



2017/2018 Year End Financial Statement
Management Discussion and Analysis

Contents

School District Profile 3

Overview of the School District..... 5

The Financial Planning Process 8

Consolidated Statement of Financial Position..... 9

The Operating Fund 14

Special Purpose Fund 23

Major Capital Projects..... 25

Future Considerations – Risks and Opportunities 29

Conclusion 32

School District Profile

The North Vancouver School District (NVSD) is one of sixty BC Public School Districts responsible for the delivery of K-12 public education. NVSD maintains and operates seven secondary and twenty-five elementary schools within the City and District of North Vancouver. We are a mid-sized School District, 11th largest in the Province, serving over 15,000 students, their parents, and more than 2,000 staff. In addition to the thirty-two school facilities, the District maintains an operations maintenance facility at the Lucas site on Hamilton Avenue, the Education Services Centre located on Lonsdale Avenue and the Cheakamus Environmental Centre in Squamish.



The School District prepares its financial statements in accordance with Canadian public sector accounting standards using guidelines developed by the Public Sector Accounting Board (PSAB).

Seven elected Trustees comprise the North Vancouver Board of Education. Four are elected from the District of North Vancouver, and three from the City. Collectively, the Board is responsible for making the major policy decisions governing all aspects of education within the School District as mandated in the *School Act*.



OUR VISION

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 Mandate

As a School District, the Provincial Mandate governs our general policies, service delivery and accountability structures. The mandate is a broad one, but flexible enough to allow us to develop and progress beyond its direction, while meeting the legislated requirements of *the School Act*, Regulations and Ministerial Orders. The 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 also depends on educated citizens who accept the tolerant and multi-faceted nature of Canadian society.”

Our 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.



Overview of the School District

Ten Year Strategic Goals and Objectives

FY2018 is the final year encompassed within the Board’s Three-Year Operating Plan, 2015-2018. This plan established interim objectives and strategies designed to meet the Board’s six long-term goals identified within 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 Vision. Our financial discussion and analysis is framed within the context of this Vision, aligning these objectives throughout all areas of the organization.

- Goal 1:** **Expand** *the availability of best instructional practices and enriched curriculum*

- Goal 2:** **Encourage** *collaborative, adaptive and personalized learning environments*

- Goal 3:** **Nurture** *an inspiring and healthy work environment*

- Goal 4:** **Develop** *and promote innovative and sustainable programs*

- Goal 5:** **Provide** *leadership in environmental education and sustainability practices*

- Goal 6:** **Strengthen** *and expand reciprocal community relations*

Funding – Student Enrolment

The School District is funded primarily through the Operating Grant received from the Ministry of Education. The Operating Grant is based on student enrolment, confirmed in a provincial process called 1701 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 grant in order to provide the additional resources needed to ensure schools can respond to the needs of diverse learners.



Fluctuations in Student Enrolment

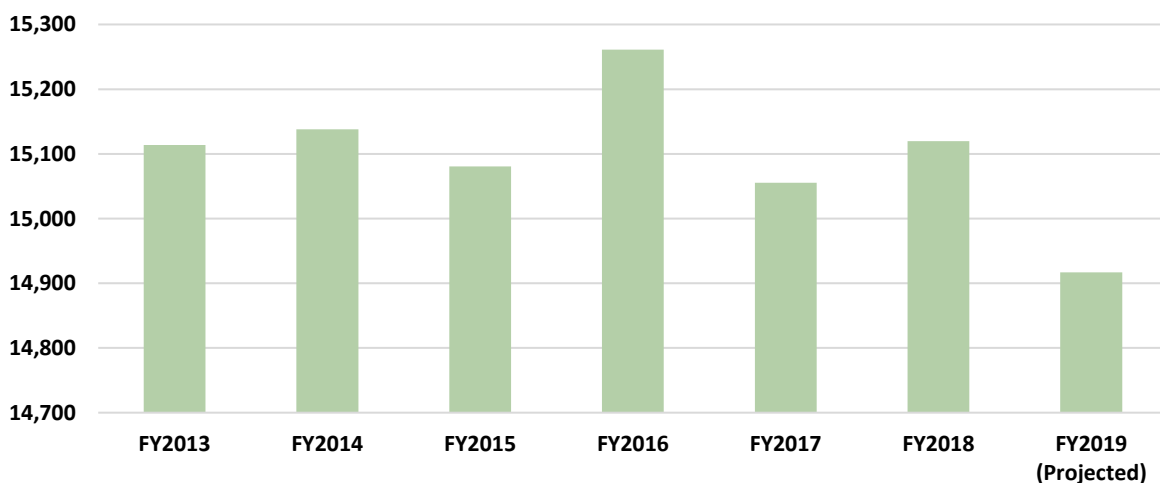


In grades Kindergarten through nine, one student equates to one FTE. At the secondary level, in grades ten through twelve, students are funded based on the percentage of full time enrolment. Students in high school often take less than a full course load, or seek alternative opportunities outside of school, such as driver training or work experience in order to meet their course credit requirements. This results in some degree of variability in funding for secondary students, which poses a significant challenge that must be considered throughout the financial planning process.

The impact of the uncertainty of the student FTE enrolment has the potential to influence decisions with regards to potential course offerings, required staffing levels and even predictions as to future capacity requirements needed within the District's seven secondary and twenty-five elementary schools.

Each spring, the District undertakes a comprehensive process taking into account an analysis of population data to identify trends, a review of new municipal development approvals and incorporates local knowledge to develop an estimate of elementary and secondary student FTE for the coming budget year. The number of students enrolled directly impacts the number of staff needed. A and as staff salaries and benefits make up a significant proportion of School District expenditures, a reliable estimate of student FTE is crucial to the integrity of the financial plan. Student enrolment has remained relatively flat for the previous five years, a slight decline is expected next year:

NVSD Student FTE Enrolment 2013-2019



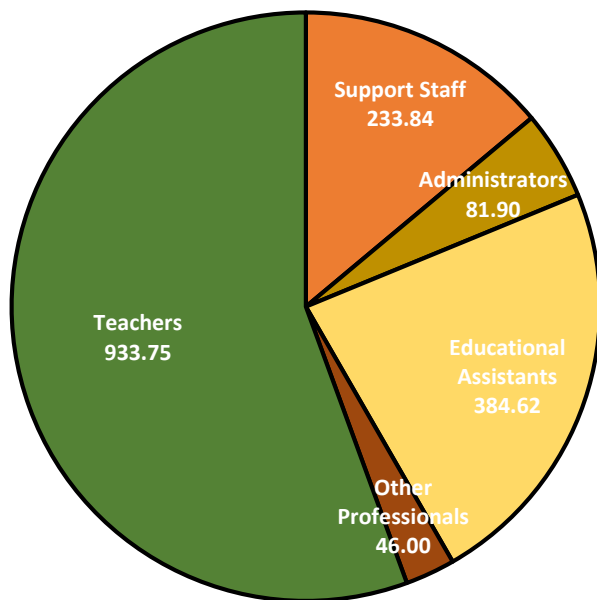
Restored Language Provisions

In 2017, a Supreme Court of Canada decision mandated the restoration of previously removed class size and composition language in the collective agreement negotiated between the Province and the BC Teachers’ Federation. At the local level, this decision led to an injection of 70 new teachers, 56 additional Educational Assistants and 3.4 FTE elsewhere in the District. The addition of thirty-two new elementary divisions and additional classes at each of the District’s Secondary Schools required an aggressive, coordinated, recruitment process and a streamlined procurement approach. The Province responded to meet the financial costs of hiring the additional staff and creating the new classroom spaces by establishing the Classroom Enhancement Fund (CEF), effective July 1, 2017.



