

## NOTICE OF MEETING

Vancouver School Board  
Secretary-Treasurer's Office  
June 8, 2018

### Committee V

Lisa Dominato  
Allan Wong  
Joy Alexander  
Fraser Ballantyne  
Ken Clement

Suzanne Hoffman, Superintendent of Schools  
J. David Green, Secretary-Treasurer

### Notice of Meeting

A meeting of the **Finance & Legal Committee (Committee V)** will be held in Committee Room # **120** of the Education Centre, 1580 West Broadway, Vancouver, British Columbia, on

**Monday, June 11, 2018 at 6:00 p.m.**

Trustees:	Carrie Bercic Janet Fraser	Estrellita Gonzalez Judy Zaichkowsky
Student Trustee:	Eugene Jeoung	
District Management Staff:	Aaron Davis Pedro da Silva Mette Hamaguchi Magdalena Kassis Michele Kelly Adrian Keough Brian Kuhn Lisa Landry	Jody Langlois Patricia MacNeil Jim Meschino David Nelson Rob Schindel Shehzad Somji Richard Zerbe
Reps:	Terry Stanway, VSTA Joanne Sutherland, VESTA Kerry Handscomb, VASSA Henry Au, VEPVPA Harjit Khangura, IUOE Roy Park, DPAC Peter Powell, PASA Warren Williams, CUPE 15 Charleen Ann Derzak, CUPE 407 Stephen Kelly, Trades Josh Harris, VDSC	Alt. Phil Lee, VSTA Allison Jambor, VESTA David Bach, VASSA  Tim DeVivo, IUOE May Ke or Amanda Hillis, DPAC  Debbie Mohabir, CUPE 15 Brent Boyd, CUPE 407 Raymond Szczecinski, Trades
Others:	Secretary-Treasurer's Office District Parents Chris Allen Lynda Bonvillain	Ed. Centre Engineers Rentals Kathie Currie, CUPE 15 Communications

# COMMITTEE MEETING

## COMMITTEE V – FINANCE & LEGAL

Monday, June 11, 2018 at 6:00 pm  
Room 120, VSB Education Centre

### AGENDA

The meeting is being held on the traditional unceded territory of the Musqueam, Squamish and Tsleil-Waututh Coast Salish Peoples.

#### Presenters

1. 2017/2018 Audit Plan Presentation  
by Office of the Auditor General

Russ Jones, Deputy Auditor General  
Chris Lawson, Engagement Leader  
Charity Holling, Engagement Manager

#### **Items Requiring Board Motion / Action**

2. Trustee Elections Bylaw

J. David Green, Secretary Treasurer

#### **Reports for Trustee Information**

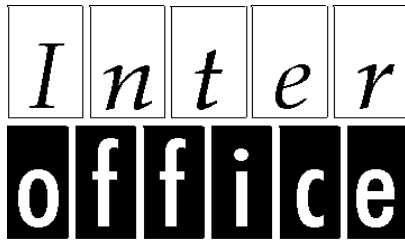
3. 2017/2018 Financial Update
4. 2018/2019 Budget Update
5. Funding Formula Review “What we heard”
6. Scholarship donations on website

J. David Green, Secretary Treasurer  
J. David Green, Secretary Treasurer  
J. David Green, Secretary Treasurer  
J. David Green, Secretary Treasurer

#### **Information Item Requests**

#### **Date and Time of Next Meeting**

Wednesday, September 19, 2018 at 7:00 pm in Room 180



# Memorandum

vancouver school board



Date: June 11, 2018  
To: Committee V – Finance and Legal  
From: J. David Green, Secretary Treasurer  
Resource: Lisa Landry, Assistant Secretary Treasurer  
Shehzad Somji, Assistant Secretary Treasurer  
Re: **2017-2018 Financial Statement Audit Planning Report**

**ITEM 1**

## REFERENCE TO STRATEGIC PLAN:

**Goal 4:** Provide effective leadership, governance and stewardship

**Objectives:**

- Effectively utilize school district resources and facilities

## INTRODUCTION:

This report is provided for information.

## BACKGROUND:

The purpose of this report is to provide the Committee with an overview of the audit planned for the fiscal year ended June 30, 2018.

### **School Act Requirement**

In accordance with the *School Act*, all school districts in BC are required to undertake an annual audit of the accounts of the Board:

*Appointment of auditor*

*158 (1) Unless the Auditor General is appointed in accordance with the Auditor General Act as the auditor of the board of a school district, the board of the school district must appoint an auditor to audit the accounts of the board.*

The Ministry of Education appointed the Auditor General as the auditor for the VBE two years ago, for a five-year term starting with fiscal year June 30, 2016.

## **DISCUSSION:**

### **Qualified Audit Opinion**

The OAG has advised that, as in the past two years, they anticipate they will be providing a qualified audit opinion. This is due to a difference in interpretation of Public Sector Accounting Standards between the Province of British Columbia and the Office of the Auditor General, in the accounting treatment of revenue contributions received from governments and externally restricted contributions. As a result of this difference, when the District accounts for deferred capital revenue as instructed by the Province under Section 23.1 of the *Budget Transparency and Accountability Act*, it is not in accordance with Canadian Public Sector Accounting Standards (PSAS).

All school districts in BC are required to adopt the accounting policy as prescribed by Section 23.1 of the *Budget Transparency and Accountability Act*, and the accompanying *Province of British Columbia Treasury Board Regulation 198/2011*.

### **Timeline**

The OAG staff will be on site conducting their audit during the audit fieldwork scheduled for July 23 to August 3, 2018. The OAG Financial Statement Audit Planning Report (Attachment A) outlines the plan for the audit.

The audited financial statements for the year ended June 30, 2018 are scheduled to be presented September 19, 2018, in anticipation of Board approval at the September Board meeting scheduled for September 24, 2018.

## **RECOMMENDATION:**

There is no recommendation.

School District No. 39 (Vancouver)

Financial Statement Audit Planning Report

For the year ending June 30, 2018

To be presented June 11, 2018



# OUR VALUES

What we stand for and how we do things:

## INTEGRITY & PROFESSIONALISM

We sustain public confidence through honesty, upholding the highest standards of professional conduct, and always maintaining our independence.



## PASSION

We are visionary, inspired, and engaged in our work.



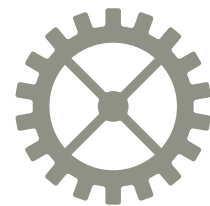
## RESPECT FOR PEOPLE

We frequently and constructively share information, insight and advice, both internally and externally. We manage tough situations positively, fairly and truthfully.



## SERVING THE PUBLIC INTEREST

We focus on significant issues and ensure that our work is relevant, objective, forward-thinking and valued by our stakeholders, and has a measurable impact.



## COMMITMENT TO EXCELLENCE

We promote continuous improvement of our processes and practices to efficiently deliver products and services of high quality.



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### Appendices

- A. Engagement Letter
- B. Required Communication
- C. Annual Inquiries Related to Risk of Fraud
- D. OAG Guide: Understanding Public Sector Financial Statements
- E. Relevant Publications

*This communication is prepared solely for the information of the Board of Education and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication. All working papers and files, including reports, created by us during the audit are property of the Office of the Auditor General and are not subject to the Freedom of Information and Protection of Privacy Act.*

## 1.0 EXECUTIVE SUMMARY

To assist with your review, we have highlighted areas for discussion below. We are happy to answer any questions you may have at any time.

Discussion item	Summary	Page reference
Changes since last year	The results of our planning interviews summarizing changes since last year are presented here in section 2. Please inform us of any other changes you are aware of.	p. 4
Scope of our audit services	The scope of our audit services are outlined in our engagement letter and discussed in Section 3.	p. 7
Audit approach	<p>Our general approach for this audit is to follow a top down, risk-based approach where we assess the risks of material misstatement in the financial statements at both the financial statement level and for individual accounts. We then respond by designing audit procedures to address those risks.</p> <p>Our approach is summarized in Section 4.</p>	p. 7
Materiality	<p>For this year’s audit, overall materiality will be \$12,300,000 and performance materiality \$9,200,000. We have set materiality at 2% of the gross amended budget revenue, which is consistent with the prior year audit.</p> <p>At the end of our audit, we will report to you both adjusted and unadjusted differences over 5% of materiality.</p> <p>Materiality is discussed in Section 4.</p>	p. 8
Risk assessment	<p>We have consulted with management and determined areas of significant audit focus. The significant audit risks we identified are:</p> <ol style="list-style-type: none"> <li>1. Presumed risk of management override of controls – risk of fraud</li> <li>2. Presumed risk of existence of revenue due to error or fraud – school generated funds and other revenue</li> <li>3. Accounting for government transfers and restricted contributions</li> <li>4. Accounting for tangible capital assets</li> <li>5. Management estimate of employee future benefits</li> </ol>	p. 9



Discussion item	Summary	Page reference
	liability Our audit risks are discussed in Section 4.	
Team	Russ Jones, FCPA, FCA is your Deputy Auditor General. Chris Lawson, CPA, CA is your Engagement Leader. Charity Holling, CPA, CGA is your Engagement Manager. David Lau, CPA, CA, CISA, GAWN is your IT Audit Director.	p. 13
Timing of audit work	We will perform our audit work between March 2018 and August 2018. Interim fieldwork: March – April 2018 Year end fieldwork: July – August 2018	p. 14
Fees	The proposed audit fee for 2018 is \$75,000. Last year our actual fee was \$75,000.	p. 14
Our commitment to audit quality	We outline our commitment to audit quality in Section 6. Our core values help us achieve quality service to you and a strong audit product. After the audit, we will ask for your feedback on how the audit went and what improvements we can make to our process.	p. 15

## 2.0 CHANGES SINCE LAST YEAR

### *Entity specific changes*

- ❖ The new Board of Education was elected in October 2017, replacing the Ministry of Education appointed official trustee for the District.
- ❖ J. David Green was hired as Secretary-Treasurer effective September 2017.
- ❖ Suzanne Hoffman was hired as Superintendent effective January 2018.

### *Accounting and auditing standards changes*

It is part of our service to you to point out emerging accounting and auditing developments and our assessment of the possible implication on School District No. 39 (Vancouver) for the current and future years. Here is a summary of changes relevant to you.

Standard and effective date	Summary
<p><i>Related Party Disclosures (Section 2200)</i></p> <p>This new section is effective for fiscal periods beginning on or after April 1, 2017.</p>	<ul style="list-style-type: none"> <li>• This section defines a related party and establishes disclosures required for related party transactions.</li> <li>• A related party relationship exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close family members.</li> <li>• If it doesn't already, management will need to collect information from board members and key management personnel on whether they or their close family members control any other companies. Close family members are defined to normally include an individual's spouse and those dependent on the individual or the individual's spouse.</li> </ul>
<p><i>Inter-entity Transactions (Section 3420)</i></p> <p>This new section is effective for fiscal periods beginning on or after April 1, 2017.</p>	<ul style="list-style-type: none"> <li>• This section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.</li> <li>• Inter-entity transactions are those transactions occurring between commonly controlled entities.</li> </ul>
<p><i>Assets (Section 3210)</i></p> <p>This new section is effective</p>	<ul style="list-style-type: none"> <li>• This section provides guidance for applying the definition of assets set out in Financial Statement Concepts (Section</li> </ul>

<p>for fiscal periods beginning on or after April 1, 2017.</p>	<p>1000) and establishes general disclosure standards for assets.</p>
<p><i>Contingent Assets (Section 3320)</i></p> <p>This new section is effective for fiscal periods beginning on or after April 1, 2017.</p>	<ul style="list-style-type: none"> <li>• This section defines and establishes disclosure standards for contingent assets.</li> <li>• Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.</li> </ul>
<p><i>Contractual Rights (Section 3380)</i></p> <p>This new section is effective for fiscal periods beginning on or after April 1, 2017.</p>	<ul style="list-style-type: none"> <li>• This section defines and establishes disclosure standards for contractual rights.</li> <li>• Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.</li> <li>• Implementation of this section will require management to review the types of revenue the entity receives to see if any could result in contractual rights.</li> </ul>
<p><i>Restructuring Transactions (Section 3430)</i></p> <p>This new section is effective for fiscal periods beginning on or after April 1, 2018.</p>	<ul style="list-style-type: none"> <li>• This section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.</li> </ul>
<p><i>Public Sector Accounting Board Exposure Draft – Revenue (Proposed Section PS 3400)</i></p> <p>Exposure Draft issued May 2017.</p> <p>Handbook release is expected for the third quarter of 2018.</p> <p>Proposed effective date of April 1, 2021.</p>	<ul style="list-style-type: none"> <li>• The Public Sector Accounting Standards Board is proposing a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. A Statement of Principles was issued in 2013 and an Exposure Draft was issued in May 2017.</li> <li>• In the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.</li> <li>• For unilateral revenues, recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.</li> <li>• This section will require management to assess current</li> </ul>

	revenue accounting policies once it is approved.
<p><i>Public Sector Accounting Board Exposure Draft - Asset Retirement Obligations (Proposed Section PS 3280)</i></p> <p>Exposure Draft issued March 2017.</p> <p>Handbook release is expected for the third quarter of 2018.</p> <p>Proposed effective date of April 1, 2021.</p>	<ul style="list-style-type: none"> <li>• A new standard is under development addressing the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Public Sector Accounting Standards currently contain no specific guidance in this area.</li> <li>• The Public Sector Accounting Standards Board recently released an Exposure Draft following the consideration of comments received in response to the previously released Statement of Principles.</li> <li>• The proposed Asset Retirement Obligation standard would require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets.</li> <li>• As a result of the proposed standard, the public sector entity will have to:             <ul style="list-style-type: none"> <li>○ consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;</li> <li>○ carefully review legal agreements, senior government directives and legislation in relation to all controlled tangible capital assets to determine if any legal obligations exist with respect to asset retirements;</li> <li>○ begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify and obtain information to estimate the value of potential asset retirement obligations to avoid unexpected issues.</li> </ul> </li> </ul>

### 3.0 SCOPE OF OUR AUDIT SERVICES

#### *Responsibilities*

Our objective is to audit the financial statements of School District No. 39 (Vancouver) for the year ending June 30, 2018 and provide an opinion on those statements. It is important to know that an audit does not relieve management of its responsibilities, who, along with the Board of Education, are responsible for the preparation of the financial statements of School District No. 39 (Vancouver) in accordance with Canadian Public Sector Accounting Standards.

