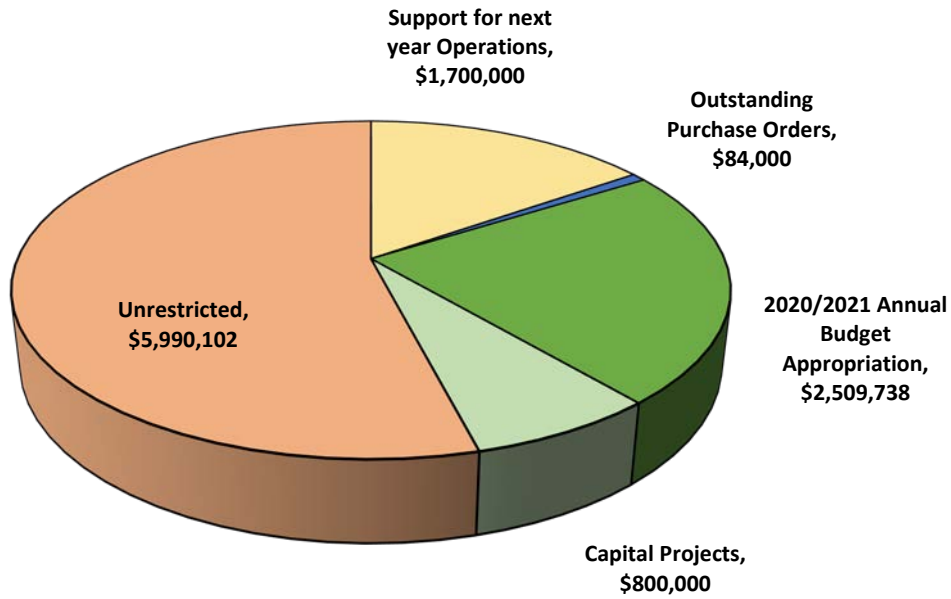
	FY2020 Amended Budget	FY2020 Actual	Variance From Budget	FY2019 Actual
Total Operating Revenue	159,846,618	161,690,071	1,843,453	156,543,033
Total Operating Expenses	(157,502,064)	(154,245,168)	3,256,896	(150,606,774)
Acquisition of Capital Assets with Operating Funds	(610,000)	(831,210)	(221,210)	(828,036)
Transfer to Local Capital Fund	(4,500,000)	(4,328,324)	171,676	(6,328,483)
Change in Accumulated Operating Surplus	(2,765,446)	2,285,369	4,879,139	(1,220,260)
Accumulated Operating Surplus:				
Opening Fund Balance July 1, 2019	8,798,471	8,798,471		10,018,731
Add: Current year change	(2,765,446)	2,285,369	4,879,139	(1,220,260)
Closing Fund Balance June 30, 2020	\$ 6,033,025	\$ 11,083,840	\$ 4,879,139	\$ 8,798,471

Rationale for Internal Restrictions of Accumulated Operating Surplus

Pending confirmation of Ministry Operating Grant funding in the fall, management has included internal restrictions of Accumulated Operating Surplus in the 2019/2020 Year End Audited Financial Statements. These inclusions are consistent with the guidance provided in the [Toolkit for Boards of Education – Accumulated Operating Surplus](#).

As part of the Amended Annual Budget process next February, these proposed uses will be included in the budget, and brought to the Board for final approval. Inclusion of internal restrictions on accumulated operating surplus in the 2019/2020 Year End Financial Statements signals to the reader that there is a plan in place to use a portion of those funds in the next fiscal year to support the Board’s budget priorities and strategic objectives and to balance the operations budget in accordance with the *School Act*.