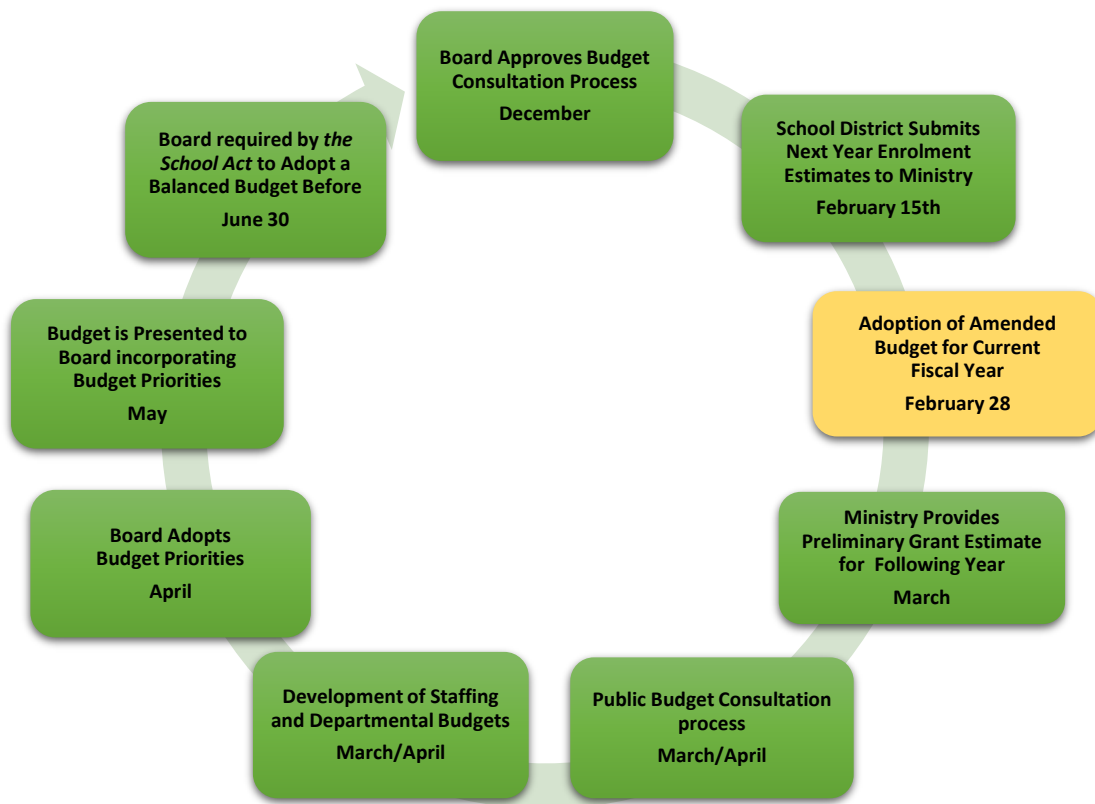
Recruitment of the additional teachers and support staff proved to be a significant challenge for the District during FY2018. Competition among School Districts across the Province was high. NVSD went as far as Ontario to actively attract new teachers during the course of the year. The 2018 staffing plan included provision for the following staff:

Distribution of NVSD Staff 2017/18



Restored Language Impact

- 70 Teacher FTE
- 56 Educational Assistant FTE
- 1.0 Other Professionals FTE
- 0.4 Administrator FTE
- 2.0 Support Staff FTE
- 32 New Elementary Divisions
- Additional Teaching Blocks at each Secondary School



The Financial Planning Process

December: Board approves the Budget Consultation Process and timeline.

February 15th: District submits an estimate of next school year FTE student enrolment to the Ministry of Education.

February 28th: Board must adopt an Amended Annual Budget for the current school year.

March 15th: Ministry releases preliminary Operating Grant Revenue estimates for upcoming school year.

March: Board Budget Consultation Process - District Partner Groups – NVTA, CUPE, NOVA and District PAC invited to present their Budget Priorities for the next school year.

March/April: District Administration develops staffing, school and departmental budget estimates for next school year. Salary budgets are determined by establishing an average teacher salary for the upcoming year which incorporates the costs of all contractual salary increments and benefit costs.

April Board Meeting: A set of Budget Priorities are presented to the Board based on the input received during the public consultation process undertaken from February through April. Board adopts its Budget Priorities for the upcoming school year

May: Information is compiled and presented to the Board for consideration, ideally in May. The School Act requires that the Board must pass a balanced budget before June 30 each year.

Consolidated Statement of Financial Position

	FY2018	FY2017	\$ Change	% Change
Financial Assets				
Cash and Cash Equivalents	47,703,040	43,264,211	4,438,829	10.3%
Accounts Receivable				
Due from Province - Ministry of Education	162,389	1,053,965	(891,576)	-84.6%
Other	1,259,633	1,235,986	23,647	1.9%
Inventories for Resale	357,872	353,363	4,509	1.3%
Total Financial Assets	49,482,934	45,907,525	3,575,409	7.8%
Liabilities				
Accounts Payable and Accrued Liabilities				
Due to Province - Ministry of Education	53,563	62,332	(8,769)	-14.1%
Other	9,076,780	7,379,922	1,696,858	23.0%
Unearned Revenue	9,675,021	9,557,725	117,296	1.2%
Deferred Revenue	4,725,858	4,396,932	328,926	7.5%
Deferred Capital Revenue	182,273,101	182,845,300	(572,199)	-0.3%
Employee Future Benefits	7,231,899	7,109,965	121,934	1.7%
Capital Lease Obligations	720,320		720,320	
Total Liabilities	213,756,542	211,352,176	2,404,366	1.1%
Net Financial Assets (Debt)	(164,273,608)	(165,444,651)	1,171,043	-0.7%
Non-Financial Assets				
Tangible Capital Assets	274,090,179	273,061,607	1,028,572	0.4%
Prepaid Expenses	1,027,874	980,177	47,697	4.9%
Total Non-Financial Assets	275,118,053	274,041,784	668,286	0.2%
Accumulated Surplus (Deficit)	\$ 110,844,445	\$ 108,597,133	(\$1,367,932)	-1.3%

Cash Holdings: School District funds are held in the Operating accounts, in the Provincial CDS Program, and at in a BlueShore Credit Union Investment certificate, at a rate of 2.05% (FY2018 - 1.95%). This year, the changes in cash balances from FY2017 to FY2018 is mainly attributable to the increase in Accumulated Operating Surplus. See discussion on Accumulated Operating Surplus for additional information on this fund balance.