Specific responsibilities of both the auditor and management are outlined as part of our engagement letter included in Appendix A.

### 4.0 OUR AUDIT APPROACH

Our general approach for this audit is to follow a top down, risk-based audit approach where we assess the risks of material misstatement in the financial statements at both the financial statement level and for individual accounts. We then respond by designing audit procedures to address those risks.

We will start by meeting with senior staff to update our understanding of your business obtaining your feedback and identifying significant risks, which we will tailor our audit approach to address.

In responding to our risk assessment, we may use a combination of substantive procedures and tests of controls. Substantive procedures include both tests of details and substantive analytical procedures. The objective of the tests of details is to detect material misstatements in the account balances and transaction streams. Substantive analytical procedures are used to identify differences between recorded amounts and predictable expectations in larger volumes of transactions over time. Each year we will incorporate an element of unpredictability into our procedures in accordance with auditing standards.

We are happy to talk through our audit process with you, or answer any questions you may have regarding it. You can also find more details about our audit process in [What to Expect from a Financial Audit](#)

#### What value-added services can we provide to management?

- Consult with management regarding new developments in accounting that could impact the entity.
- Communicate recommendations to improve internal controls or enhance administrative efficiency
- Anticipate and respond to management's concerns

#### What value-added services can we provide to the Board of Education?

- Respond to Board requests for assistance in executing its responsibilities
- Attend Board meetings throughout the financial year
- Provide insights into current and emerging public sector issues that could impact the entity
- Provide briefings on public reports or best practice guides we have recently issued

**Materiality**

An essential element in evaluating financial statements is determining an appropriate level of materiality. Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision.

Materiality in an audit is used to:

- ❖ guide planning decisions on the nature and extent of our audit procedures;
- ❖ assess the sufficiency of the audit evidence gathered; and
- ❖ evaluate any misstatements found during the audit.

Materiality is a matter of professional judgment in the particular circumstances and is based on both qualitative and quantitative factors. Qualitative considerations may result in the misstatements of relatively small amounts having a material effect on the financial statements. For example, misstatements that have the effect of turning operation income into operating losses that alter performance trends, significant ratios, or management compensation, could be considered material even though they might be less than our quantitative measure of materiality.

We have set quantitative materiality for planning this year’s audit and performance materiality for carrying out audit procedures as noted in the table below. We confirmed the reasonableness of our judgment of materiality by comparing it to quantitative guidelines found in professional standards and other guidance material.

We have not determined any accounts that have significant risks or user interest warranting a lower level threshold of materiality.

Materiality	Benchmark	2018	2017
Planning materiality	2% of gross amended budget revenue	\$12,300,000	\$11,600,000
Performance materiality	75% of planning materiality	\$9,200,000	\$8,700,000
Error threshold, not including classification errors	5% of planning materiality	\$615,000	\$580,000
Classification error threshold	10% of planning materiality	\$1,230,000	\$1,160,000

We will report on all unadjusted and adjusted errors that are above our reporting threshold as noted in the table above. Our expectation is that all errors above our reporting threshold will be corrected by management.

We will reassess materiality based on period-end results or new information to confirm whether it remains appropriate for evaluating the effects of uncorrected misstatements on the financial statements.

***Risk assessment***

Our risk-based approach focuses on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriately low level. This means that we focus our audit work on areas that have a higher risk of being materially misstated.

Below are the significant risks that may result in a material misstatement that we are currently aware of. As we proceed through the planning phase of our audit, we may identify other risks that will require a specific audit response.

Significant risk that may result in a material misstatement	Why this is important	Proposed audit response
<p><b>Presumed risk of management override of controls – risk of fraud</b></p>	<p>There is a presumption for all entities that there will always be a risk of material misstatement of the financial statements due to fraud or error involving management override of controls.</p>	<ul style="list-style-type: none"> <li>• We will substantively test on a judgemental basis journal entries made during the year and specifically those made for a period before and after year end.</li> <li>• We will review any significant management estimates.</li> <li>• We will evaluate the business rationale for any significant unusual transactions we identify.</li> <li>• We will incorporate an element of unpredictability in our procedures.</li> <li>• We will inquire about fraud risks and</li> </ul>

Significant risk that may result in a material misstatement	Why this is important	Proposed audit response
		occurrences with the Board of Education and management.
<b>Presumed risk of existence of revenue due to error or fraud – school generated funds and other revenue</b>	There is a presumed risk of fraud around revenue recognition for all entities. This risk, unless it can be refuted, is required by auditing standards to be identified as a significant risk.	<ul style="list-style-type: none"> <li>• We will perform substantive analytical procedures over revenue.</li> <li>• We will perform cut off testing of revenue recorded for a period before and after year end.</li> </ul>
<b>Accounting for government transfers and restricted contributions</b>	There is currently a difference in interpretation of Canadian Public Sector Accounting Standards between the Province of British Columbia and the Office of the Auditor General. As a result of this difference, when the District accounts for deferred capital revenue as instructed by the Province under Section 23.1 of the <i>Budget Transparency and Accountability Act</i> , it is not in accordance with Canadian Public Sector Accounting Standards (PSAS). This accounting treatment overstates the net debt indicator in the financial statements and understates accumulated surplus (refer to Appendix D: <i>OAG Guide: Understanding Public Sector Financial Statements</i> ).	<ul style="list-style-type: none"> <li>• The method of accounting for deferred capital revenue will result in a qualified audit opinion for the District.</li> <li>• We will review management’s quantification of the impact of not accounting for deferred capital revenue in accordance with PSAS. This quantification will be included in the audit opinion.</li> </ul>
<b>Accounting for tangible capital assets</b>	There are a number of audit risks associated with the accounting for tangible capital	<ul style="list-style-type: none"> <li>• We will perform detailed substantive testing of capital asset additions to</li> </ul>



Significant risk that may result in a material misstatement	Why this is important	Proposed audit response
	<p>assets. These include:</p> <ul style="list-style-type: none"> <li>• Judgement involved in determining whether to expense or capitalize certain expenditures.</li> <li>• The method used for amortizing capital assets may differ from actual usage; and,</li> <li>• the thresholds for capitalizing assets may be too high if the volume or pattern of asset purchases changes significantly. This treatment results in understatement of the annual surplus in years with a significant amount of tangible capital asset purchases and expenses and overstatement for the next several years.</li> </ul>	<p>ensure transactions and balances are reasonable.</p> <ul style="list-style-type: none"> <li>• We will perform detailed substantive analytical procedures on services and supplies expenses to search for items that are potentially tangible capital assets.</li> <li>• We will review the actual usage of tangible capital asset additions and ensure that the method used for amortizing tangible capital assets reasonably reflects this.</li> <li>• We will monitor the quantum of annual tangible capital asset purchases that are under the threshold for capitalizing and estimate and report the impact of this treatment, if significant.</li> </ul>
<p><b>Management estimate of employee future benefits liability</b></p>	<p>Accounting for employee future benefits is complex. To address this risk, management relies upon valuations prepared by an actuary.</p> <p>Due to the complexity of this estimate, as well as the nature of estimates in general, liabilities and expenses may be over or under stated by a</p>	<ul style="list-style-type: none"> <li>• We will rely on the reports provided by management's expert, the actuary.</li> <li>• We will assess the appropriateness of the inputs in estimating the liability.</li> <li>• We will audit the financial statement presentation and</li> </ul>

<b>Significant risk that may result in a material misstatement</b>	<b>Why this is important</b>	<b>Proposed audit response</b>
	material amount.	disclosure of employee future benefits to assess whether appropriate disclosure and accounting of benefits has been applied.

Please consider if there are any additional risks that may result in a material misstatement that we should be aware of while conducting our audit. Our audit work is risk based and will focus more on those areas and processes that relate to the most significant components in the financial statements.

## 5.0 AUDIT TEAM, KEY DATES AND FEES

The principal members of the 2018 audit team are:

Name and position	Contact information
<b>Russ Jones, FCPA, FCA, Deputy Auditor General</b> Responsible for assuring the overall quality, value and timeliness of our services.	rjones@bcauditor.com 250-419-6103
<b>Chris Lawson, CPA, CA, Engagement Leader</b> Responsible for managing the delivery of our services to you, overseeing the execution of our audit plans, and leading discussion on audit and reporting issues.	clawson@bcauditor.com 250-419-6177
<b>David Lau, CPA, CA, CISA, GAWN, IT Audit Director</b> Responsible for providing technical advice and expertise on IT systems to assist in our delivery of services to you.	dlau@bcauditor.com 250-419-6118
<b>Charity Holling, CPA, CGA, Engagement Manager</b> Responsible for fieldwork and field staff management and conducting our audit in accordance with the approved audit plan and office standards.	cholling@bcauditor.com 250-419-6126

***Audit Timetable***

The timing requirements of the audit are driven by the deadlines of the *School Act* and the requirements of School District No. 39 (Vancouver). We have scheduled our work to meet these requirements and to provide timely reporting on findings from our audit.

Key deliverable	Expected dates
Perform audit risk assessment and planning	March – April 2018
Present audit plan to Finance & Legal Committee (“Committee V”)	June 11, 2018
Interim audit fieldwork	March 2018
Year-end audit fieldwork	July – August 2018
Provide audit findings report, including management letter, to Finance & Legal Committee (“Committee V”)	September 2018
Provide audit opinion on financial statements	Following board approval of the financial statements

***Fees***

Our estimate of audit fees is set out below and is based on the availability of all required assistance and documentation and no significant, unexpected audit issues or control weaknesses that would require us to increase the scope of our audit. Amounts do not include applicable taxes.

	Estimated 2018	Prior year actual 2017
Audit of the financial statements	\$75,000	\$75,000

## 6.0 OUR COMMITMENT TO AUDIT QUALITY

Our internal quality assurance system is designed to help ensure that our staff are managing risks relating to our independence, objectivity, credibility, relevance, and capacity.

Our system of quality assurance consists of policies designed to achieve our objectives in relation to quality control, and the procedures necessary to implement and monitor compliance with those policies. A system of quality control is established and maintained, involving our structure, its leadership, the assigned roles and responsibilities, manuals, administrative and personnel policies, and most importantly, our culture.

We believe our values help us achieve both audit quality and audit efficiency. After the audit, we may ask for your feedback on how the audit went and what improvements we can make to our quality assurance processes.



## APPENDIX A: ENGAGEMENT LETTER

May 29, 2018

### VIA E-MAIL

Janet Fraser  
Chair, Board of Education  
School District No. 39 (Vancouver)  
1580 West Broadway  
Vancouver, B.C. V6J 5K8

Dear Ms. Fraser:

### **Re: Letter of engagement between the Office of the Auditor General and School District No. 39 (Vancouver) for the fiscal year ending June, 30, 2018**

The purpose of this letter is to confirm our common understanding of the terms of the audit engagement.

In accordance with section 10(3)(b) of the *Auditor General Act*, we have been appointed to be the auditor of your organization. Pursuant to section 10(9), the Select Standing Committee on the Public Accounts approved the Financial Statement Audit Coverage Plan, which includes the audit of the financial statements of School District No. 39 (Vancouver) (“the entity”), which comprise the statement of financial position as at June 30, 2018, and the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## OUR RESPONSIBILITIES

### *Annual financial statements audit*

We will perform our audit of the entity’s financial statements in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

### ***Risk Assessment***

In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

### ***Communication of matters***

We will inform management and, if appropriate or necessary, the Board of Education of the following matters that we may have identified during the course of our audit:

- misstatements, resulting from error (other than trivial errors), and the request to correct those misstatements;
- fraud or any information obtained that indicates that a fraud may exist;
- any evidence obtained that indicates non-compliance, or suspected non-compliance, with laws and regulations; and
- significant deficiencies in the design or implementation of internal control to prevent and detect fraud or error;

However, audits do not usually identify all matters that may be of interest to management in carrying out its responsibilities. The type and significance of the matter to be communicated will determine the level of management to whom the communication is directed.

### ***Reporting***

In accordance with section 11(3) of the *Auditor General Act*, we will report on the financial statements to:

- a) the Board of Education; and
- b) the minister responsible.

### ***Form and content of auditor's report***

Unless unanticipated difficulties are encountered, our report will be substantially in the form provided.

If the form and content of our draft report needs to be amended in the light of our audit findings, we will discuss the reasons with you in advance.

## **MANAGEMENT'S RESPONSIBILITIES**

Our audit will be conducted on the premise that management and, where appropriate, the Board of Education acknowledge and understand that they have the following responsibilities.

### ***Responsibility for financial statements and internal control***

Management is responsible for the preparation and fair presentation of the financial statements. Management is also responsible for such internal control you determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our audit will be conducted with the objective of expressing an opinion on whether the entity's financial statements are in accordance with Canadian Public Sector Accounting Standards (PSAS). We understand that you will be preparing the financial statements in accordance with Section 23.1 of the *Budget Transparency and Accountability Act*, which conforms to PSAS except as modified by Treasury Board regulations. In circumstances where Treasury Board regulations conflict with PSAS, we will need to consider the effect on our audit opinion. Accordingly, we anticipate as at the date of this letter that our audit opinion will be modified as reflected in the auditor's report attached.