Internal Restrictions of 2019/2020 Accumulated Operating Surplus



Category	Amount	Purpose
Support for next year Operations	1,700,000	Management recommends this amount be set aside to fund additional costs of operations in FY2021 not contemplated in Preliminary Budget
Outstanding Purchase Orders	84,000	Outstanding Purchase Orders at June 30 th , 2020
2020/2021 Annual Budget Appropriation	2,509,738	Appropriated in 2020/2021 Preliminary Annual Budget
Capital Projects	800,000	Management recommends this amount be transferred to the Local Capital Fund to support future capital projects
Unrestricted	5,990,102	This is 3.88% of current year operating expenses, in line with Policy target of 2-4%.
TOTAL	\$11,083,840	Accumulated Operating Surplus Balance June 30th, 2020

Special Purpose Fund

The Special Purpose Fund consists of restricted grant and other funding subject to a legislative or contractual restriction on its use. These revenues are deferred until the relevant expenditures are incurred. Revenues and expenses of all Special Purpose Grants are presented in the table below:

Grant	Source	FY2020		Discussion
		Amount	Amount	
		Received	Expended	
Annual Facility Grant (Operating portion)	Ministry of Education	626,273	626,273	Please see discussion in the <i>Capital Projects</i> section under “Annual Facility Grant (AFG) Funding”
Learning Improvement Fund (LIF)	Ministry of Education	500,302	500,302	Funding used specifically to augment Educational Assistants’ hours providing additional support to complex learners.
StrongStart	Ministry of Education	225,106	219,710	District Strong Start early learning centres provide school-based, drop-in programs for children aged birth to five and their parents or caregivers. Seven centres are operated at elementary schools throughout the District.
Ready, Set, Learn (RSL)	Ministry of Education	61,931	59,059	Eligible RSL events for 3 to 5 year olds and their parents are hosted to support early learning and facilitate a smooth transition to Kindergarten
Official Languages in Education French Programs (OLEP)	Ministry of Education	268,464	268,464	Funding for core French-language programs and curriculum resources.
CommunityLINK	Ministry of Education	1,109,882	1,109,882	Funding for programs and initiatives to improve the education performance of vulnerable students, including both academic achievement and social functioning.
Funding for Focused Education	Burnaby School District	170,903	170,903	Funding received in FY2019 to hold in trust until the new procurement entity was operational. Funds were paid to the new entity in July, 2019.
Cheakamus Fund	Funds held on behalf of Cheakamus Centre	6,141	6,141	Funds held on behalf of Cheakamus Centre, were used to fund cabin repairs

Grant	Source	FY2020		Discussion
		Amount	Amount	
		Received	Expended	
Classroom Enhancement Fund (CEF) – Overhead	Ministry of Education	6,844,203	6,844,203	Eligible expenses included overhead staffing and equipment costs resulting from restoration of class size and composition language. Further discussion provided below.
Classroom Enhancement Fund (CEF) – Staffing	Ministry of Education	10,097,788	10,097,788	Eligible expenses included teacher staffing resulting from restoration of class size and composition language. Further discussion provided below.
Classroom Enhancement Fund (CEF) - Remedies	Ministry of Education	1,168,993	598,852	Funding received for the cost of Remedies owed to teachers where contract language cannot be met.
Carlile Youth Inpatient Unit	Ministry of Education	238,869	238,074	Funding provided to operate educational support program for youth with mental health challenges and substance abuse issues. Program is delivered at inpatient centre at Lions Gate Hospital.
Education & Mental Health Hub	Ministry of Mental Health and Addictions	124,227	124,227	Funding to support an innovative two-year School District initiative to expand classroom-to-community mental health and addictions connections in the School District.
Violence Prevention	City of North Vancouver	20,000	20,000	Funding to support various School District initiatives to address violence in the community.
School Generated Funds	Funds held on behalf of schools	5,055,234	5,114,079	Funds collected at schools for student programs. All revenue is deferred and recognized as revenue when spent.
Metro Regional Implementation	Funds received in trust from other School Districts to be used to host Professional Development for Educators	63,144	42,911	These are funds held on behalf of several regional school districts and are used to support professional development seminars and collaboration among school district administrators.
First Nations Student Transportation	Ministry of Education	211,108	93,907	Funds received to support Indigenous students' transportation to school.
Mental Health in Schools	Ministry of Education	26,500	26,500	Funds provided to support Mental Health. Resource kits were purchased for use in schools.
Changing Results for Young Children	Ministry of Education	17,356	3,558	Funds provided to support Early Learning and Physical Literacy
Sutherland Track	Private Donation	10,000	-	Donated funds to support the revitalization of the track at Sutherland Secondary School