Allocation of cash at June 30, 2018 was as follows:

Investment Type	FY2018	FY2017
TD Canada Trust-Operating Accounts	19,714,161	13,893,475
Provincial CDS Program	25,549,122	26,973,236
BlueShore Financial	2,439,757	2,397,500
Total	\$47,703,040	\$43,264,211

Accounts Receivable: The most significant change in Accounts Receivable year over year is represented by the \$891,576 decrease in the amount owing from the Province at year end. In FY2017, this amount represented School District expenditures on Capital projects that were drawn down on a Certificate of Approval but not deposited until after fiscal year end.

Accounts Payable: Due to the timing of the pay periods this year, the School District recorded a significantly higher amount over FY2017 of staff salaries and benefits payable in respect of the support staff. Despite an increase in the amount payable at year end, overall the support staff salaries expense was in line with prior year. (see Discussion item regarding Support Staff Salaries)

Unearned Revenues: Unearned revenues represent amounts that have been collected by the School District in advance of providing the related programming. For the most part, these unearned revenues represent prepaid International Student Tuition Fees and prepaid Programs of Choice fees. They will be recognized and recorded as revenue in the next fiscal year. FY2018 balance was in line with FY2017, increasing only \$117,296 to a total of \$9,675,021.

Deferred Revenues: Deferred Revenues represent amounts advanced on grant awards and unspent school generated funds, or unspent funds held in trust for the schools. These amounts will be recognized as revenue and spent in future years as the eligible expenses are incurred. In FY2018, the balance of deferred revenue was approximately \$4.7 million, in line with FY2017 deferred revenue balance of \$4.4M.

Deferred Revenues were made up of the following amounts:

Description	FY2018	FY2017	Change
School Generated Funds	3,452,889	3,224,852	228,037
Coding and Curriculum	83,287	98,992	(15,705)
Classroom Enhancement Fund	322,273	0	322,273
Priority Measures	0	473,903	(473,903)
Carlisle Youth Inpatient	330,786	267,861	62,925
Metro Regional Implementation	304,967	303,895	1,072
Mental Health Hub	225,515	0	225,515
Other Miscellaneous	6,141	27,429	(21,288)
Total Deferred Revenues	\$4,725,858	\$4,396,932	\$328,926

Deferred Capital Revenues: These revenues relate to grant funds received in prior years which have been spent on Capital Projects. 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 converted to revenue over the expected life of the asset.

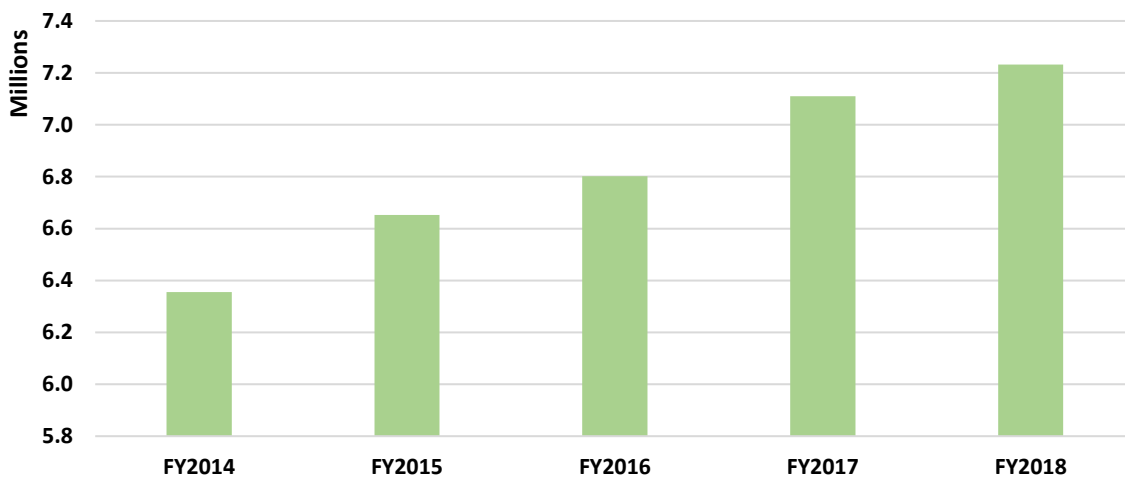
The balance in Deferred Capital Revenue increases each year by any new Provincial grant funding received, and is reduced each year by the by the annual recognition of capital grant revenue over the life of each capital project. In FY2018, the balance in Deferred Capital Revenue can be explained in the table below:

Deferred Capital Revenues	FY2018	FY2017	Change
Deferred Capital Revenue – Opening Balance	182,845,300	183,288,010	(442,710)
Additions – New Grant Funding Received (Net of Insurance Proceeds)*	5,362,574	5,442,990	(80,416)
Current Year Recognition of Deferred Grant Revenue	(5,934,773)	(5,885,700)	58,073
Closing Deferred Revenue Balance	182,273,101	182,845,300	572,199

*In FY2018, School Protection Program Insurance proceeds covered a loss in the amount of \$1,047,469 that was experienced as a result of damage incurred to the modular classroom during the move from the Cloverley site to the Ridgeway site in FY2017. These proceeds were netted against the related expenses and not deferred.

Employee Future Benefit Liability: This figure is provided annually to the School District by the Province using actuarial estimates. It measures the estimated future cost to the District to provide employee benefits such as retirement allowances, vacation and 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 accumulating seniority and benefit entitlements.

Five Year Employee Future Benefit Liability



Capital Lease Obligation: During FY2018, the District entered into a new replacement photocopier lease contract with a five year term expiring November, 2023. The contract met the conditions of a capital lease. Initial lease liability was \$804,568. Over the course of the year, the District made lease payments of \$106,253 which included \$22,005 in interest expense. The District has commitments to pay \$182,149 quarterly.

Tangible Capital Assets and Amortization Expense

Each year, the District undertakes capital work, either by way of upgrading and extending the useful life of its existing buildings, or the construction of new, replacement projects. 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 written off 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 accumulated amortization are removed from the asset register.

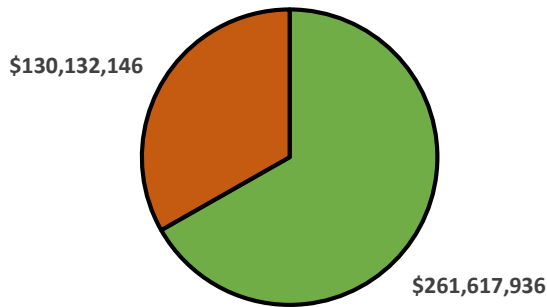
Estimated Useful Lives of Tangible Capital Assets:

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 School District's Tangible Capital Asset balances are recorded in the schedule below:

	Sites	Buildings	Furniture & Equipment	Vehicles	IT Equipment & Software	FY2018 Total	FY2017 Total
Opening Balance	12,472,243	365,105,982	2,901,504	1,383,955	4,773,602	386,637,286	384,822,004
Additions		13,449,093	1,080,989	284,180	1,426,980	16,241,242	4,135,989
Deemed Disposals			(613,043)	(456,938)	(1,191,273)	(2,261,254)	(2,320,707)
Closing Balance	12,472,243	378,555,075	3,369,450	1,211,197	5,009,309	400,617,274	386,637,286
Add: WIP Balance		3,605,051				3,605,051	9,138,714
Tangible Capital Assets Total	\$12,472,243	\$382,160,126	\$3,369,450	\$1,211,197	\$5,009,309	\$404,222,325	\$395,776,000
Accum. Amortization-Opening		118,311,530	1,503,801	733,144	2,165,918	122,714,393	115,152,608
Amortization Expense		8,295,740	290,150	138,396	954,721	9,679,007	9,882,492
Deemed Disposal Recapture			(613,043)	(456,938)	(1,191,273)	(2,261,254)	(2,320,707)
Accum. Amortization, Closing		<u>\$126,607,270</u>	<u>\$1,180,908</u>	<u>\$414,602</u>	<u>\$1,929,366</u>	\$130,132,146	<u>\$122,714,393</u>
Closing Net Book Value of TCA	<u>\$12,472,243</u>	<u>\$255,552,856</u>	<u>\$2,188,542</u>	<u>\$796,595</u>	<u>\$3,079,943</u>	\$274,090,179	<u>\$273,061,607</u>

Accumulated Amortization as a Proportion of Total Asset Value



- Unamortized Capital Cost of Tangible Capital Assets (Excluding Land)
- Accumulated Amortization

An entity with fully amortized Tangible Capital Assets may indicate additional investment in renewal and replacement is needed.

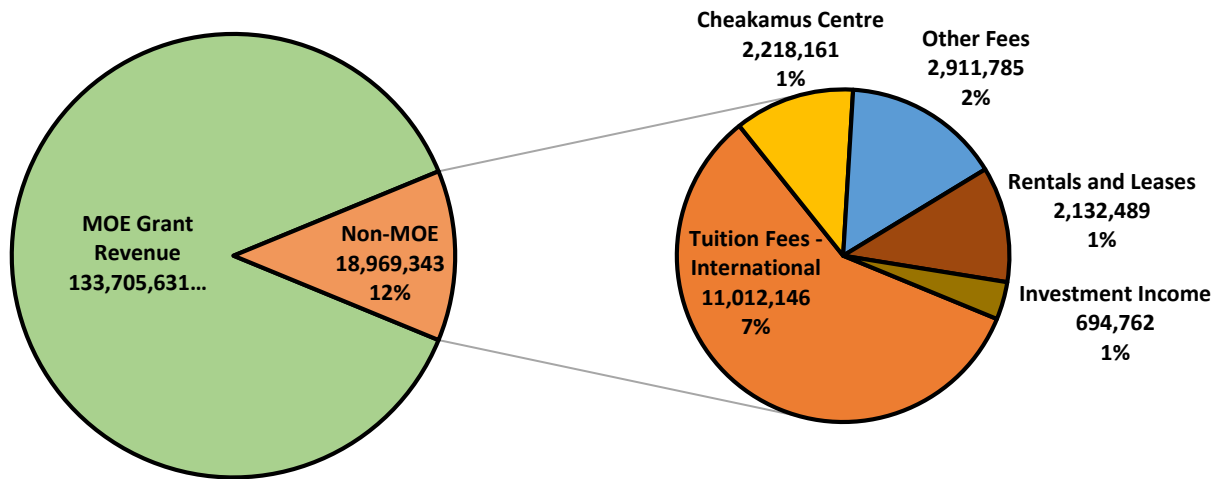
The Operating Fund

Revenue

The School District accounts for all general operating revenue and expenses in the Operating Fund. 88% of the School District's Operating revenue is received each year in the form of the per-pupil Operating Grant. Operating Revenues are summarized below:

	2018 BUDGET	2018 ACTUAL	Actual vs Budget		2017 ACTUAL
			Variance	%	
PROVINCIAL GRANTS - MINISTRY OF EDUCATION					
Operating Grant, Ministry of Education	\$129,485,757	\$129,602,729	\$ 116,972	0.09%	\$127,678,098
Other Ministry of Education Grants					
Pay Equity	2,966,047	2,966,047	-	0.00%	2,966,047
Funding for Graduated Adults	12,000	16,452	4,452	37.10%	13,698
Transportation Supplement	40,566	40,566	-	0.00%	40,566
Economic Stability Dividend		92,203	92,203		81,337
Return of Administrative Savings	665,252	665,252	-	0.00%	665,252
Carbon Tax Grant	90,000	113,861	23,861	26.51%	119,203
Student Learning Grant			-		765,291
Scorer / Marker	17,740	17,740	-	0.00%	17,740
Curriculum Implementation			-		
Skills Training Access & Support		17,079	17,079		22,500
Support Staff Benefits		98,802	98,802		
Support Building Capacity		52,000	52,000		
French Education Partnership			-		2,000
Total Provincial Grants - MOE	133,277,362	133,682,731	405,369	0.30%	132,371,732
PROVINCIAL GRANTS - OTHER	10,000	17,900	7,900	79.00%	4,256
FEDERAL GRANTS	5,000	5,000	0	0.00%	5,000
TUITION					
Summer School Fees	104,275	104,275	-	0.00%	116,450
Offshore Tuition Fees	9,185,000	10,907,871	1,722,871	18.76%	9,911,303
Total Tuition	9,289,275	11,012,146	1,722,871	18.55%	10,027,753
OTHER REVENUE					
Miscellaneous					
Cheakamus Centre	2,386,058	2,218,161	(167,897)	-7.04%	2,368,487
District Miscellaneous	192,000	244,343	52,343	27.26%	467,149
Band & Strings	583,000	588,820	5,820	1.00%	535,115
Recoveries and Donations	211,500	340,006	128,506	60.76%	529,905
School Miscellaneous	332,500	334,559	2,059	0.62%	341,442
Artists for Kids	214,838	283,851	69,013	32.12%	254,954
Academy Fees	1,148,300	1,120,206	(28,094)	-2.45%	1,113,141
Total Other Revenue	5,068,196	5,129,946	61,750	1.22%	5,610,193
RENTALS AND LEASES	2,030,638	2,132,489	101,851	5.02%	1,919,987
INVESTMENT INCOME	576,300	694,762	118,462	20.56%	515,655
TOTAL OPERATING REVENUE	\$150,256,771	\$152,674,974	\$ 2,418,203	1.61%	\$150,454,576

Sources of Operating Fund Revenue



The most significant source of School District Revenue, aside from Provincial Operating Grants, comes from International Tuition Fees which accounted for approximately 7% of operating revenue in FY2018. Cheakamus Centre, 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.

Analysis of Changes in Operating Revenue:

Revenue	Changes – Current year Budget to Actual	Changes FY2017 to FY2018
Provincial Grants (MOE)	Current year Operating Grant Revenue in line with expectations based on 1701 enrolment count. Small fluctuations result in February and May from changes to enrolment in Distributed Learning.	Year over year increase resulting from 2018 increased enrolment (64.5 FTE) and per pupil grant increase from \$7,218 to \$7,301. One-time extraordinary Student Learning Grant Funds of \$765,291 received in 2017.
International Tuition Fees	Exceeded current year expected revenues as a result of one-time non-recurring recognition of \$1.3 M of deferred MSP premiums revenue. Anticipate next year this revenue item to be in line with budget expectations.	Current year planned international student admissions were reduced by approximately 25FTE from prior year levels in order to ensure international student enrolment did not interfere with implementation of restored language provisions.
Other Revenues	Cheakamus Centre revenues were lower than budgeted due to expected corporate rentals not realized. Other revenue streams were budgeted conservatively due to their unpredictable nature, and came in higher than anticipated.	FY2017 Other Revenues included a \$286,000 donation of artwork to AFK. FY2017 revenues generated by Cheakamus Centre were higher due to additional corporate rentals not realized in FY2018.