### ***Access to personnel and providing information on a timely basis***

Management is responsible for providing us with: unrestricted access to personnel from whom we determine it necessary to obtain audit evidence; access to all information of which management is aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters; and additional information that we may request from management for the purpose of the audit.

### ***Management representation letter***

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.



### ***Reproduction of auditor's report***

If reproduction or publication of our report (or reference to our report) is planned in an annual report or other document, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to us in sufficient time for our review before the publication or posting process begins.

Management is responsible for the accurate reproduction of the financial statements, the auditor's report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either the full or summarized financial statements that we have audited.

### ***Use and distribution of our report***

The examination of the financial statements and the issuance of our audit opinion are solely for the use of School District No. 39 (Vancouver) and those to whom our report is specifically addressed by us. We make no representations of any kind to any third party in respect of these financial statements, and we accept no responsibility for their use by any third party.

## **OTHER ENGAGEMENT MATTERS**

### ***Audit fee and the terms and conditions supporting the fee***

We estimate that fees for these services will be \$75,000 plus direct out-of-pocket expenses and applicable taxes and are payable on presentation. This fee takes into account the agreed-on level of preparation and assistance we are to receive from your organization. If significant additional time is necessary, we will discuss the reasons with you and agree on a revised fee estimate before we incur additional costs.

### ***Engagement team leaders***

This engagement will be led by:

Russ Jones, FCPA, FCA, Deputy Auditor General, who will be responsible for assuring the overall quality, value and timeliness of our services;

Chris Lawson, CPA, CA, Engagement Leader, who will be responsible for managing the delivery of our services;

David Lau, CPA, CA, IT Audit Director, who will be responsible for providing technical advice and expertise on IT systems to assist in our delivery of services; and

Charity Holling, CPA, CGA, Engagement Manager, who will serve as the on-the-job manager.



### ***Confidentiality***

In accordance with Rules of Professional Conduct and section 9 of the *Auditor General Act*, our staff will keep in confidence all information obtained in the performance of the audit. The information will not be communicated to others except as permitted under the *Auditor General Act*.

All working papers and files, other materials, reports and work created, developed or performed by us during the audit are property of the Office of the Auditor General and are not subject to the *Freedom of Information and Protection of Privacy Act*.

### ***File Inspections***

Audit files may be reviewed periodically by audit practice inspectors who are independent from our office to ensure that we are adhering to our professional and office standards. File reviewers are required to maintain confidentiality of all information reviewed in the exercise of their duties.

### ***Quality assurance***

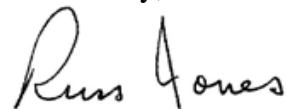
As part of our process of assessing the quality of our services, you may receive surveys or questionnaires from us. We appreciate the attention given to these surveys and questionnaires and value your feedback.

### ***Other examinations***

It is part of the Auditor General's mandate to conduct audits as the Auditor General considers advisable. In accordance with section 11(5) of the *Auditor General Act*, we may conduct further examinations that we consider advisable after our initial audit work in your entity. This may include us using any information we gathered as part of this engagement for any further examinations.

If these terms are acceptable, please return a signed copy of this letter to [auditoperations@bcauditor.com](mailto:auditoperations@bcauditor.com). We shall be pleased to discuss the contents of this letter with you at any time.

Yours truly,



Russ Jones, FCPA, FCA  
Deputy Auditor General

CH/eg  
Attachment



\*\*\*\*\*

On behalf of School District No. 39 (Vancouver), I acknowledge and agree to the services and terms as set out in this letter.

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Janet Fraser  
Chair, Board of Education

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Date

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Suzanne Hoffman  
Superintendent

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Date

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J. David Green  
Secretary-Treasurer

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Date



## **DRAFT INDEPENDENT AUDITOR'S REPORT**

### **INDEPENDENT AUDITOR'S REPORT**

*To the Members of the Board of Education of School District No. 39 (Vancouver), and  
To the Minister of Education, Province of British Columbia*

I have audited the accompanying financial statements of School District No. 39 (Vancouver) ("the entity"), which comprise the statement of financial position as at June 30, 2018, and the statements of operations, changes in net financial assets (debt), and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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

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

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

***Basis for Qualified Opinion***

As described in Note X to the financial statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In our opinion, certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the entity's records indicate that the effects of this departure on the current year financial statements is an overstatement of the liability for deferred capital revenue of \$XX million and deferred revenue of \$XX million, an understatement of accumulated surplus of \$XX million, and a current year over/understatement of revenue of \$XX million. Accordingly, the current year surplus/deficit is under/overstated by \$XX million and net debt is overstated by \$XX million.

***Qualified Opinion***

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of School District No. 39 (Vancouver) as at June 30, 2018, and the results of its operations, changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Victoria, British Columbia  
[Date]

Russ Jones, FCPA, FCA  
Deputy Auditor General

## APPENDIX B: REQUIRED COMMUNICATION

### *Communication*

In carrying out our audit, we would like to engage in effective communication with the Board of Education to ensure we are in a place to better understand the relevant issues facing School District No. 39 (Vancouver).

Specific areas we may be engaging in discussions include:

- ❖ matters the Board considers that warrant particular attention during the audit, and any areas where they request additional procedures to be undertaken;
- ❖ the attitudes, awareness, and actions of the Board concerning (a) School District No. 39 (Vancouver)'s internal control and importance in School District No. 39 (Vancouver), including how the Board oversees the effectiveness of internal controls; and (b) the detection or possibility of fraud; and
- ❖ other matters the Board considers may influence the audit of the financial statements.



***Deliverables***

During our audit engagement we will provide you with the following important documents:

<b>Deliverable</b>	<b>Expected date</b>	<b>Purpose</b>
Planning report	June 11, 2018	Outlines the planned scope and timing of our audit, including specific risks identified (and our planned responses).
Final report	September 2018	Final report on the audit which includes details of: <ul style="list-style-type: none"> <li>❖ any difficulties encountered;</li> <li>❖ all errors above threshold, both corrected and uncorrected;</li> <li>❖ a summary of significant issues;</li> <li>❖ any concerns regarding internal controls;</li> <li>❖ a summary of all audit findings and their resolution; and</li> <li>❖ the results of the audit and expected audit opinion to be provided.</li> </ul>
Independence letter	September 2018	Confirms auditor independence as required by professional standards
Auditor's report	September 2018	Independent Auditor's Report on the financial statements of School District No. 39 (Vancouver) for the year ended June 30, 2018.  An example of what we expect this report to look like is included in the signed engagement letter attached to this report.
Management letter	September 2018	Provides details of any recommendations to improve internal controls or other issues identified and management's response to those recommendations.

## APPENDIX C: ANNUAL INQUIRIES RELATED TO RISK OF FRAUD

Auditing standards require that we ask you and consider your responses to the following questions in connection with your oversight of management's process for identifying and responding to the risks of fraud:

- ❖ How do you provide effective oversight of management's processes for identifying and responding to internal and external fraud risks, including programs and controls to prevent, detect and deter fraud?
- ❖ Are you aware of any instances of actual, suspected or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, how have the allegations been addressed?
- ❖ What are your views about internal and external fraud risks of the entity?
- ❖ Are you aware of tips or complaints regarding the entity's financial reporting and, if so, what are the responses to such tips and complaints?

### *An Auditor's Responsibilities for Detecting Fraud*

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by error or fraud.

Fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it. Therefore, it is more likely that fraud, rather than error, may go undetected.

During our audit, we will fulfill our responsibilities by performing these procedures:

- ❖ Ask about any knowledge of fraud or suspected fraud;

## COMMON FRAUD INDICATORS

Employers should be vigilant to any warning signs that might indicate a fraud is being perpetrated by employees. Potential indications that a person might be involved in fraudulent activity are if he or she:

- seems under stress without a high workload
- is first to arrive in the morning, last to leave at night
- is egotistical (e.g., scornful of system controls)
- is a risk-taker or rule-breaker
- is reluctant to take time off work
- refuses a promotion
- exhibits wealth inconsistent with salary
- exhibits a sudden change of lifestyle
- is a new staff member who resigns quickly
- has a cozy relationship with suppliers or contractors
- is a supplier or contractor who insists on dealing with one particular member of staff
- is disgruntled at work, a complainer
- is greedy or is known to have genuine financial need

*Source: Guidelines for Managing the Risk of Fraud in Government, OAG 2010 ([http://www.bcauditor.com/files/imce/OAGC\\_Fraudguidelines.pdf](http://www.bcauditor.com/files/imce/OAGC_Fraudguidelines.pdf))*



- ❖ Perform disaggregated analytical procedures and consider unusual or unexpected relationships identified in planning the audit;
- ❖ Incorporate an element of unpredictability in the nature, timing and extent of our audit procedures; and
- ❖ Perform procedures to address the risk of management's override of controls, including:
  - Evaluate internal controls designed to prevent and detect fraud;
  - Examine journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
  - Review accounting estimates for biases that could result in material misstatement due to fraud (including a retrospective review of significant past years' estimates); and
  - Evaluate the business rationale of significant unusual transactions.

We would be pleased to talk about any other procedures or suggestions you may have.



## **APPENDIX D: OAG GUIDE: UNDERSTANDING PUBLIC SECTOR FINANCIAL STATEMENTS**

In June 2014, we published a guide to help readers of financial statements – specifically those who are not familiar with public sector financial statements – improve their ability to review and interpret government financial reports. You can find this report here:

<http://www.bcauditor.com/pubs/2014/special/understanding-canadian-public-sector-financial-statements>

We are happy to walk through the document or answer any questions you may have regarding it.



## **APPENDIX E: RELEVANT PUBLICATIONS**

[Understanding Our Audit Opinion on B.C.'s 2016/17 Summary Financial Statements](#)

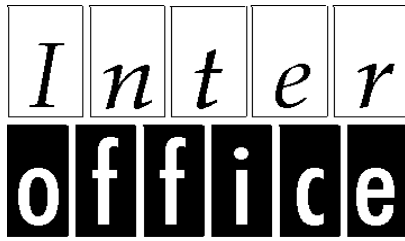
[Improving Budgeting and Expenditure Management in the Public Education System](#)

[An Audit of the Education of Aboriginal Students in the B.C. Public School System](#)

[School District Board Governance Examinations](#)

[Budget Process Examination Phase 2: Forecasting for Operating Expense, Capital Spending and Debt](#)





# Memorandum

vancouver school board



Date: June 11, 2018  
To: Committee V – Finance and Legal  
From: J. David Green, Secretary Treasurer  
Re: **Trustee Elections Bylaw**

**ITEM 2**

## REFERENCE TO STRATEGIC PLAN:

**Goal 4:** Provide effective leadership, governance and stewardship

**Objectives:** Advocate for public education

## INTRODUCTION:

This report contains a recommendation.

## BACKGROUND:

One of the most important roles for a Board of Education and its elected trustee members is to advocate for public education. To do that there needs to be strong governance structure in place. A foundation of that governance structure is a widely understood mechanism for community members to decide who to place in that governance role to advocate on their behalf for public education. That is accomplished through the democratic election process.

The election of trustees to a Board of Education in Vancouver is governed by legislation in the *School Act*, the *Local Government Act* and the *Vancouver Charter* and the processes used have to be adopted by bylaw. The City of Vancouver runs the trustee election on behalf of the District. The District is responsible for conducting the election in the Endowment Lands.

While the City will run the trustee election this fall for the District it cannot, under legislation, adopt a bylaw under a provision of the *Local Government Act* and the *Vancouver Charter* referred to in section 45 (9) of the *School Act*, but, instead, a Board of Education may adopt bylaws under those sections for the trustee election. Section 45(9) of the *School Act* basically provides for the Board of Education to have its own bylaw with respect to the following:

- The number of nominators
- The order of names on the ballot
- Resolution of tied votes after judicial recount
- Nomination deposit amount

The Board does have an election bylaw - Trustee Elections Bylaw No. 3 (attached), written in

1999, which has the order of names on the ballot as alphabetic as well as a provision for resolving a tie after a judicial recount and a requirement for a nomination deposit of \$100. The bylaw also, for the purpose of harmonizing the two elections (council and board), adopts the City's Election Procedures Bylaw except where the *School Act* stipulates otherwise.

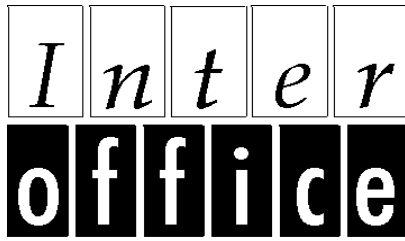
**DISCUSSION:**

On May 30, 2018 the City of Vancouver served notice of a potential amendment to the City of Vancouver's bylaw governing election for city council. The proposal is that the order of the names on the ballot be selected by lot (randomized). City Council approved the amendment on June 6, 2018 and it will apply for the civic election in the fall. District staff was asked both before and after the Council's approval is there was any interest on the part of the Board of Education to consider moving to a randomized ballot.

The District could move ahead with the trustee election in the fall using the 1999 bylaw but if there was interest in changing the bylaw to allow for the names on the ballot to be selected by lot, it would have to pass a new bylaw before August 6, 2018, as per legislation. Now that the City has moved ahead with randomized ballot name order our board may want to consider doing the same.

**RECOMMENDATION:**

It is recommended that the Board of Education consider adopting a new Trustee Elections Bylaw at its June 25, 2018 meeting that would include changing the order of names on the ballot to be selected by lot to agree with the City of Vancouver.