Classroom Enhancement Funding

The Ministry of Education provides targeted funding, known as Classroom Enhancement Funding (CEF) to address restored class size and composition language in the teachers' collective agreement. In 2019/20, the District received \$18,110,984. These funds support the additional staffing and classroom equipment required to meet the contractual requirements due to the reinstatement of Class Size and Composition language. The money is allocated to three separate funds. A comparative summary of CEF funding received by the School District in 2019/20 is presented in the table below:

	CEF Staffing	CEF Overhead	CEF Remedy	FY2020 TOTAL	FY2019 TOTAL
Unspent carry forward from Prior Year	-	-	155,227	155,227	322,273
Received in the Year	10,097,788	6,844,203	1,168,993	18,110,984	16,140,233
MOE Recoveries	-	-	-	-	(322,273)
Expenditures	(10,097,788)	(6,844,203)	(598,852)	(17,540,843)	(15,985,006)
Unspent June 30, 2020	\$ -	\$ -	\$ 725,368	\$ 725,368	\$ 155,227

Funded Classroom Enhancement Staff

The staffing and overhead grants provided funds to staff the additional full-time equivalent staff positions required under the restored language provisions. The table below shows the allocation of staff between CEF funds and other sources.

	Core Operating and Other Funded FTE	Additional CEF Funded FTE	FY2020 Total FTE	FY2019 Total FTE
Teachers	862.7043	98.0340	960.7383	942.4862
Administrators	82.8453	0.0000	82.8453	81.9000
Support Staff	233.4126	2.2000	235.6126	234.9127
Educational Assistants	328.3930	115.0000	443.3930	418.1908
Other Professionals	47.2500	2.0000	49.2500	47.7500
Total FTE	1,554.6052	217.2340	1,771.8392	1,725.2397

Staff recruitment and retention continues to pose challenges for the District, with competition for qualified teachers, administrators and support staff across the region.

Capital Project Expenditures

Major Capital Projects-Seismic



Argyle Secondary School: The Project was originally approved by the provincial government with an estimated capital cost of \$41 million. The Ministry of Education has since increased its share of funding for the project to \$61.7 million. This project includes a new seismic replacement school designed to meet today's standards for safety, accessibility and modern learning. It is being built on the existing playing fields and will have the capacity to accommodate 1,200 secondary students, and includes a Neighbourhood Learning Centre that provides community access to

the facility. Construction is nearly complete, expected move in date is later this fall at which time the existing structure will be demolished and new playing fields developed on the old site. During FY2020, the School District spent \$31.7 million on construction. Total project costs to date are \$51.7 million.

Handsworth Secondary: The Ministry of Education has approved \$68.7 million to replace the 58-year-old school with a brand-new, seismically safe facility. The project expands Handsworth's capacity by 200 spaces to 1,400 to meet a growing student population. Once completed, the current building will be demolished and replaced with a new grass field. Schematic design is complete and the project was tendered in the fall of 2019. Construction began in March 2020, and is expected to take approximately eighteen months with occupancy planned for September, 2021. In FY2020, \$11.6million was spent on construction. Total project costs to date are \$13.1million.



Mountainside is the final site requiring seismic upgrading. Completion of this project will bring the School District's seismic upgrade program to a close.

Mountainside Secondary: A \$17.4 million capital project was approved by the Ministry in 2019. The project will seismically upgrade the facility while still functioning as an operating school. During the course of the year, \$5.5 million was spent. \$6.0 million has been spent to date on this project. It is expected to be complete next year.