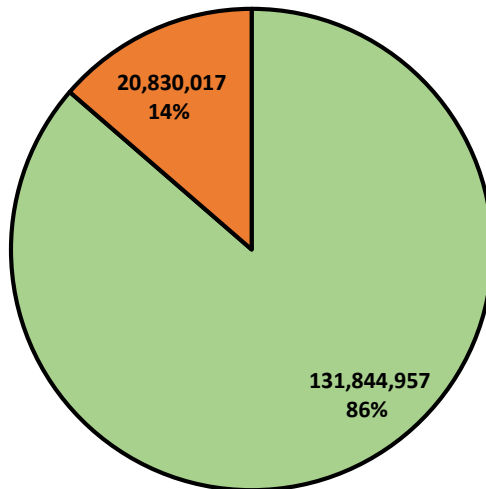
Revenue	Changes – Current year Budget to Actual	Changes FY2017 to FY2018
Investment Income	Investment Revenue exceeded budget estimate due to increasing interest rate environment, and lower than expected use of cash reserves for capital projects. As well, a conservative approach to estimating investment income has been maintained.	Increased anticipated revenue due to increasing interest rate environment from FY 2017.

Expenses

Salaries and Benefits

During FY2018, staff Salaries and Benefits made up 86.36% of the Operating Budget. In FY2017, this number was slightly higher, at 88.64%. A five year trend analysis of Salaries and Benefits, as a percentage of the total Operations Budget, indicates that staffing costs consistently fall in the range of 86% to 88% of the total Operating budget.

Salary and Benefits as a Proportion of Total Operating Expenses



Salaries and benefits expense has consistently ranged from 86% to 88% of Operating Budget over the last five years. Average Teacher Salary for FY2018 was \$77,300 and benefit cost estimate was 26.31%.

	2018 BUDGET	2018 ACTUAL	Actual vs Budget		2017 ACTUAL
			VARIANCE	%	
SALARIES					
Teachers	\$ 66,693,054	\$ 65,008,622	\$ (1,684,432)	-2.53%	\$ 65,978,288
Principals and Vice Principals	9,517,570	9,519,308	1,738	0.02%	9,199,005
Educational Assistants	12,749,268	12,779,955	30,687	0.24%	12,265,802
Support Staff	11,692,745	11,123,371	(569,374)	-4.87%	11,094,476
Other Professionals	3,677,178	3,754,613	77,435	2.11%	3,718,005
Substitutes	3,836,450	4,290,006	453,556	11.82%	4,884,616
	108,166,265	106,475,875	(1,690,390)	-1.56%	107,140,192
EMPLOYEE BENEFITS	26,526,034	25,369,082	(1,156,952)	-4.36%	26,215,997
TOTAL SALARIES AND BENEFITS	\$ 134,692,299	\$ 131,844,957	\$(2,847,342)	-2.11%	\$ 133,356,189

Variance Analysis of Salary Expense: Operating Fund expenditures do not capture any 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 CEF Staffing grant and CEF Overhead grant for further information.

Teacher Salaries:

FY Actual \$65,008,622
FY Budget \$66,693,054
PY Actual \$65,978,288

The budget includes provision for 10 District On-Call (DOC) Teachers to back fill illness or other absences. As these DOC salaries are paid, they are charged to the Substitutes line item. Typically, the Substitutes category is overspent by a similar amount, effectively offsetting the underspent amount in Teacher Salaries.

The variance in Teacher Salary expenditures from prior year (2017) to 2018 was not significant, despite having experienced a drop in student FTE enrolment on 2017 of approximately 200. This was due to management’s decision to maintain the higher staffing levels established in the 2017 Preliminary Budget to ensure minimal disruption of service delivery.

Principals and Vice Principals:

FY Actual \$9,519,308
FY Budget \$9,517,570
PY Actual \$9,199,005

Current year salary and benefit expenses for this salary group are in line with budget expectations. \$320,000 increase in expenses from prior year result from 0.5 FTE augmentation to support District succession planning, and the implementation of new Administrator salary grid.

Educational Assistants:

FY Actual	\$12,779,955
FY Budget	\$12,749,268
PY Actual	\$12,265,802

Current year expenses are in line with budget expectations. Changes in year over year expenses result from the implementation of contractual salary increments and Economic Stability Dividend.

Support Staff:

FY Actual	\$11,123,371
FY Budget	\$11,692,745
PY Actual	\$11,094,476

Variance from budget expectations results from an average of 6.0 FTE support positions vacant over the course of the year. This includes several part-time school-based positions, and full-time positions within the ICT, Finance, Maintenance and Facilities Departments.

There were no significant changes from year to year in support staff salaries, after considering the Economic Stability Dividend and contractual salary increments.

Other Professionals:

FY Actual	\$3,754,613
FY Budget	\$3,677,178
PY Actual	\$3,718,005

This group of employees are the exempt staff and Trustees. Current year salary expenses for this group were in line with budget expectations. During FY2018, retroactive salary adjustments were paid to eligible staff in this category, resulting in a variance from budget. Some savings were achieved in this category due to delays in hiring after taking into consideration the budgeted \$150,000 Administrative Savings for hiring delays.

Substitutes:

FY Actual	\$4,290,006
FY Budget	\$3,836,450
PY Actual	\$4,884,616

Aggressive teacher recruitment efforts by School Districts across the Province have resulted in an acute shortage of TTOC's everywhere. This shortage reduced the District's ability to replace discretionary teacher absences and placed the primary focus of TTOC utilization on the replacement of enrolling Teachers absent due to illness. Typically, there is a much greater overspend in the Substitutes category (see discussion re: Teachers above). However, given this shortage of TTOC's, the expected overspend in Substitutes did not materialize. As well, there was lower than budgeted utilization of illness time by Support staff.

Operating Fund Expenses	2018	2018	Actual vs Budget		2017
	BUDGET	ACTUAL	Variance	%	ACTUAL
SERVICES AND SUPPLIES					
Services	7,847,284	8,493,831	646,547	8.24%	8,361,770
Student Transportation	56,000	52,860	(3,140)	-5.61%	47,243
Professional Development and Travel	705,285	862,068	156,783	22.23%	794,407
Rentals and Leases	25,000	31,632	6,632	26.53%	22,552
Dues and Fees	58,100	56,648	(1,452)	-2.50%	60,172
Insurance	420,000	349,626	(70,374)	-16.76%	407,961
Interest	-	-	-		-
Supplies	4,377,333	3,677,097	(700,236)	-16.00%	3,962,026
Utilities	2,940,810	2,613,006	(327,804)	-11.15%	2,936,833
TOTAL SERVICES AND SUPPLIES	\$ 16,429,812	\$ 16,136,768	\$ (293,044)	-1.78%	\$ 16,592,964

Variance Analysis of Operating Expense by Object Services

FY Actual \$8,493,831

FY Budget \$7,847,284

PY Actual \$8,361,770

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. Although in FY2018, expenses were in line with those paid in FY2017, there were several extraordinary adjustments having impact on the Financial Statements, resulting in an unusual overspent amount of \$646,547. These include:

- **Medical Expense Premiums paid by International Students**

Impact to expenses: \$450,747 Increase

A change in accounting treatment of Medical expense premiums has led to a recognition of previously unrecorded expenses relating to the provision of extended health coverage for International Students. The total adjustment recorded was \$450,747 and was recorded as a Miscellaneous contracted service expense. No financial implications result from this adjustment, as there is an offsetting revenue recorded in respect of the collection of the premium revenue.