# Memorandum

vancouver school board



Date: June 11, 2018

**ITEM 3**

To: Committee V – Finance and Legal

From: J. David Green, Secretary-Treasurer  
Lisa Landry, Assistant Secretary-Treasurer  
Shehzad Somji, Assistant Secretary-Treasurer

Re: **Financial Update to April 30, 2018 (Operating Fund) & Projection to June 30, 2018**

## REFERENCE TO STRATEGIC PLAN:

**Goal 4: Provide effective leadership, governance and stewardship**

**Objectives:**

- Effectively utilize school district resources and facilities.

## INTRODUCTION:

This financial update reports the results for the operating fund for the ten months ended April 30, 2018 as well as a projection for the fiscal year ending June 30, 2018.

This report is provided for information.

## BACKGROUND & DISCUSSION:

The School District's financial activities are accounted for in various funds using Public Sector Accounting Board (PSAB) reporting standards. There are three categories of funds that contain the results of all the financial transactions incurred by the District. These categories are: the operating fund, the capital fund and numerous special purpose funds. Together they form the consolidated Statement of Revenue and Expense for the District. The operating fund contains the operating grants supplied by the Ministry of Education and also the majority of expenses required to provide educational service to District schools.

## Operating Fund Results to April 30, 2018:

The financial results for the ten months ended April 30, 2018 compared to the same period of the prior year are as follows. The budget is the amended annual budget adopted in February and covers the fiscal year July 1 to June 30.

	2017-2018 Operating				2016-2017 Operating			
	YTD April	Budget	Act. %	Exp. %	YTD April	Budget	Act. %	Exp. %
<b>Revenue</b>	<b>396,672,975</b>	<b>495,492,247</b>	<b>80.1%</b>	<b>80.0%</b>	<b>395,916,270</b>	<b>488,726,799</b>	<b>81.0%</b>	<b>80.0%</b>
<b>Expenses</b>								
Salaries-Educational Assistants	27,505,874	34,140,654	80.6%	80.0%	27,100,399	35,977,033	75.3%	80.0%
Salaries-Other Professionals	7,342,025	8,552,189	85.8%	83.0%	7,340,827	9,399,397	78.1%	83.0%
Salaries-Principals and VP's	18,851,797	22,682,929	83.1%	83.0%	17,294,271	21,772,970	79.4%	83.0%
Salaries-Substitutes	6,220,969	9,229,948	67.4%		7,032,327	8,499,504	82.7%	
Salaries-Support Staff	42,980,550	53,370,287	80.5%	81.5%	42,002,962	52,722,493	79.7%	81.5%
Salaries-Teachers	179,661,412	222,176,857	80.9%	80.0%	186,892,355	230,091,486	81.2%	80.0%
Benefits	72,316,041	93,597,187	77.3%		72,351,715	94,576,837	76.5%	
Services and Supplies	29,472,443	46,608,465	63.2%		30,518,911	40,554,566	75.3%	
<b>Total Expenses</b>	<b>384,351,112</b>	<b>490,358,516</b>	<b>78.4%</b>		<b>390,533,766</b>	<b>493,594,286</b>	<b>79.1%</b>	
<b>Net Revenue (Expense)</b>	<b>12,321,863</b>	<b>5,133,731</b>			<b>5,382,504</b>	<b>(4,867,487)</b>		
<b>Funded from Operating</b>								
Capital Lease	2,119,564	2,500,997			1,922,505	1,206,175		
Capital from Operating	3,334,833	2,499,970			1,269,958	1,967,306		
Amortization of Employee Future Benefits	-	132,764			-	132,764		
Transfer from Local Capital					(250,895)	(379,207)		
<b>Surplus / (Deficit)</b>	<b>6,867,466</b>	<b>-</b>			<b>2,440,936</b>	<b>(7,794,525)</b>		

## **Surplus Position and Revenue**

For the ten months ended April 30, 2018, the operating fund shows the District to be in a surplus position of \$6.87 million, which is \$4.43 million higher than the \$2.44 million surplus for the ten-month period ended April 2017. These respective surpluses include purchases of capital assets (\$3.33 million this year and \$1.27 million last year) and capital lease payments (\$2.12 million this year and \$1.92 million last year). Prior to those capital items, which are funded from operating funds, the year-to-date results to April 30, 2018 show a surplus of \$12.32 million which is \$6.94 million higher than the \$5.38 million surplus to the end of April 2017. This \$6.94 million improvement is comprised of lower salaries and benefits costs of \$5.14 million, lower supplies and service costs of \$1.05 million and higher revenue of \$0.76 million.

## **Revenues**

The year-to-date revenue of \$396.67 million is \$0.76 million more than last year's year-to-date revenue of \$395.92 million. This is primarily due to additional leases with CSF relating to three school annexes.

## **Expenditures**

### **Salaries**

When looking at the various categories of salaries it is important to recognize that different employee groups work differing times during the year, and this is reflected in the percentage of the budget spent to any point in time in the fiscal year. In the case of Educational Assistants and Teachers (primarily 10-month employees) the expectation is that approximately 80% of the budget would have been spent by the end of April. In the case of Principals and Vice-Principals and Other Professionals (primarily 12-month employees) the expectation is that approximately 83% of the budget would have been spent by the end of April. The Support Staff employee group

is a mixture of 10 and 12 month employees and the expectation is that a percentage greater than 80% but less than 83% of the budget would have been spent by the end of April.

### **Salaries - Educational Assistants**

The expected percentage of approximately 80% of the budget having been spent by the end of April appears to be the case with Education Assistants, with 80.6% of this year's budget being spent, as compared to 75.3% spent by the end of April 2017.

Difficulty in recruiting has meant late starts and vacancies, resulting in reduced expenditure. The 2016-17 budget did not anticipate the level of vacancies that occurred that year, whereas the 2017-18 budget did.

### **Salaries – Principals and Vice Principals and Other Professionals**

Principals, vice principals and other professionals are salaried positions and the expectation would be that approximately 83% of the budget would have been spent by the end of April.

For other professionals, the expense for April 2018 is 85.8% as compared to 78.1% for April 2017. The expectation is that 83% of the budget would have been spent by the end of April. The higher percentage in 2018 was due to unexpected costs relating to salary continuance and coverage for a vacant position.

For principals and vice-principals, the expense for April 2018 is 83.1% as compared to 79.4% for April 2017. The increase this year is due to several factors: the impact of principals and vice-principals carrying more vacation balances this year compared to prior year; salary increases; and new vice-principal positions.

### **Substitutes**

The current year is tracking at 67.4% in comparison to last year's 82.7%. In this year's budget, staff took the opportunity to review and realign historical replacement budgets, updating budgets to better reflect current experience trends, and more current staffing levels. In the current year there were lower levels of on-call staff and teachers on call dispatched, partly offset by an increase in administrators on-call filling principal and vice principal positions.

### **Salaries – Support Staff**

The support staff employee group comprises both ten-month and twelve-month positions, and the expectation is that a percentage greater than 80%, but less than 83%, would have been spent by April. This appears to be the case with 80.5% of the budget spent to the end of April 2018 compared to 79.7% of the budget spent by the end of April 2017.

### **Salaries – Teachers**

The expected percentage of 80% of the budget having been spent by the end of April appears to be the case for teachers in the operating budget, with 80.9% of this year's budget spent compared to 81.2% last year. This year saw slightly more enrolment decline than budgeted in the annual budget, which translates to slightly lower teacher staffing. The lower expense this year has also been impacted by a lower average teacher salary cost than that included in the budget. The District experienced a significant increase in retirements this year, likely in response to the new



pension rules that came into effect in 2018. These experienced teachers, earning higher salaries, have been replaced with teachers earning lower salaries. There may also be an impact resulting from the resignation of teachers who have moved to other districts, although they may have been replaced with teachers earning similar salaries.

## Benefits

Benefit costs have remained consistent with last year's costs, despite lower total salary costs. Premiums for extended health and dental coverage, which do not fluctuate with salary, have increased this year. Benefit costs as a percentage of total salary costs this year to the end of April is 25.59%, while in the prior year it was 25.15% to the end of April.

## Services and Supplies

For services and supplies, 63.2% of the current year budget has been spent by April 2018, compared to 75.3% of the prior year's budget. The lower percentage spent is due to a number of factors: lower sale and leaseback payments on declining balances; timing differences for insurance payments; spending of the Student Learning Grant replaced regular spending; the one-time additional support for school resources has not yet been spent; and the repayment of 2015/16 flexible budgets to schools has not yet been spent.

## Projected Financial Results to June 30, 2018

The projected results for May and June have been prepared on a very conservative basis and show a deficit of \$1.624 million, which results in a projected surplus at June 30, 2018 of \$5.244 million.

	2017-2018 Operating			Amended Budget	Variance	
	April 2018	Projected May & June	Projected Annual		\$	%
<b>Revenue</b>	396,672,975	98,514,877	495,187,852	495,492,247	(304,395)	-0.1%
<b>Expenses</b>						
Salaries-Educational Assistants	27,505,874	7,113,956	34,619,831	34,140,654	(479,177)	-1.4%
Salaries-Other Professionals	7,342,025	1,426,216	8,768,241	8,552,189	(216,052)	-2.5%
Salaries-Principals and VP's	18,851,797	3,872,542	22,724,339	22,682,929	(41,410)	-0.2%
Salaries-Substitutes	6,220,969	2,027,567	8,248,536	9,229,948	981,412	10.6%
Salaries-Support Staff	42,980,550	9,554,634	52,535,184	53,370,287	835,103	1.6%
Salaries-Teachers	179,661,412	44,936,364	224,597,776	222,176,857	(2,420,919)	-1.1%
Benefits	72,316,041	19,282,112	91,598,153	93,597,187	1,999,034	2.1%
Services and Supplies	29,472,443	9,542,364	39,014,807	46,608,465	7,593,658	16.3%
<b>Total Expenses</b>	<b>384,351,112</b>	<b>97,755,756</b>	<b>482,106,868</b>	<b>490,358,516</b>	<b>8,251,648</b>	<b>1.7%</b>
<b>Net Revenue (Expense)</b>	<b>12,321,863</b>	<b>759,121</b>	<b>13,080,984</b>	<b>5,133,731</b>	<b>7,947,253</b>	
<b>Funded from Operating</b>						
Capital Lease	2,119,564	255,317	2,374,881	2,500,997	126,116	
Capital from Operating	3,334,833	1,283,825	4,618,658	2,499,970	(2,118,688)	
Amortization of Employee Future Benefits	-	843,847	843,847	132,764	(711,083)	
Transfer from Local Capital	-	-	-	-	-	
<b>Surplus / (Deficit)</b>	<b>6,867,466</b>	<b>(1,623,868)</b>	<b>5,243,597</b>	<b>-</b>	<b>5,243,597</b>	

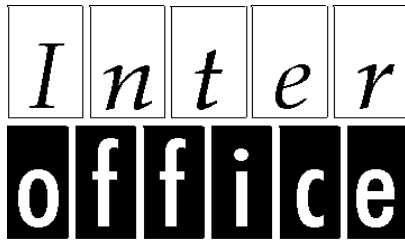
The May and June deficit consists of both additional costs and savings and the major components are summarized in the following table:

Over expenditure of CEF Teachers	\$	1,626,405
Previous Years' Teacher Prep Time		350,000
Savings on Teacher Salaries		(728,296)
Savings on TTOC Costs		(200,690)
Savings on Other Staff Costs		(911,603)
Overages in Various Wage Categories		668,667
Paydown of Unfunded EFB Balance		711,083
Portable for Henry Hudson Elementary		230,000
Cleanup of Accounts Payable Control Account		256,005
Savings on Insurance		(269,311)
Various other changes		(108,392)
		<u>1,623,868</u>
	\$	<u>1,623,868</u>

While the schedule above indicates a surplus of \$5.244 million, district staff is aware of certain costs of approximately \$5.0 million that will have to be restricted at the yearend which will result in almost none of this surplus being unrestricted. Costs that will have to be restricted include the special grant of \$1.2 million that was included in the amended budget and has not been spent, unspent school flex balances and various teacher professional development costs that are applicable to next year.

**CONCLUSION:**

This financial update reports the results of the operating fund for the ten months ended April 30, 2018 and projected financial results for June 30, 2018 are provided for information.



# Memorandum

vancouver school board



Date: June 11, 2018

**ITEM 4**

To: Committee V – Finance and Legal

From: J. David Green, Secretary Treasurer

Resource: Lisa Landry, Assistant Secretary Treasurer

Shehzad Somji, Assistant Secretary Treasurer

Will Hsu, Manager of Budgeting, Forecasting and Planning

Re: **2018-2019 Annual Budget Update**

## REFERENCE TO STRATEGIC PLAN:

**Goal 4:** Provide effective leadership, governance and stewardship

### Objectives:

- Effectively utilize school district resources and facilities
- Develop and implement a long-term financial planning model

## INTRODUCTION:

This report is provided for information.