Annual Facility Grant (AFG) Funding

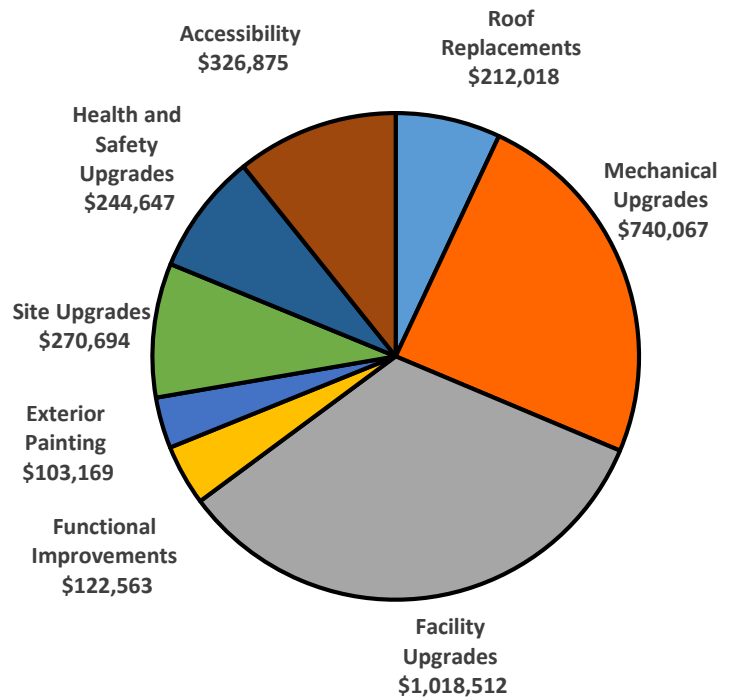
In FY2019/20, the North Vancouver School District received \$3 million under this funding envelope. These funds are used throughout District schools to address ongoing maintenance and improvement needs, and extend the useful life of facilities.



Eligible Uses of the Annual Facilities Grant

- Roof Replacements and Major Repairs
- Mechanical System Upgrade and Repair
- Electrical System Upgrade and Repair
- Facility Upgrades
- Loss Prevention-Fire and Security Alarms
- Technology Infrastructure Upgrades
- Site Upgrades
- Disabled Access
- Asbestos Abatement
- Health and Safety Upgrades
- Site Servicing

AFG Expenditures FY2020



A Board of Education is responsible for managing its annual facility grant funds to enable any emergent health and safety expenditures to be addressed within a fiscal year

School Enhancement Program

The Ministry of Education provided the District with \$880,000 from the School Enhancement Program (SEP) in FY2019/20. Eligible capital projects for this grant include:

- Electrical upgrades (power supply, distribution systems)
- Energy upgrades (LED lighting, high-efficiency boilers)
- Health and Safety upgrades (fire systems, indoor air quality)
- Mechanical upgrades (heating, ventilation, plumbing)
- Building Enclosure upgrades (roofing, exterior walls, windows)
- Washroom upgrades
- Flooring upgrades

In FY2019/20, the SEP funds were spent on ventilation system upgrades at two locations, Seymour Heights Elementary and Upper Lynn Elementary. These projects were completed on time and on budget.



Local Capital Funds

At the close of FY2019/20, the District has \$14,430,537 in Local Capital Reserve funds. The Local Capital funds are used to pay for capital asset acquisitions, capital lease principal repayment, and renewal and maintenance of School District assets not otherwise funded by the Ministry of Education. A comparison of Local Capital Funds on hand at the end of fiscal year 2019 and 2020 is presented in the table below:

Local Capital Fund Analysis	FY2020	FY2019
Opening Balance	10,967,907	6,134,787
Investment Income Earned	203,360	126,043
Transfers in from Surplus:	4,328,324	6,328,483
New Capital Asset Acquisitions	(1,045,526)	(1,584,511)
Capital Lease Interest Payments	(23,528)	(36,895)
Closing Balance June 30	\$ 14,430,537	\$ 10,967,907

Funds in the Local Capital Reserve are set aside for the following purposes:

Argyle School Furnishings & Fixtures	1,050,000
School Capital Construction Projects	10,465,000
Information Technology Reserve	615,397
Energy Project	151,215
Fleet Vehicle Reserve	57,304
Mountainside Seismic Upgrade	38,476
Other Capital Projects	1,145,143
Asset Renewal and Replacement	908,002
Total Local Capital Reserve	\$14,430,537

Future Considerations – Risks and Opportunities

Coronavirus Pandemic



As fall approaches, and school reopening looms, the school district is preparing to respond to changing conditions. Towards the end of FY2020, management implemented Phase I of the Technology Plan and acquired laptop computers for each teacher. Providing each teacher with a mobile device will enable them to quickly shift to a remote learning model should a resurgence of the virus require the Ministry of Education to direct school districts across the province to move from current Stage 2 to Stage 3 of [BC's Five Stages Framework for K-12 Education](#).