- **Write off of prepaid expenses of \$367,000**

Impact to expenses: \$367,000 Increase

In previous fiscal years, the School District incurred legal and consulting expenses relating to the public process regarding the possible disposition of the Braemar parcel. At the time, the expenses had been capitalized in anticipation of recouping them upon disposition of the land. As the Board is not considering disposition of the property at this time, Management has written off these expenses during this fiscal period.

- **Deferral of Prepaid Commission Expenses of \$288,000**

Impact to expenses: \$288,000 Decrease

A third one-time adjustment in the amount of (\$288,000) in recognition of prepaid commission expenses. Fees are paid to international student agencies for recruitment costs related to the International Student Program. These fees were paid in FY2018 and relate to students who will be attending school in FY2019. The District has deferred these expenses in 2018, and will recognize them next year.

Variance Analysis of Operating Expense by Object Professional Development and Travel

FY Actual	\$862,068
FY Budget	\$705,285
PY Actual	\$794,407

- **District Quebec Trip**

Impact to Expenses \$116,000 Increase

Typically, the District expects to be over budget in this category as a result of the District Quebec trip. There is no cost to the District however, as all costs are paid by families, and an equal and offsetting revenue is recorded in "District Miscellaneous." As the trip is cost neutral, the District budgets neither the revenue, nor the expense.

Removing the extraordinary impact of the Quebec trip brings current year actual expenses in line with prior year amounts, and is more closely aligned with budget. The added focus on teacher attraction and recruitment this year required that the District increase its search parameters, even extending its efforts out of Province during the course of the year.

Variance Analysis of Operating Expense by Object Insurance

FY Actual	\$349,626
FY Budget	\$420,000
PY Actual	\$407,961

- **Reclass of EPLP payment**

Impact to Expenses \$0

The budget and year to year variance is a result of the reclassification of this expense as a professional service instead of an insurance expense. The EPLP is a branch within the BC Public Sector Employer Association providing consulting advice to HR managers, and is recouped directly by the Provincial government. The reclassification of this expense contributes to the current year variance from budget in the Services object.

Variance Analysis of Operating Expense by Object Supplies

FY Actual	\$3,677,097
FY Budget	\$4,377,333
PY Actual	\$3,962,026

- **Recording Copier Lease Payments to Capital Lease**

Impact to expenses \$106,253 Decrease

During FY2018, The District entered into a new lease for photocopying equipment at all locations. As the requirements for classifying this transaction met the conditions for lease capitalization, the

impact of this treatment removes \$106,253 from operating expenses and transfers them to the Capital Fund as a reduction in Long term debt and capital fund interest expense.

- **School Block Budget Carry forward**

Impact to Expenses \$398,000 Decrease

Each year, schools are allocated money for supplies and equipment through the District Block Budget. Unspent Block funds at year end are carried forward to the next year for use by the school. The budget assumes all schools will spend all current year allocations and carry forward block amounts in full each year. In FY2018, the unspent block budget carried forward for use in 2019 is approximately \$398,000.

Current year supplies expenses are in line with previous year supplies expenses, and insight from the identified adjustments above provide sound reasoning for a significant amount of the variance from budget.

Variance Analysis of Operating Expense by Object

Utilities

FY Actual	\$2,613,006
FY Budget	\$2,940,810
PY Actual	\$2,936,833

- **Savings from NGN Network**

Impact to Expenses \$232,000 Decrease

NGN Network is the Provincial Network connecting all schools across the Province. The costs are recouped through the Operating Grant each year. In FY2018, the estimated budget expense for NGN network was \$612,910. The actual costs paid were \$380,664 as the Ministry of Education passed along unanticipated savings for the NGN operating costs to all School Districts.

- **Electricity and Natural Gas Expense Savings**

Impact to Expenses \$100,000 Decrease

The District experienced budget savings in the costs for heat and hydro utility expenses. Approximately \$50,000 each was saved in costs for both Hydro and gas over the course of the year.

Accumulated Operating Surplus

In May of 2018, in response to the Financial Health Working Group recommendation that Boards of Education adopt a Use of Surplus Policy, the Board adopted Policy No. 710, *Accumulated Operating Surplus*. This policy commits the Board to undertake a thorough annual review of the Accumulated Operating Surplus balance, and clearly identify specific appropriations each year.

As a result of operations, the FY2018 annual operating surplus was \$4,970,144 higher than anticipated, resulting from the following variances from budget:

	FY2018 Amended Budget	FY2018 Actual	Variance From Budget favourable/ (unfavourable)	FY2017 Actual
Total Operating Revenue	150,256,771	152,674,974	2,418,203	150,454,576
Total Operating Expenses	(151,122,111)	(147,981,725)	3,140,386	149,949,153
Acquisition of Capital Assets with Operating Funds	(248,400)	(836,845)	(588,445)	(3,199,185)
Change in Accumulated Operating Surplus	(1,113,740)	3,856,404	4,970,144	(2,693,762)
Accumulated Operating Surplus:				
Opening Fund Balance July 1, 2017	6,162,327	6,162,327	-	8,856,089
Add: Current year change	(1,113,740)	3,856,404	4,970,144	(2,693,762)
Closing Fund Balance June 30, 2018	5,048,587	10,018,731	4,970,144	6,162,327

The Accumulated Operating Surplus Fund 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.

Management recommends appropriations of Accumulated Operating Surplus to fund District initiatives which support the Board's Budget Priorities and Strategic Objectives. Recommendations to the Board were provided which supported the following internal restrictions upon Accumulated Operating Surplus:

Category	Amount	Purpose
Operations Spanning the School Year	\$3,881,311	Management proposes that this amount be set aside to balance next year's operating budget, provide for future capital equipment needs, and settle outstanding Purchase Orders issued at June 30, 2018.
Anticipated, Unusual Expenses	\$2,400,000	Management proposes that this amount be set aside as a contingency to support the staffing plan and fund employee benefits approved by the Board in the 2019 Preliminary Budget.
Unrestricted	\$3,737,420	Policy 710, Accumulated Operating Surplus recommends that unrestricted operating surplus be in the range of 2%-4% of Operating Expenses. (FY2018 = 2.51%)
TOTAL	\$10,018,731	Closing Accumulated Operating Surplus Balance June 30, 2018

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. The School District incurred the following expenditures in FY2018 year as related to significant Special Purpose grants:

Grant	Source	FY2018		Discussion
		Amount Received	Amount 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	513,650	513,650	Funding used specifically to augment Educational Assistants’ hours providing additional support to complex learners.
StrongStart	Ministry of Education	224,000	224,000	NVSD 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	61,250	61,250	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	1,088,361	1,088,361	Funding for programs and initiatives to improve the education performance of vulnerable students, including both academic achievement and social functioning.
Coding and Curriculum Implementation	Ministry of Education	-	17,202	Funding in the amount of \$117,327 was received in FY2017 for a Ministry-led initiative to train teachers and facilitate the implementation of coding modules in schools under the new curriculum.
Priority Measures	Ministry of Education	-	473,903	Funding in the amount of \$1,296,488 was received in FY2017 to respond to immediate implications of restored class size and composition language. \$473,903 of unspent funding was carried forward and used in 2018.