## BACKGROUND:

The purpose of this report is to provide the Committee with an update on the Annual Budget for 2018-2019 that received first and second readings of the Budget Bylaw on May 28, 2018. While the budget process that culminated in those readings on May 28, 2018 largely focused on the Operating Fund, this report is meant to provide additional information on the Special Purpose Fund and the Capital Fund components of the budget. At the January 24, 2018 meeting of Committee V, the following description of the reporting standards for a school district budget was provided:

*The District has adopted the Public Sector Accounting Board (“PSAB”) reporting standards for budgeting and financial reporting. Under these standards the District is required to prepare a budget incorporating the PSAB format as described in Appendix A. The summary budget document (Statement 2 – Revenue and Expense) contains the required budget bylaw that the Board of Education has to approve by June 30, 2018 as per the School Act. It does not however differentiate the separate funds for operating, special purpose and capital which are components of Statement 2. **While the District is required to budget for special purpose funds, including the Classroom Enhancement Fund, and capital activities, this planning document is focused on Schedule 2 of the PSAB format (Operating Revenue and Expense), which***

*encompasses the majority of the District's operating activities. Separate budgets will be prepared for the Classroom Enhancement Fund, the other special purpose funds and the Capital Fund. Together all these funds will form the District's annual budget bylaw for 2018-2019, as mentioned above.*

**DISCUSSION:**

**Budgeted Surplus (Deficit) for the Year**

As mentioned, the summary budget document is Statement 2 – Revenue and Expense. In the attached Annual Budget document Statement 2 shows a budgeted deficit for 2018-2019 of \$2,232,252. Because Statement 2 is a summary of all the funds it is necessary to show where that deficit is. The following schedule illustrates that the budgeted deficit resides only in the Capital Fund:

	Operating Fund	Special Purpose Fund	Capital Fund
Revenues	\$ 497,616,976	\$ 99,491,186	\$ 18,644,483
Expenses	495,790,894	98,973,158	25,255,067
Net Revenue (Expense)	1,826,082	518,028	(6,610,584)
Budgeted Appropriation of Prior Year Surplus	2,034,222		
Tangible Capital Assets Purchased	(1,211,608)	(518,028)	1,729,636
Capital Lease Payments	(2,648,696)		2,648,696
Budgeted Surplus (Deficit) for the year	\$ -	\$ -	\$ (2,232,252)

**Annual Budget Bylaw Amount**

On May 28, 2018 the Board of Education had first and second readings of the Budget Bylaw. As illustrated below, the Budget Bylaw consists of the total expense and the tangible capital assets purchased in each of the three funds. In previous years it also included the expense for the reduction of unfunded employee future benefits. The budget for 2018-2019 does not include that expense as the balance of that will be written off in the District's 2017-2018 financial statements.

	2018-2019 Annual Budget	2017-2018 Amended Annual Budget
<b>Budget Bylaw Amount</b>		
Operating Fund - Total Expense	\$ 495,790,894	\$ 490,358,516
Operating Fund - Tangible Capital Assets Purchased	1,211,608	2,499,970
Operating Fund - Reduction of Unfunded Employee Future Benefits		132,764
Special Purpose Funds - Total Expense	98,973,158	99,601,149
Special Purpose Funds - Tangible Capital Assets Purchased	518,028	1,488,445
Capital Fund - Total Expense	25,255,067	25,164,603
	\$ 621,748,755	\$ 619,245,447

## **Ministry of Education Review**

At the time the first and second readings of the Budget Bylaw were made, the District was awaiting the results of a review by Ministry of Education staff to ensure the formatting was correct and the document was in compliance with the Annual Budget Instructions. The Ministry did point out two formatting changes in the revenue section of the Special Purpose Funds (Schedule 3):

1. A Federal Government grant of \$175,900 for the Settlement Workers in Schools (SWIS) program was entered on the "Other Revenue" line in the budget document presented on May 28, 2018 instead of on the "Federal Grants" line;
2. A grant of \$1,030,628 for the Assistive Tech BC special purpose fund was entered on the "Federal Grants" line in error in the budget document presented on May 28, 2018 instead of on the "Other Revenue" line.

These errors have been corrected in the attached budget document. The total revenue in the Special Purpose Fund has not changed as illustrated in the table below:

	<b>Presented on May 28, 2018</b>	<b>Ministry Review Changes</b>
<b>Revenues</b>		
Provincial Grants - Ministry of Education	\$ 62,642,205	\$ 62,642,205
Provincial Grants - Other	5,018,522	5,018,522
Federal Grants	1,030,628	175,900
Other Revenue	30,297,237	31,151,965
Investment Income	502,594	502,594
	<b>\$ 99,491,186</b>	<b>\$ 99,491,186</b>

Another item the Ministry review highlighted was the difference between what the District has budgeted for teacher staffing in the Classroom Enhancement Fund ("CEF") versus what the Ministry has currently approved. In the submission sent to the Ministry in early May requesting funding for the CEF for 2018-2019 the District estimated the staffing needed to be 323.4 FTE with a budgeted value of \$28,847,369. The Ministry has been undertaking reviews of districts' CEF spending for 2017-2018, including Vancouver, and has based an initial allocation of staffing for 2018-2019 for the district at 282.5 FTE with a budgeted value of \$25,239,274. This shortfall of 40.9 FTE and \$3,608,095 in funding will change as the Ministry finalizes the CEF allocation to districts and hopefully the numbers will reconcile once that allocation is made. District staff do not believe any of the information stemming from the Ministry review would require the first and second readings of the Budget Bylaw to be read again.

### Special Purpose Funds (Schedule 3)

Special purpose funds represent funding that the District receives in order to provide specific programs or services. Public Sector Accounting standards require that these funds are disclosed separately, and can only be spent for an intended purpose, such as:

“Often, external restrictions are associated with inflows of resources received from external parties who stipulate that amounts received be used in a particular manner...”

“Resources restricted by agreement with an external party... cannot be used for other than the stipulated purpose ...”

Accordingly, these funds are maintained separately from the operating fund and the capital fund, and are reported on Schedule 3, Special Purpose Funds. A summary of the revenue component of the District’s Special Purpose Funds is as follows:

<b>School District No.39</b>		<b>Schedule 3</b>	
<b>Special Purpose Funds - Revenues</b>			
<b>Preliminary Budget June 30, 2019 and Amended Budget June 30, 2018</b>			
	<b>2019</b>		
	<b>Preliminary</b>	<b>2018 Amended</b>	<b>Increase</b>
	<b>Draft Budget</b>	<b>Annual Budget</b>	<b>(Decrease)</b>
<b>Revenues</b>			
Annual Facilities Grant	2,237,985	2,237,984	1
Learning Improvement Fund	1,725,642	1,758,948	(33,306)
Aboriginal Education Technology	11,383	11,075	308
Special Education Equipment	21,623	59,944	(38,321)
Scholarships and Bursaries	40,000	40,000	-
Special Education Technology	8,072,715	9,651,846	(1,579,131)
School Generated Funds	27,226,071	24,926,109	2,299,962
Strong Start	615,365	679,801	(64,436)
Ready, Set, Learn	230,522	255,812	(25,290)
OLEP	638,346	670,940	(32,594)
CommunityLINK	10,173,163	10,637,775	(464,612)
Coding and Curriculum Implementation	-	298,928	(298,928)
Priority Measures	-	1,222,502	(1,222,502)
CEF - Overhead	5,816,068	9,345,251	(3,529,183)
CEF - Staffing	28,847,369	25,549,802	3,297,567
PRCVI	2,016,187	1,958,031	58,156
Provincial Resource Prg (PRP)	2,194,250	2,374,250	(180,000)
Educ Res Acq Consortium (ERAC)	2,536,558	2,506,810	29,748
CAYA	2,300,000	2,300,000	-
Assistive Tech BC (AT-BC)	3,609,784	3,367,130	242,654
Settlement Workers in Schools	342,322	391,000	(48,678)
Miscellaneous Restricted Funds	835,833	845,656	(9,823)
<b>Total Revenue</b>	<b>99,491,186</b>	<b>101,089,594</b>	<b>(1,598,408)</b>

A summary of the types of expenditures for the District's Special Purpose Funds for 2018-2019 is as follows:

<b>School District No.39</b>		<b>Schedule 3 Cont'd</b>		
<b>Special Purpose Funds - Expense</b>				
<b>Preliminary Budget June 30, 2019</b>				
	<b>Salaries and Benefits</b>	<b>Services and Supplies</b>	<b>Other</b>	<b>Total</b>
Annual Facilities Grant	1,989,847	248,138	-	2,237,985
Learning Improvement Fund	1,725,642	-	-	1,725,642
Aboriginal Education Technology	-	11,383	-	11,383
Special Education Equipment	2,855	18,768	-	21,623
Scholarships and Bursaries	-	40,000	-	40,000
Special Education Technology	4,602,463	3,470,252	-	8,072,715
School Generated Funds	59,787	27,084,035	82,249	27,226,071
Strong Start	591,016	24,349	-	615,365
Ready, Set, Learn	64,922	165,600	-	230,522
OLEP	120,305	518,041	-	638,346
CommunityLINK	7,493,318	2,679,845	-	10,173,163
Coding and Curriculum Implementation	-	-	-	-
Priority Measures	-	-	-	-
CEF - Overhead	5,643,592	172,476	-	5,816,068
CEF - Staffing	28,847,369	-	-	28,847,369
PRCVI	1,262,306	753,881	-	2,016,187
Provincial Resource Prg (PRP)	2,071,196	123,054	-	2,194,250
Educ Res Acq Consortium (ERAC)	308,983	2,227,575	-	2,536,558
CAYA	769,562	1,355,438	175,000	2,300,000
Assistive Tech BC (AT-BC)	1,712,167	1,897,617	-	3,609,784
Settlement Workers in Schools	196,889	145,433	-	342,322
Miscellaneous Restricted Funds	64,522	510,532	260,779	835,833
<b>Total Expense</b>	<b>57,526,741</b>	<b>41,446,417</b>	<b>518,028</b>	<b>99,491,186</b>

Some of the larger Special Purpose Funds in Schedule 3 are described further as follows:

**Provincial Resource Programs (PRP)** provide education programs for BC students who are not able to attend regular school programs in the community. This may be due to physical or intellectual concerns, and service often takes place in hospital. Vancouver School District hosts 12 of these programs. The two largest PRPs are split out separately, and are:

**Special Education Technology – British Columbia (SET-BC)** is a PRP that assists BC school districts in educating students with physical disabilities, visual impairments, autism, or intellectual disabilities through the use of assistive technology;

**Provincial Resource Centre for the Visually Impaired (PRCVI)** is a PRP that supports BC school districts by providing alternate formats of provincially recommended learning resources and specialized learning equipment to support the instructional needs of students with visual impairments/blindness.

**Provincial Resource Program (PRP) – Other** is the total of the other smaller 10 PRP programs. These are for programs in locations outside of school, such as BC Children's Hospital, G.F. Strong, Sunny Hill, and Canuck Place.

**Community LINK (Learning Includes Nutrition and Knowledge)** is designed to support the academic achievement and social functioning of vulnerable students. Programs and services can include food programs, academic supports, counseling, youth workers and after-school programs. The Community LINK budget includes \$2.7 million for nutrition programs (Food 4 School, hot meals programs, Lunch Smart etc). Community School Teams comprise \$3.0 million of the budget, and provide before and after school programs, in conjunction with community partners. Youth and family workers are approximately \$2.6 million of the budget, and the remainder of the Community LINK budget covers substance abuse programs, reading recovery and multicultural and diversity workers.

**Classroom Enhancement Fund (CEF)** are funds to assist school districts in BC to implement the restored collective agreement language regarding limits on class size and class composition. These funds are allocated in two parts:

**CEF – Staffing** is the amount that is required for additional teacher staffing due to the restored language;

**CEF – Overhead** is the amount allocated to non-teacher staffing, such as educational assistants, additional custodial support due to increased classrooms required, additional support staff and recruiting expenditures, as well as additional supplies and equipment.

**Educational Resource Acquisition Consortium (ERAC)** is a member-based organization providing service to the K-12 sector in BC and Yukon. ERAC provides shared services for evaluation of learning resources, curriculum implementation and group licensing agreements.

**Communication Assistance for Youth and Adults (CAYA-BC)** addresses the needs of young adults with severe communication disabilities. CAYA provides communication technology and supports to adults of all ages, to ensure they can maintain vital links to the world through independent communication.

**Assistive Technology BC (AT-BC)** provides assistive technology resources to make learning and working environments suitable for people with disabilities throughout BC. Services including assessments, assistive equipment, training, and consultation to enable persons with disabilities to achieve their educational and employment goals.

#### **Capital Fund (Schedule 4)**

The capital fund has two components: (1) Invested in Tangible Capital Assets, and (2) Local capital.

#### **Invested in Tangible Capital Assets**

**Expense** - VSB accounts for the usage of its capital assets by recognizing an equal portion of their purchase values over the useful life of the assets. This is the amortization schedule. For example, a piece of computer equipment that VSB expects to utilize for 5 years, 20% of the purchase price of such computer equipment is expensed annually over 5 the years. The amortization period for a newly constructed school would be 40 years. VSB calculates the usage value on every capital asset in use regardless of what funds are used to purchase them. Capital assets can be purchased through operating funds, special purpose funds and capital funds.



**Revenue** – Capital funds received intended for building schools or doing seismic upgrades fall into projects that can take multiple years to complete. Therefore, capital funds are not recognized as revenue when they are spent. Capital funds begin to be recognized as revenue when the capital asset is put into use by the District. The whole amount is not recognized right away. Instead, a usage value determined by the previously mentioned amortization schedule is recognized as revenue over the useful life of the asset.

Revenue included in the Invested in Tangible Capital Assets component of Schedule 4 represents the revenue recognition of capital designated funds the District has received for capital projects currently underway. Because the District is still amortizing assets for which it never received capital funding, or the capital funding received did not contribute entirely to the asset value, the amortization of capital assets is greater than the amortization of the deferred capital revenue. This results in a deficit in the Capital Fund.

### **Local Capital**

#### **Revenue**

- Other revenue – This represents the income generated from the operations of Education Centre’s parkade.
- Rentals and leases – This represents the income generated from leases for non-educational spaces that VSB has available (i.e. 4<sup>th</sup> floor of Ed Centre, CSF, Kingsgate Mall)
- Investment income – This represents the interest income generated from the funds in VSB’s bank account for this category

#### **Expenses**

Operations and Maintenance – This represents the cost that VSB pays to an external party for managing the parkade at Education Centre.