Since the adoption of the 2020/21 Preliminary Annual Budget in June, the Ministry of Education has provided additional funding of \$1.1M to the NVSD for the purchase of two reusable, non-medical facemasks for all staff and students, the installation of additional hand hygiene stations, the purchase of cleaning and disinfecting supplies, and the hiring of additional custodial staff. The federal government has also committed new funding for school districts nationwide to put toward the costs associated with expanding learning resources and supports, enhanced health and safety measures, transportation, and before and after school child care. The final allocation to be granted to the NVSD is not known at the time of writing, however the 50% share that will be received in September is \$2.8 million. The School District will take a measured approach to spending decisions regarding the new federal funds, including giving thoughtful consideration to the needs of Indigenous communities, students with diverse abilities and disabilities, and vulnerable students within our school community.

In June, the Preliminary Annual Budget was developed under a set of assumptions for September. For example, planning assumptions included what stage schools would reopen in the fall, the number of international students in attendance, student FTE enrolment, employee absence rates due to illness, the community use of school facilities, investment income, and the extent to which programming could be offered at the Cheakamus Centre. Come the fall, the validity of the budget assumptions will be tested, and adjustments made in accordance with the prevailing conditions under which schools reopen. The Amended Annual Budget will be prepared next February with sound knowledge of the financial resources required to deliver the educational programming for the 2020/21 school year. To this end, management will track the financial impact of all changes to our June planning assumptions throughout the school year.

Beyond Fiscal Year 2020/21

Management's focus will be on the longer term financial stability of the organization. There is no commitment from the federal and provincial governments for additional funding beyond FY2021 to deal with both the added operational costs and decline in revenues associated with Covid-19. In the FY2021 Preliminary Annual Budget, management has forecast a reduction by 2/3 of international student tuition revenue, a loss of approximately \$6 million. The federal government's policy to close the border means no new international students may apply for study permits. The loss of these students and the associated tuition fee revenue cannot be entirely offset through staffing adjustments. In the FY2021 budget, management reduced provisions for services and supply budgets throughout the organization. Despite the added funding this year, those budget reductions will be maintained to ensure the school district's financial stability and continued viability so that we may continue to operate under these challenging conditions should they persist in FY2022 and beyond.



Funding Formula Review



While the focus of the Ministry of Education over the past few months has been directed at managing Covid-19, there has been no indication that the timeline for full implementation of the new funding model will be altered in any way. The Ministry's intent was to address concerns about equitable distribution of funding, improve student outcomes by developing a new accountability reporting framework, and strengthen the financial planning and reporting requirements to ensure those improved outcomes are met.

The financial impact to the NVSD under a revised funding model is unknown. One thing is clear however, no new funding is being made available through this process, only the distribution among BC's sixty public school districts will change. The Ministry of Education has not provided any update to the timeline for implementation of the new model.

District Technology Plan



In FY2020, Phase I of the District Technology Plan was implemented at a cost of approximately \$1million. The distribution of laptops to all teaching staff will require the NVSD to commit to ongoing financial investment in these devices over their lifecycle to both service and replace them as they become obsolete. Furthermore, the demand for technology hardware, software, and network access continues to grow. In the absence of a

dedicated funding stream to support the renewal of technology infrastructure, finding the means to provide the required services and to ensure information is secure and protected is an ongoing challenge for the school district.

Conclusion

Covid-19 requires the school district to be flexible and creative to respond quickly to continuously evolving conditions. While for elementary students, the classroom will be the learning group, for secondary schools, students will be placed in smaller learning groups and will take two courses every quarter (approximately ten weeks) for a total of eight courses in the school year (a quarter system learning model). With additional funding support from both levels of government, the District is well placed to ensure the seamless delivery of services and supports to our students with diverse abilities and disabilities, our Indigenous students and our most vulnerable students. Over the course of FY2021, Management will continuously review the services and supply budgets and consider alternative ways of working and communicating the importance of operating within a smaller footprint, with a view to preserve the financial integrity of the organization over the medium and long term planning horizon. Through prudent fiscal responsibility, including responsible management of Accumulated Operating Surplus, the North Vancouver Board of Education demonstrates its commitment to the principles of good governance, fiduciary responsibility and full transparency.