Grant	Source	FY2018		Discussion
		Amount Received	Amount Expended	
Classroom Enhancement Fund (CEF) – Overhead	Ministry of Education	3,923,418	3,923,418	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	7,840,163	7,517,890	Eligible expenses included teacher staffing resulting from restoration of class size and composition language. Further discussion provided below.
Carlile Youth Inpatient Unit	Ministry of Education	243,540	183,459	Funding for staffing and supplies required to operate an educational support program for youth aged 13 to 18 years struggling with mental health challenges and substance abuse issues. The Program is open to youth throughout the Vancouver Coastal Health Region, and is delivered at an inpatient centre at Lions Gate Hospital. In FY2017, the first year of the program, the School District received \$300,000. All unspent funds are carried forward to future years.
Education & Mental Health Hub	Ministry of Mental Health and Addictions	225,000	-	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, with the primary objective being to increase student wellness and personal safety.

Classroom Enhancement and Priority Measures Funding

The District received \$7,840,163 in CEF funds (Staffing). Together with \$473,903 unspent Priority Measures funding received in the previous fiscal year, these funds were used to support the additional Teacher staffing required as a result of reinstatement of Class Size and Composition language. An additional \$3,923,418 was received in CEF (Overhead) Funds. Of this, \$3,503,078 was used to pay for the additional EA and support staff required to meet the restored contract provisions, and \$420,340 was spent on supplies and equipment needed to outfit the additional classroom divisions.

Major Capital Projects

Seismic Replacement Projects



Argyle Secondary School: Originally approved by the Province with an estimated capital cost of \$41M, the project budget has been increased to \$53.5M. This project includes a new seismic replacement school designed to meet today's standards for safety, accessibility and modern learning. It will be built on the existing playing fields and will have the capacity to accommodate 1,200 grade 8 to 12 students. Once construction is complete, the students will move to the new school and the existing buildings will be demolished and turned into new playing fields. The new school includes a Neighbourhood Learning Centre component that provides community access to the facility. Construction is underway, with anticipated occupancy for September of 2020.



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



Handsworth Secondary: The Ministry of Education is providing \$62.3 million to replace the 58-year-old school with a brand-new, seismically safer facility. The project also expands Handsworth's capacity by 200 spaces to 1,400 to meet a growing student population. The new school will be built on the west side of the property. Upon completion, the current building will be demolished and replaced with a new grass field. An architect has been chosen, and schematic design is underway. It is anticipated that this project will go to tender in the spring of 2019, and construction to take approximately eighteen months. Anticipated occupancy is September, 2021.



Mountainside Secondary: \$75,000 in funding was provided by the Province to undertake a feasibility study to determine the most cost effective strategy – full replacement or upgrade of the existing facility to meet current seismic standards. Further work is being undertaken in 2018/19 to complete the study.

Annual Facility Grant (AFG) Funding

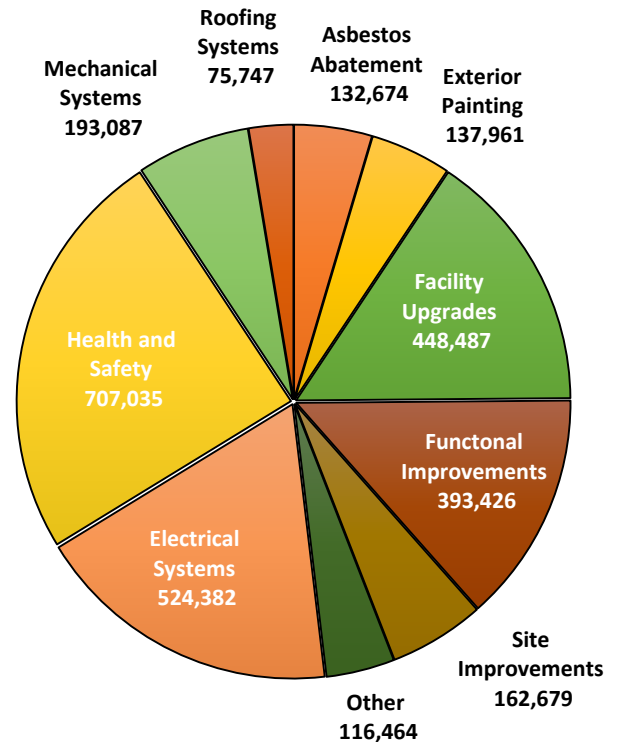
In FY2018, the North Vancouver School District received approximately \$2.8 Million in AFG funding. These funds are used throughout District schools to address ongoing maintenance and improvement needs



Eligible Uses of AFG Funds:

- 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

FY2018 Use of AFG Funds \$2,891,942



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

CEF – Additional Classroom Spaces

In order to provide the additional classroom spaces for the extra divisions that were created by the reinstatement of class size and composition language in the collective agreement, The Ministry provided approximately \$2.3M in capital funding. Several new portables were installed, and renovations of existing spaces were undertaken at various locations throughout the District.

Expenditures to Create Additional Classroom Spaces by School – 2017/18

Boundary	16,305	Montroyal	4,805
Brooksbank	295,846	Norgate	8,163
Carisbrooke	12,272	Queen Mary	1,904
Carson Graham	49,176	Ridgeway	309,414
Cleveland	2,988	Ross Road	328,790
Dorothy Lynas	14,172	Seymour Heights	6,754
Handsworth	22,292	Sherwood Park	16,411
Highlands	505,770	Upper Lynn	7,628
Lynn Valley	509,012	Westview	\$29,652
Lynnmour	23,430	Other Miscellaneous	183,232
		Total	\$2,348,016

Ministry of Education Restricted Funds

From time to time, School Districts receive funds that require authorization from the Ministry to be expended. These funds are held in a Ministry of Education (MOE) Restricted Reserve Fund. When land and buildings surplus to the needs of the School District are sold, *The School Act* requires that the proceeds of sale be allocated between the School District's Local Capital Fund and MOE Restricted Fund based on the proportionate share of the original contributions towards the capital expenditure. Dispositions of land and improvements in prior years provided for \$5.7M of funds in the MOE Restricted Fund.

Those funds are being utilized by the School District to contribute towards its share of the Argyle replacement project. Over the course of FY2018, the School District used \$1.9M of these funds for design and architectural fees leaving \$3.9M remaining at year end.



School Enhancement Program

The School District received \$843,072 through the School Enhancement Program (SEP). 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

School Enhancement Program expenditures during FY2018 included fire alarm and lighting system upgrades at several District Schools.