The other component of local capital is the capital leases the district has which primarily relate to computer equipment. Capital leases work like financing cars. The payment consists of a principal amount and an interest amount.

### **RECOMMENDATION:**

There is no recommendation.

## APPENDIX A

Under PSAB standards the annual budget will have to be submitted in the following format:

- Statement 2 – Revenue and Expense
- Statement 4 – Change in Net Financial Assets (Debt)
- Schedule 2 – Operating Revenue and Expense
- Schedule 2A – Schedule of Operating Revenue by Source
- Schedule 2B – Schedule of Operating Expense by Source
- Schedule 2C – Operating Expense by Function, Program and Object
- Schedule 3 – Special Purpose Revenue and Expense
- Schedule 3A – Changes in Special Purpose Funds
- Schedule 4 – Capital Revenue and Expense

The following is a brief description of the purpose of these statements and schedules:

- Statement 2 “Annual Budget – Revenue and Expense” consolidates all revenue and expense by function for the operating fund (Schedule 2), the special purpose fund (Schedule 3) and the capital fund (Schedule 4). The presentation of expense by function rather than by object is a change required under PSAB. The total budget bylaw is presented at the end and includes expenses and asset purchases from all funds.
- Statement 4 “Annual Budget – Change in Net Financial Assets (Debt)” is a PSAB statement that is required to produce the budget figures for presentation in the audited financial statements.
- Schedules 2 – 2C report operating fund revenue and expense. Schedule 2 consists of the budgeted revenues and expenses for the fund and show a balanced position. Schedule 2A is a more detailed breakdown of the budgeted operating fund revenue by source. Schedule 2B is a breakdown of the budgeted operating fund expenses by source. Schedule 2C provides a further breakdown of the budgeted operating fund expenses by function, program and object.
- Schedules 3 and 3A reports the special purpose fund revenue and expenses.
- Schedule 4 reports revenue and expense in the capital fund.

# **School District No. 39 (Vancouver)**

**2017/2018 Financial Update**

**2018/2019 Budget Update**

**June 11, 2018**

**Committee V**

# Operating Fund Results to April 30, 2018

	2017-2018 Operating				2016-2017 Operating			
	YTD April	Budget	Act. %	Exp. %	YTD April	Budget	Act. %	Exp. %
<b>Revenue</b>	396,672,975	495,492,247	80.1%	80.0%	395,916,270	488,726,799	81.0%	80.0%
<b>Expenses</b>								
Salaries-Educational Assistants	27,505,874	34,140,654	80.6%	80.0%	27,100,399	35,977,033	75.3%	80.0%
Salaries-Other Professionals	7,342,025	8,552,189	85.8%	83.0%	7,340,827	9,399,397	78.1%	83.0%
Salaries-Principals and VP's	18,851,797	22,682,929	83.1%	83.0%	17,294,271	21,772,970	79.4%	83.0%
Salaries-Substitutes	6,220,969	9,229,948	67.4%		7,032,327	8,499,504	82.7%	
Salaries-Support Staff	42,980,550	53,370,287	80.5%	81.5%	42,002,962	52,722,493	79.7%	81.5%
Salaries-Teachers	179,661,412	222,176,857	80.9%	80.0%	186,892,355	230,091,486	81.2%	80.0%
Benefits	72,316,041	93,597,187	77.3%		72,351,715	94,576,837	76.5%	
Services and Supplies	29,472,443	46,608,465	63.2%		30,518,911	40,554,566	75.3%	
<b>Total Expenses</b>	<b>384,351,112</b>	<b>490,358,516</b>	<b>78.4%</b>		<b>390,533,766</b>	<b>493,594,286</b>	<b>79.1%</b>	
<b>Net Revenue (Expense)</b>	<b>12,321,863</b>	<b>5,133,731</b>			<b>5,382,504</b>	<b>(4,867,487)</b>		
<b>Funded from Operating</b>								
Capital Lease	2,119,564	2,500,997			1,922,505	1,206,175		
Capital from Operating	3,334,833	2,499,970			1,269,958	1,967,306		
Amortization of Employee Future Benefits	-	132,764			-	132,764		
Transfer from Local Capital					(250,895)	(379,207)		
<b>Surplus / (Deficit)</b>	<b>6,867,466</b>	<b>-</b>			<b>2,440,936</b>	<b>(7,794,525)</b>		

## PROJECTED Results to June 30, 2018

	2017-2018 Operating			Amended Budget	Variance	
	April 2018	Projected May & June	Projected Annual		\$	%
<b>Revenue</b>	396,672,975	98,514,877	495,187,852	495,492,247	(304,395)	-0.1%
<b>Expenses</b>						
Salaries-Educational Assistants	27,505,874	7,113,956	34,619,831	34,140,654	(479,177)	-1.4%
Salaries-Other Professionals	7,342,025	1,426,216	8,768,241	8,552,189	(216,052)	-2.5%
Salaries-Principals and VP's	18,851,797	3,872,542	22,724,339	22,682,929	(41,410)	-0.2%
Salaries-Substitutes	6,220,969	2,027,567	8,248,536	9,229,948	981,412	10.6%
Salaries-Support Staff	42,980,550	9,554,634	52,535,184	53,370,287	835,103	1.6%
Salaries-Teachers	179,661,412	44,936,364	224,597,776	222,176,857	(2,420,919)	-1.1%
Benefits	72,316,041	19,282,112	91,598,153	93,597,187	1,999,034	2.1%
Services and Supplies	29,472,443	9,542,364	39,014,807	46,608,465	7,593,658	16.3%
<b>Total Expenses</b>	<b>384,351,112</b>	<b>97,755,756</b>	<b>482,106,868</b>	<b>490,358,516</b>	<b>8,251,648</b>	<b>1.7%</b>
<b>Net Revenue (Expense)</b>	<b>12,321,863</b>	<b>759,121</b>	<b>13,080,984</b>	<b>5,133,731</b>	<b>7,947,253</b>	
<b>Funded from Operating</b>						
Capital Lease	2,119,564	255,317	2,374,881	2,500,997	126,116	
Capital from Operating	3,334,833	1,283,825	4,618,658	2,499,970	(2,118,688)	
Amortization of Employee Future Benefits	-	843,847	843,847	132,764	(711,083)	
Transfer from Local Capital			-	-	-	
<b>Surplus / (Deficit)</b>	<b>6,867,466</b>	<b>(1,623,868)</b>	<b>5,243,597</b>	<b>-</b>	<b>5,243,597</b>	

## May and June 2018 PROJECTED Deficit

Over expenditure of CEF Teachers	\$	1,626,405
Previous Years' Teacher Prep Time		350,000
Savings on Teacher Salaries		(728,296)
Savings on TTOC Costs		(200,690)
Savings on Other Staff Costs		(911,603)
Overages in Various Wage Categories		668,667
Paydown of Unfunded EFB Balance		711,083
Portable for Henry Hudson Elementary		230,000
Cleanup of Accounts Payable Control Account		256,005
Savings on Insurance		(269,311)
Various other changes		(108,392)
		<hr/>
	\$	<u>1,623,868</u>

## **PROJECTED Results to June 30, 2018**

While projections indicate a surplus of \$5.244 million, costs of approximately \$5.0 million will have to be restricted at the year-end which will result in almost none of this surplus being unrestricted.

Costs that will have to be restricted include:

- the special grant of \$1.2 million that was included in the amended budget and has not been spent;
- unspent school flex balances; and
- teacher professional development costs that are applicable to next year.

## Budget Update 2018/2019 SPF and Capital

- Districts are part of the Government Reporting Entity (GRE)
- Treasury Board directed districts to follow Public Sector Accounting Board (PSAB) framework
- PSAB Framework requires budgets to include elements of all funds, not just the operating fund.
- Focus to date has been on the Operating Fund, now including information on the Special Purpose Fund and Capital Fund.



## PSAB Format

- Statement 2 – Revenue and Expense
- Statement 4 – Changes in Net Financial Assets (Debt)
- Schedule 1 – Changes in Accumulated Surplus (Deficit) by Fund
- Schedule 2 – Operating Revenue and Expense
- Schedule 2A – Schedule of Operating Revenue by Source
- Schedule 2B – Schedule of Operating Expense by Object
- Schedule 2C – Operating Expense by Function, Program and Object
- Schedule 3 – Special Purpose Revenue and Expense
- Schedule 3A – Changes in Special Purpose Funds
- Schedule 4 – Capital Revenue and Expense

# Budgeted Surplus (Deficit) for 2018/2019

	<u>Operating Fund</u>	<u>Special Purpose Fund</u>	<u>Capital Fund</u>
Revenues	\$ 497,616,976	\$ 99,491,186	\$ 18,644,483
Expenses	495,790,894	98,973,158	25,255,067
Net Revenue (Expense)	1,826,082	518,028	(6,610,584)
Budgeted Appropriation of Prior Year Surplus	2,034,222		
Tangible Capital Assets Purchased	(1,211,608)	(518,028)	1,729,636
Capital Lease Payments	(2,648,696)		2,648,696
Budgeted Surplus (Deficit) for the year	\$ -	\$ -	\$ (2,232,252)

# Annual Budget Bylaw Amount

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Annual Budget</b>	<b>Amended</b>
	<b>Annual Budget</b>	<b>Annual Budget</b>
<b>Budget Bylaw Amount</b>		
Operating Fund - Total Expense	\$ 495,790,894	\$ 490,358,516
Operating Fund - Tangible Capital Assets Purchased	1,211,608	2,499,970
Operating Fund - Reduction of Unfunded Employee Future Benefits		132,764
Special Purpose Funds - Total Expense	98,973,158	99,601,149
Special Purpose Funds - Tangible Capital Assets Purchased	518,028	1,488,445
Capital Fund - Total Expense	25,255,067	25,164,603
	<u>\$ 621,748,755</u>	<u>\$ 619,245,447</u>

## Schedule 3 Special Purpose Funds

- Under PSA standards any monetary contribution from an external source that meets the definition of a liability under PSAB has to be reported in the Special Purpose Fund.
- Special Purpose Funds are budgeted in Schedule 3
- CEF is reported as a Special Purpose Fund

## Special Purpose Funds – Revenues (Schedule 3)

	2019		
	Preliminary Draft Budget	2018 Amended Annual Budget	Increase (Decrease)
<b>Revenues</b>			
Annual Facilities Grant	2,237,985	2,237,984	1
Learning Improvement Fund	1,725,642	1,758,948	(33,306)
Aboriginal Education Technology	11,383	11,075	308
Special Education Equipment	21,623	59,944	(38,321)
Scholarships and Bursaries	40,000	40,000	-
Special Education Technology	8,072,715	9,651,846	(1,579,131)
School Generated Funds	27,226,071	24,926,109	2,299,962
Strong Start	615,365	679,801	(64,436)
Ready, Set, Learn	230,522	255,812	(25,290)
OLEP	638,346	670,940	(32,594)
CommunityLINK	10,173,163	10,637,775	(464,612)
Coding and Curriculum Implementation	-	298,928	(298,928)
Priority Measures	-	1,222,502	(1,222,502)
CEF - Overhead	5,816,068	9,345,251	(3,529,183)
CEF - Staffing	28,847,369	25,549,802	3,297,567
PRCVI	2,016,187	1,958,031	58,156
Provincial Resource Prg (PRP)	2,194,250	2,374,250	(180,000)
Educ Res Acq Consortium (ERAC)	2,536,558	2,506,810	29,748
CAYA	2,300,000	2,300,000	-
Assistive Tech BC (AT-BC)	3,609,784	3,367,130	242,654
Settlement Workers in Schools	342,322	391,000	(48,678)
Miscellaneous Restricted Funds	835,833	845,656	(9,823)
<b>Total Revenue</b>	<b>99,491,186</b>	<b>101,089,594</b>	<b>(1,598,408)</b>

## Special Purpose Funds – Expense (Schedule 3)

	Salaries and Benefits	Services and Supplies	Other	Total
Annual Facilities Grant	1,989,847	248,138	-	2,237,985
Learning Improvement Fund	1,725,642	-	-	1,725,642
Aboriginal Education Technology	-	11,383	-	11,383
Special Education Equipment	2,855	18,768	-	21,623
Scholarships and Bursaries	-	40,000	-	40,000
Special Education Technology	4,602,463	3,470,252	-	8,072,715
School Generated Funds	59,787	27,084,035	82,249	27,226,071
Strong Start	591,016	24,349	-	615,365
Ready, Set, Learn	64,922	165,600	-	230,522
OLEP	120,305	518,041	-	638,346
CommunityLINK	7,493,318	2,679,845	-	10,173,163
Coding and Curriculum Implementation	-	-	-	-
Priority Measures	-	-	-	-
CEF - Overhead	5,643,592	172,476	-	5,816,068
CEF - Staffing	28,847,369	-	-	28,847,369
PRCVI	1,262,306	753,881	-	2,016,187
Provincial Resource Prg (PRP)	2,071,196	123,054	-	2,194,250
Educ Res Acq Consortium (ERAC)	308,983	2,227,575	-	2,536,558
CAYA	769,562	1,355,438	175,000	2,300,000
Assistive Tech BC (AT-BC)	1,712,167	1,897,617	-	3,609,784
Settlement Workers in Schools	196,889	145,433	-	342,322
Miscellaneous Restricted Funds	64,522	510,532	260,779	835,833
<b>Total Expense</b>	<b>57,526,741</b>	<b>41,446,417</b>	<b>518,028</b>	<b>99,491,186</b>