SEP Expenditures by School – 2017/18

Blueridge	18,083	Queensbury	16,452
Boundary	17,417	Ross Road	52,000
Brooksbank	77,149	Seymour Heights	16,452
Capilano	87,498	Sherwood Park	62,205
Carisbrooke	76,923	Upper Lynn	50,653
Cleveland	101,762	Westview	16,452
Dorothy Lynas	65,721	Windsor	18,083
Eastview	71,772	Other	23,107
Montroyal	71,345	Total	\$843,072

Future Considerations – Risks and Opportunities



Recruitment and Retention

School Districts across the Province are reporting significant challenges in the recruitment and retention of qualified staff. Last year's reinstatement of the class size and composition language within the Collective Agreement has created additional demand for qualified Teachers and support staff. In North Vancouver, the impact of this recruitment pressure is further exacerbated by the high cost of housing and long commute times due to ever increasing traffic congestion.

To proactively address the attraction, recruitment and retention of highly skilled staff, the School District undertook a comprehensive Employee Engagement Survey in January 2017. The results of this survey identified areas of strength as well as uncovered some areas for improvement. Results of the survey were shared with the Board, Partner Groups, the Administrator at each school and the Manager of each department. Managers and Administrators were empowered to devise a plan to increase the feeling of Engagement among District staff. Over the course of the 2018/19 School year, the District will undertake a follow-up survey to measure progress. Additional initiatives supported by a District Administration plan propose the use of surplus funds to respond to the professional development needs of Teachers, and further contribute to North Vancouver School District's reputation as an "Employer of Choice."

Funding Formula Review Process

School Districts have significant fixed costs. These include maintenance and operations of facilities, class size and composition staffing requirements and administrative functions to support School District operations. As a result, Districts are reliant on a stable, predictable funding stream, in order to ensure consistent delivery of services from year to year across the District.

The Province is currently undertaking a Funding Formula Review. Over the last year, the Ministry of Education has engaged in consultations with Trustees, Superintendents and Secretary-Treasurers across the Province. The information gathered will be used to determine if a new funding formula is needed, or



if the existing model should be maintained. Throughout this process, the Ministry has clearly articulated that the Formula Review will not result in an injection of additional new funding into BC’s public education system. Changes, if any, will result in a reallocation of existing funds, meaning some Boards will gain, while others lose. The results of the Funding Formula Review Process are expected by December, 2018 with changes, if any, to be in place for FY2019.

Employer Health Tax

In the FY2019 Provincial Budget, the Province announced it was implementing a new Employer Health Tax (EHT). This tax will be levied at a rate of 1.95% of salary expense. The new tax, effective January 1, 2019 is replacing Medical Services Plan Premiums, which are expected to be phased out by December 31, 2019. The estimated financial impact from this new tax is summarized in the table below:

Fiscal Year	Total Salaries*	MSP Expense	EHT Expense	Total Expense	\$ Increase from Base Year
2017/18 –Actual (Base Year)	117,225,321	1,628,089	0	1,628,089	0
2018/19 – Projected	120,665,137	1,085,392	1,176,485	2,26,1877	633,788
2019/20 - Projected	122,354,449	542,696	2,385,912	2,928,608	1,300,519
2020/21 - Projected	124,067,411	0	2,419,315	2,419,315	791,226

* Assumes salary increases of 1.4% per year.

Once the EHT is implemented, and the MSP is fully repealed, beginning in FY 2020/21, it is estimated that the EHT will add approximately \$791,000 annually in ongoing additional salary benefit costs. School Districts await further clarification from Ministry staff as to how these costs will be funded. In the interim, as a means to mitigate the added costs of the implementation of this new payroll tax, for FY2019, the Ministry of Education increased the per student Operating Grant amount to \$7,423 from \$7,301.

International Education

The School District relies to some extent on International student enrolment to supplement Operating Grant revenue. Global economic conditions are the single largest factor which impact international student demand for spaces in North Vancouver schools. As the twelve month global economic outlook is generally positive, the District does not anticipate any events which will negatively impact this revenue over the course of the next fiscal year.

As a means to promote a rich, diverse international student program and mitigate against local economic downturns in any given geographical area, the District actively adopts a recruitment strategy whereby one third of the students come from each of Asia, Europe, and Central and South America. During the previous fiscal year, the District adopted a conservative approach, reducing slightly the number of anticipated international students as a means to preserve flexibility within the District to create the new classroom spaces required by class size and composition language reinstatement.

Technology Requirements



To provide education within a 21st century learning environment, The Board will be required to commit significant financial resources. The demand for technology hardware, software, and system utilization continues to grow exponentially. In the absence of a dedicated funding stream to support technology infrastructure and implementation, finding the means to provide the required services and ensuring that information is secure and protected is an ongoing challenge for the School District.

Future investments in technology in support of education will enable the District to maintain its leading edge position. Development of a District Technology Plan to support the framework for enhancing student learning and provide real-time reporting on student progress is a key objective for the North Vancouver School District. District Administration will propose a long term funding strategy which incorporates a levelling approach to support these ongoing future required technology investments.

Restored Contract Language Impacts

Remedy Expenses In cases where, despite best efforts by the District, class size or composition contract requirements could not be met, Teachers were entitled to remedy. Provisions established in the Memorandum of Understanding governing the reinstatement of class size and composition language between the BCTF and the Provincial Government permitted remedy to be taken in the form of co-teacher support, additional non-instructional time, or a specialist teacher. During FY2018, the District calculated total remedy costs of \$1,324,217 incurred over the course of the school year. At June 30th, \$876,081 in remedy had been taken by teachers, leaving remedy owing of \$448,136. In anticipation of remedy costs, the Ministry of Education provided funding for \$1,198,357, leaving an unfunded remedy liability of \$125,860. The District is holding \$332,456 pending an arbitrator's decision in the fall, as to how the remedies not taken by June 30th, 2018 may be satisfied.

Restored District Committees The restoration of the collective agreement reinstated District Committees which have a direct influence on staffing. The *Special Needs Schools Committee* makes recommendations over the placement of 7.0 FTE of Teacher staffing. The *Mainstream and Integration Committee* can allocate extra Education Assistant (EA) staffing to schools, as per the Collective Agreement, however, there is no language in the Collective Agreement which limits the total amount of EA staffing that can be generated. As the Committees have been reinstated as a result of restored contract language, the costs associated with the decisions of the Committees are funded for as long as the Ministry continues to provide CEF Funding.

Conclusion

As was the case with School Districts around the Province this year, the implications of the restoration of the Class Size and Composition Language was evident in all aspects of School District Operations during FY2018. Starting with the aggressive recruitment strategies, the intensive renovation and construction of new classroom spaces, the organization and placement of children and following up with an unusual process of Remedy measurement. It was a year of innovation and nimble response to swiftly changing environments. The Province provided the required financial resources and staff responded to the challenges with a great deal of enthusiasm, professionalism and competence throughout the process.

Despite the added costs, and additional resources needed to meet the requirements of the restored contract language, the District ended the year in a surplus position. The allocation of that surplus provides an opportunity to reinvest funds next year to increase the capacity of our teaching staff, to renew and update our fleet and maintenance assets, to establish seed funding that will be used to acquire and maintain the technology resources needed to ensure our students have the tools to succeed in a 21st century learning environment, and to ensure adequate contingency funding exists, providing continuity of program delivery now and over the next three years.