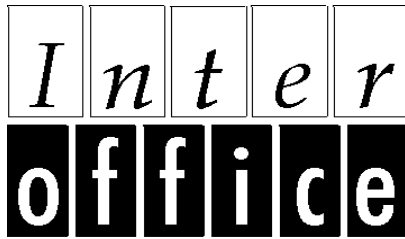
## Special Purpose Funds – Expense (Schedule 3)

	Salaries and Benefits	Services and Supplies	Other	Total
Annual Facilities Grant	1,989,847	248,138	-	2,237,985
Learning Improvement Fund	1,725,642	-	-	1,725,642
Aboriginal Education Technology	-	11,383	-	11,383
Special Education Equipment	2,855	18,768	-	21,623
Scholarships and Bursaries	-	40,000	-	40,000
Special Education Technology	4,602,463	3,470,252	-	8,072,715
School Generated Funds	59,787	27,084,035	82,249	27,226,071
Strong Start	591,016	24,349	-	615,365
Ready, Set, Learn	64,922	165,600	-	230,522
OLEP	120,305	518,041	-	638,346
CommunityLINK	7,493,318	2,679,845	-	10,173,163
Coding and Curriculum Implementation	-	-	-	-
Priority Measures	-	-	-	-
CEF - Overhead	5,643,592	172,476	-	5,816,068
CEF - Staffing	28,847,369	-	-	28,847,369
PRCVI	1,262,306	753,881	-	2,016,187
Provincial Resource Prg (PRP)	2,071,196	123,054	-	2,194,250
Educ Res Acq Consortium (ERAC)	308,983	2,227,575	-	2,536,558
CAYA	769,562	1,355,438	175,000	2,300,000
Assistive Tech BC (AT-BC)	1,712,167	1,897,617	-	3,609,784
Settlement Workers in Schools	196,889	145,433	-	342,322
Miscellaneous Restricted Funds	64,522	510,532	260,779	835,833
<b>Total Expense</b>	<b>57,526,741</b>	<b>41,446,417</b>	<b>518,028</b>	<b>99,491,186</b>

## Capital (Schedule 4)

	2019 Annual Budget			2018 Amended Annual Budget
	Invested in Tangible Capital Assets	Local Capital	Fund Balance	
	\$	\$	\$	
<b>Revenues</b>				
Other Revenue		237,069	237,069	233,265
Rentals and Leases		845,835	845,835	983,680
Investment Income		39,163	39,163	43,648
Amortization of Deferred Capital Revenue	17,522,416		17,522,416	17,121,417
<b>Total Revenue</b>	<b>17,522,416</b>	<b>1,122,067</b>	<b>18,644,483</b>	<b>18,382,010</b>
<b>Expenses</b>				
Operations and Maintenance		92,671	92,671	231,797
Amortization of Tangible Capital Assets				
Operations and Maintenance	24,983,588		24,983,588	24,753,180
Debt Services				
Capital Lease Interest		178,808	178,808	179,626
<b>Total Expense</b>	<b>24,983,588</b>	<b>271,479</b>	<b>25,255,067</b>	<b>25,164,603</b>
<b>Net Revenue (Expense)</b>	<b>(7,461,172)</b>	<b>850,588</b>	<b>(6,610,584)</b>	<b>(6,782,593)</b>
<b>Net Transfers (to) from other funds</b>				
Tangible Capital Assets Purchased	1,729,636		1,729,636	3,988,415
Capital Lease Payment		2,648,696	2,648,696	2,500,997
<b>Total Net Transfers</b>	<b>1,729,636</b>	<b>2,648,696</b>	<b>4,378,332</b>	<b>6,489,412</b>
<b>Other Adjustments to Fund Balances</b>				
Principal Payment				
Capital Lease	2,469,888	(2,469,888)	-	
<b>Total Other Adjustments to Fund Balances</b>	<b>2,469,888</b>	<b>(2,469,888)</b>	<b>-</b>	
<b>Budgeted Surplus (Deficit), for the year</b>	<b>(3,261,648)</b>	<b>1,029,396</b>	<b>(2,232,252)</b>	<b>(293,181)</b>





# Memorandum

vancouver school board



Date: June 11, 2018  
To: Committee V – Finance and Legal  
From: J. David Green, Secretary Treasurer  
Re: **Update on the Ministry of Education Funding Formula Review**

**ITEM 5**

## REFERENCE TO STRATEGIC PLAN:

**Goal 4:** Provide effective leadership, governance and stewardship

**Objectives:** Advocate for public education.

## INTRODUCTION:

This report is provided for information.

## BACKGROUND:

The report is a follow up to the April 4, 2018 report to Committee I (attached for Committee V representatives' reference)

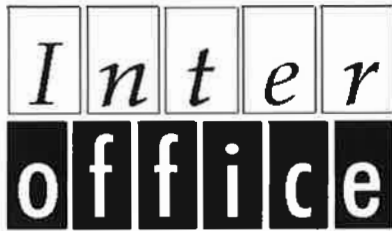
## DISCUSSION:

The April 4<sup>th</sup> report spoke, among other things, to the schedule the Ministry had established for the funding formula review which can be found at this link [B.C. Education Funding Model Review \(PDF\)](#). As indicated, the intention is to have the new funding formula in place for the 2019-2020 school year. Also as indicated in the schedule the fall/winter was Phase 2 and a period of time to gather feedback on the current formula and suggestions for the new formula.

Phase 3 of the schedule called for the establishment of an independent panel. The independent panel met with school district representatives throughout April in a series of regional meetings. The panel committed to issue a report summarizing what they heard in those meetings and also from written submissions. The panel issued that report on May 17, 2017 which was titled "What We Heard from School Districts". It is attached for the Committee's consideration.

## RECOMMENDATION:

There are no recommendations as this report is provided for information only.



# Memorandum

vancouver school board

The VSB logo features the letters "VSB" in a large, stylized, handwritten-style font.

Date: April 4, 2018  
 To: Committee I  
 From: J. David Green  
 Re: Update on the Ministry of Education Funding Formula Review

ITEM 3

## REFERENCE TO STRATEGIC PLAN:

**Goal 4:** Provide effective leadership, governance and stewardship

**Objectives:** Advocate for public education.

## INTRODUCTION:

This report is provided for information.

## BACKGROUND:

The Ministry's website pertaining to the funding formula review opens with this commentary:

*In October 2017, government launched a funding model review to fulfill its commitment to ensure B.C.'s K-12 public education system receives stable and predictable funding.*

*The co-governors of B.C.'s K-12 public education system, the Province and the B.C. School Trustees Association, have worked together to develop a set of shared principles for the future funding model and establish a solid foundation for moving forward. The new model will be guided by the following principles:*

1. **Responsive:** Allocates available resources amongst Boards of Education in consideration of unique local and provincial operational requirements.
2. **Equitable:** Facilitates access to comparable levels of educational services and opportunities for individual students across the province.
3. **Stable and Predictable:** Supports strategic, multi-year planning for educational programming and school district operations.
4. **Flexible:** Respects the autonomy of, and does not unnecessarily restrict, individual Boards of Education in the spending of their allocations to further student success.
5. **Transparent:** Calculates funding using a clear and transparent methodology.
6. **Accountable:** Allocates resources to Boards of Education in the most efficient manner, and ensures that resources provided are being utilized as intended

Committee members should be aware that the district did have input into the development of these guiding principles. In the fall of 2017, the Ministry of Education distributed draft guiding

principles to inform how the review would unfold and asked the BC School Trustees Association ("BCSTA") to provide feedback on them on behalf of Boards of Education. Districts were asked to provide feedback by early January and at the January 12, 2018 Committee IV meeting the Board Chair presented a report on the district's response to the draft guiding principles.

#### **DISCUSSION:**

The schedule for the review can be found at this link [B.C. Education Funding Model Review \(PDF\)](#). As indicated, the intention is to have the new funding formula in place for the 2019-2020 school year. Also as indicated in the schedule the fall/winter was Phase 2 and a period of time to gather feedback on the current formula and suggestions for the new formula. This resulted in a Ministry discussion paper published in early March which can be found at the following link

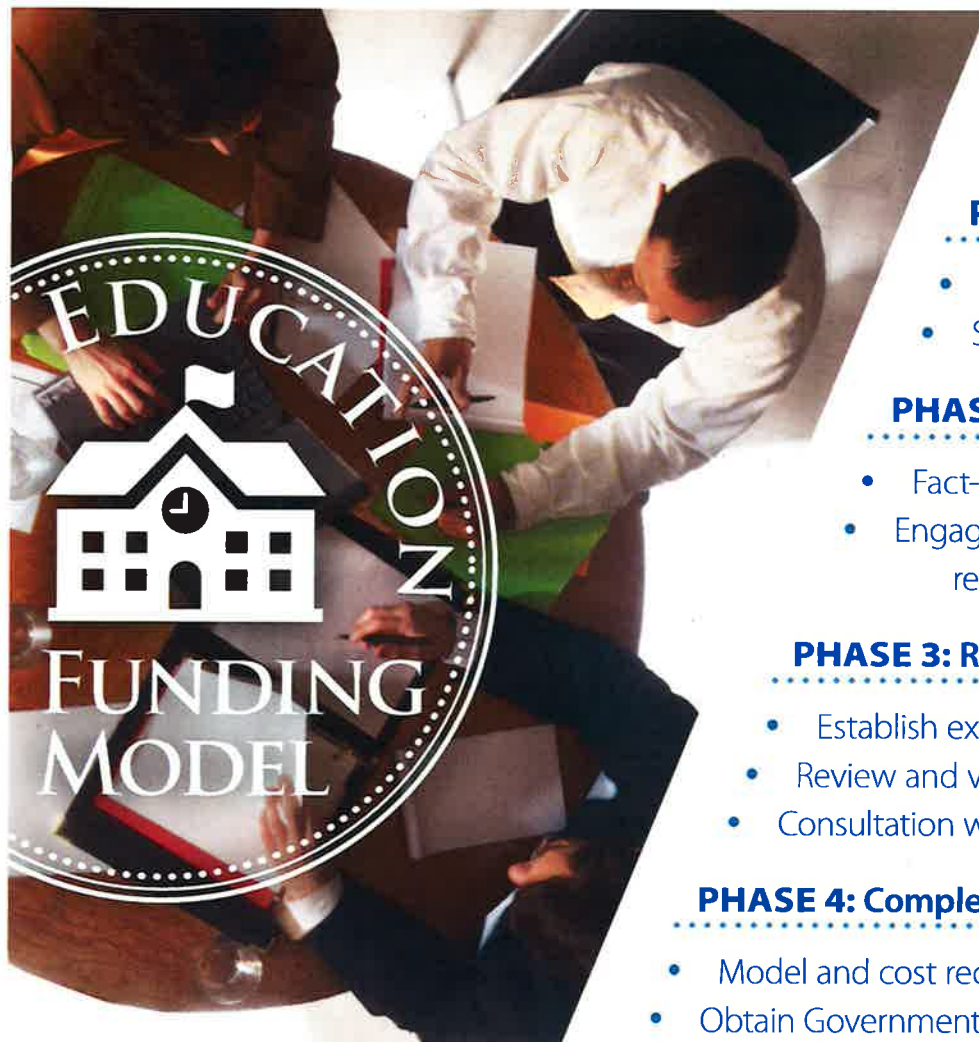
[BC K12 FMR Discussion Paper 2018 \(PDF\)](#)

The discussion paper identifies seven major themes and provides extensive commentary of them. It is hoped the Committee members will review the commentary in the discussion paper and apply a local lens to it.

Phase 3 of the schedule calls for the establishment of an expert team which has now been done in the form of an independent panel. The attached terms of reference for the independent panel presenting the discussion paper to the sector stakeholders. The district has been invited to a meeting with the independent panel on April 9, 2018 to hear that presentation and to provide input. The meeting will be attended by the Board Chair and the Secretary-treasurer and possibly other staff. As mentioned previously it would be beneficial to have feedback from the Committee specific to Vancouver's concerns to take part in that meeting.

#### **RECOMMENDATION:**

There are no recommendations as this report is provided for information only.



# B.C. EDUCATION FUNDING MODEL REVIEW

## **PHASE 1: Establish principles, Fall 2017**

- Launch of funding model review
- Scope principles for new funding model

## **PHASE 2: Gathering foundational information, Fall/Winter 2017**

- Fact-finding, information gathering and research
- Engage sector stakeholders through technical survey, regional meetings and written submissions

## **PHASE 3: Review team analysis, Winter 2017/Spring 2018**

- Establish expert team
- Review and validation of initial findings
- Consultation with sector stakeholders leading to recommendations

## **PHASE 4: Complete a new model, Summer/Fall 2018**

- Model and cost recommended options
- Obtain Government approvals
- Develop implementation plan and transition options

## **PHASE 5: Implementation and evaluation, Fall 2018 to Fall 2019**

- Confirm key features of new model
- Announce preliminary operating grants for 2019/2020 school year (March 15, 2019)
- Implementation and evaluation



# TERMS OF REFERENCE

## INDEPENDENT REVIEW PANEL FOR THE K-12 PUBLIC EDUCATION FUNDING ALLOCATION SYSTEM REVIEW EXPECTED RESULTS FOR THE PERIOD February 14, 2018 – August 31, 2018

### Introduction

The Minister of Education, (the Minister) is the lead for the K-12 Public Education Funding Allocation System (FAS) Review as directed by Premier. The Minister has established a team of experts to complete an independent review of the FAS. **Chris Trumpy** has been appointed as *Chair of the Independent Review Panel to the Minister of Education*. The Chair and Panel Members ("**the Panel**") will support the Minister in reviewing the current FAS to move BC's public school system to a better, stable, and sustainable model. The Minister has appointed the following individuals on the *Independent Review Panel*:

- Philip Steenkamp, Vice-President, External Relations, UBC
- Kelly Pollack, Partner, Human Capital Strategies and former CEO of the Immigrant Employment Council of BC
- Lynda Minnabarriet, Secretary Treasurer, Gold Trail, SD74
- Flavia Coughlan, Secretary Treasurer, Maple Ridge-Pitt Meadows, SD42
- Piet Langstraat, Superintendent, Greater Victoria, SD61
- Angus Wilson, Superintendent, Mission, SD75

### Major Duties

The specific duties of *the Panel* include:

1. Review and provide feedback on a discussion paper and supporting materials (based on information gathered through initial fall engagement process);
2. Chair and present the discussion paper at stakeholder events, including: regional technical working sessions, one-on-one meetings, and sector events (e.g. AGM, conferences) between early March and late May 2018, including regional travel where necessary;
3. Liaise with Ministry of Education communications department on media enquiries;
4. Work with key K-12 sector stakeholder groups as needed, to be identified in collaboration with Ministry of Education staff;
5. Work with Ministry of Education staff to gather appropriate data, analytics and research to support their deliberations on the discussion paper;
6. Work with Ministry staff to support the development and consideration of options;
7. Brief senior Ministry executive on engagement activities if/when required; and
8. Develop and present the Minister a final paper including recommendation(s) for the FAS.

The Superintendents and Secretary-Treasurers will participate as panel members throughout the review process and have agreed to designate a delegate for engagement sessions.

## TERMS OF REFERENCE

### INDEPENDENT REVIEW PANEL FOR THE K-12 PUBLIC EDUCATION FUNDING ALLOCATION SYSTEM REVIEW EXPECTED RESULTS FOR THE PERIOD February 14, 2018 – August 31, 2018

#### Scope of Activities

The following activities are considered 'in scope' for *the Panel*:

- Review of analytics pertaining to:
  - Perspectives and technical surveys;
  - Cross-jurisdictional research findings; and
  - Ministry data analytics and scenario modeling;
- Review of written stakeholder submissions and the Rural Education Report;
- Directing the work of Ministry of Education staff regarding data gathering, research, and scenario modelling;
- Facilitation of regional technical working sessions and other one-on-one meetings with stakeholder groups;
- Summarizing feedback from engagement sessions;
- Developing options and recommendations for a new funding model and transition requirements, based on the issues and challenges identified in the discussion paper, feedback, and data/research provided;
- Briefing Ministry of Education Executive and/or the Minister of Education as needed;
- Maintain confidentiality of options and opinions deliberated during engagement; and
- Deliver a final report to the Minister.

The following activities are considered 'out of scope' for *the Panel*:

- Review the public K-12 funding quantum; and
- Review of capital and independent school funding information, except where there are implications for operating funding, as identified by the Ministry of Education.

#### Deliverables

The following deliverables are expected from the role of *Chair*:

1. Monthly status updates to the Minister of Education and Ministry of Education executive team.
2. Final report on the Funding Allocation System, including recommendations for the future.

## TERMS OF REFERENCE

INDEPENDENT REVIEW PANEL FOR THE  
K-12 PUBLIC EDUCATION FUNDING ALLOCATION SYSTEM REVIEW  
EXPECTED RESULTS FOR THE PERIOD  
February 14, 2018 – August 31, 2018

### Overview of Timelines

February	<ul style="list-style-type: none"><li>Minister announces Chair and Panel Members.</li></ul>
February - March	<ul style="list-style-type: none"><li>The Chair to meet with Ministry staff for status update on the review and the functions of the Secretariat</li><li>Panel to hold initial meetings</li><li>Ministry to provide discussion paper from the fall consultation as well as supporting materials for review (e.g. Rural Engagement Strategy, written submission, etc.)</li></ul>
March – May	<ul style="list-style-type: none"><li>Establish Stakeholder Engagement strategy: regional sessions, meetings with key stakeholder organizations, one-on-one meetings as requested by stakeholders, conferences, etc.</li><li>Ensure consultation requirements under TEFA are met</li><li>Panel members participate and facilitate engagement sessions, as needed</li><li>Stakeholder Engagement includes: regional sessions, meetings with key stakeholder organizations, conferences, etc.</li></ul>
June	<ul style="list-style-type: none"><li>Panel Members provide input into draft paper including recommendations</li><li>Chair prepares draft paper including recommendations to Minister of Education</li></ul>
July	<ul style="list-style-type: none"><li>Chair submits final report on behalf of Panel</li></ul>

### Support

**The Panel** will be supported through an active relationship with Ministry of Education staff, which includes arranging meetings, providing data, analytics, and modelling, organizing travel, drafting documents, and assisting with communications.

Key contacts for **the Panel** within the Ministry of Education, Resource Management and Executive Financial Office, are as follows:

- Primary – Executive Director, Sector Resourcing and Service Delivery
- Secondary – Director, Funding and Allocation

All expenditures and resourcing requests must be routed through Ministry of Education staff and approved by the Ministry of Education unless otherwise specified by contract.

## *Independent Review Panel – Report Out on What We Heard From School Districts*

### Introduction

This paper provides a brief summary of what the Independent Review Panel (the Panel) has heard from school districts so far as part of the K-12 public education sector funding model review process. The Panel met with all 60 school districts between mid-March and early May 2018, through 10 face-to-face meetings and one teleconference meeting. This paper does not include feedback from stakeholder/partner meetings and it should not be read as the views or conclusions of the Panel.

### Themes and Issues

#### **Part I: Overarching Themes – Independence, Funding and Certainty**

We have heard a range of different comments and suggestions on many specific issues, but also heard some consistent messages. Overall, it is clear that British Columbia is a large and diverse province, and the issues faced by individual school districts reflect this – growing or declining enrolment, recruitment and retention issues, access to services, weather, transportation, and facilities condition were identified in meetings as examples of challenges that vary significantly from district to district. For this reason, there is not a great deal of consensus amongst districts on the most pressing issues/challenges that need to be resolved.

In general, Boards of Education agreed that they:

- Do not want to lose funding through reallocation of existing funding or have a “win” at the expense of another district.
- Want the ability to plan for the future, which means some certainty of funding for several years.
- Are concerned that any move to performance-based funding would punish districts (and students) that need the support the most.
- Appreciate additional funding that shows up from the Ministry, but expressed frustration about the timing and administration of some grants. In the past, some special grants have come too late in the school year to be spent effectively.
- Believe that surpluses and cash balances are needed to deal with uncertainty and cover unfunded items.

However, there were some differences that we observed as well. Specifically:

- Some Boards of Education and school district staff have an in-depth understanding of the funding model and its reporting processes, while others do not.
- Boards and staff are protective of their independence, and there are a range of perspectives on how accountable they should be to the Ministry, ranging from not at all to fulsome.



## *Independent Review Panel – Report Out on What We Heard From School Districts*

- Funding levels, which are outside of this Panel’s mandate, are an issue for many, but a few indicated that their current funding level is sufficient.

### **Part II: Specific Issues Identified**

#### *1. Special Education*

Special education funding was a topic at all meetings. All school districts are committed to meeting the diverse learning needs of students despite a number of concerns expressed about how difficult and expensive it is to diagnose and report them to the Ministry, especially within the parameters of strict funding eligibility policies. Other issues identified included out of date linkages to collective agreement language; diagnoses that create expectations for service that may not be required to meet student learning needs; spending far in excess of supplemental funding; lack of access to specialists (especially for rural and remote districts); and some parental resistance to assessment due to concerns about labelling.

A number of districts suggested moving to a prevalence model based on the incidence of special needs in the population as an alternative to the current assessment and reporting-driven funding model. While concerns were raised about data sources, all agreed that this approach would reduce the administrative burden and provide districts with more time and resources to deliver services to students.

#### *2. Collective Agreements*

Each school district has its own collective agreement which includes different class size and composition limits. This is a source of frustration and is leading to service inequities across districts, and is being exacerbated by the implementation of the restored collective agreement language and the Classroom Enhancement Fund (CEF) process, which is complex, time consuming and has a high administrative burden.

#### *3. Targeted Funding for Indigenous Students*

A few school districts said that funding should not be targeted, while most said that the current model works well. Not all supports that are needed by students can be funded from the targeted funding in its current form.

#### *4. Unique School District Features*

Rural and remote school districts highlighted a number of characteristics that increase their operating costs, including the delivery of goods to remote locations, transporting students across expansive areas, accessing professional development or specialist services and higher utility costs. The requirement for a certain level of administrative support does not change with

## ***Independent Review Panel – Report Out on What We Heard From School Districts***

smaller schools. These examples were used to support continuation of the unique district feature of the current funding model.

As well, districts experiencing rapid enrolment growth or decline may require constant reorganization of school boundaries, putting significant pressure on school facilities as districts try to 'right size' their facilities and operations to match enrolment. Some districts commented that there should be more incentives for regional shared services.

### ***5. Recruitment and Retention***

Virtually all school districts cited challenges with recruitment and retention of staff. Barriers included high costs of housing in urban and metro areas and lifestyle in rural and remote districts. Specialist teachers are difficult to attract to small, rural, or remote districts. One-time grant funding provided to assist with recruitment and retention in rural districts has worked well.

### ***6. Learning Transformation and Choice for Students***

There was no agreement of whether funding by course or by individual student better supports the curriculum changes underway. On the one hand, per course funding can support student engagement, but smaller schools struggle to offer enough courses to maintain flexibility and choice for students under this approach. Some of the suggestions put forward included base funding up to a certain amount and per course funding over the base, or providing higher per course funding for secondary schools with smaller student populations.

The current model of funding distributed learning (DL) is not working for most school districts. There is an artificial division in the current model between 'bricks-and-mortar' and DL which should not exist, especially in the context of the new curriculum.

### ***7. Community Use of Facilities***

In many rural and remote school districts, schools are community resources, but there is no reimbursement of costs. In urban districts, there are more opportunities to recover costs.

### ***8. Special Grants (outside of Operating Grants)***

Government has provided school districts funding outside of operating grants to meet specific needs or requirements. There were a number of comments on these grant programs including:

- The CommunityLINK formula is out of date.
- The level of government support for the Strong Start program is not clear.

## *Independent Review Panel – Report Out on What We Heard From School Districts*

- Provincial Resource Programs are insufficient, unpredictable, and the pre-existing programs may not align with new challenges that have emerged.
- REEF program was welcomed by school districts that use it, but those that had previously closed schools felt disadvantaged.
- Annual Facilities Grant does not meet the needs of many school districts, which means that they have to supplement this grant with surpluses to address facility maintenance issues, which can be costlier in the context of older and/or underutilized facilities.

The timing of these grants, which often come too late in the school year to use effectively, was also an issue for many districts.

### *9. Capital*

Though out of scope for this review, most Boards of Education and school district staff expressed frustration with the capital program. In larger, faster-growing districts, new space is not coming online fast enough, while smaller, rural districts struggle with higher costs to operate older inefficient buildings, deferred maintenance, and 'right-sizing' their operations. All districts pointed out the need to use accumulated surpluses to deal with these and other capital issues – buying portables, undertaking renovations, and making minor capital purchases such as white fleet and IT infrastructure.

### *10. Funding Protection*

School districts not in funding protection tended to criticize it. Their view is that it allows those districts to postpone the difficult decisions needed to 'right size' their operations. Districts in funding protection indicated that, although it has some design issues, it provides the means to continue to offer a reasonable level of service to students over time. One design issue highlighted was that, for districts coming out of funding protection it is difficult when overall enrolment continues to decline, but the number of students with special or additional needs increases without a resulting increase in funding to account for the higher cost of these students. It is also a challenge for districts coming out of funding protection if regular enrolment increases because there is no new funding for that either.

### *11. Locally-Generated Revenues*

Locally-generated revenues are an important source of revenue for a number of school districts. However, not all districts have the same ability to generate revenues. While there were some suggestions for some sort of equalization to account for this, most districts felt that these revenues should remain outside the funding model.

## *Independent Review Panel – Report Out on What We Heard From School Districts*

### *12. Compliance Audits*

Ministry compliance audits, whether for special needs funding, enrolment or targeted grants were criticized by most school districts. They are not seen as a learning opportunity, were characterized as punitive and time consuming, and are sometimes viewed as a barrier to innovative education practice.

### *13. Implementation Issues*

Two quite different perspectives were presented on implementing any changes to the funding formula. Some school districts were in favour of an immediate implementation, while others supported a phased approach over multiple years with assurances that no funding decreases would occur. Any changes to special education funding may require more focused consultation.

There was agreement that the funding model should be reviewed on a regular cycle.

### *14. Other Provincial Services Supporting Youth*

Over time, school districts have had to deal with complex socio-economic issues such as poverty, mental health, and addictions. These issues can require additional social services and supports for students which are not always readily available in their community. Districts often step in to provide these services even though they are not directly within scope of their educational mandate and are not recognized in the current model. Some concerns were expressed about the offloading of services by other provincial Ministries on to districts. A number of districts asked for greater coordination between Ministries to support the increasing complexity of issues being dealt with in schools.

### *15. Accumulated Surpluses*

School districts are protective of their annual and accumulated operating surpluses, noting that surpluses are needed to fund portables for enrolment growth, renovate facilities (funds often saved over multiple years), or pay for other minor capital items that are not funded through the capital program. Districts are also frustrated that they are expected to contribute to capital projects, as requested by Treasury Board.

### *16. Unpredictable Funding*

A number of school districts felt that it was difficult to plan properly because of the lack of predictability in costs and/or funding. Specific examples cited include:

- Fluctuations in the salary differential supplement, which does not recognize all employee groups.

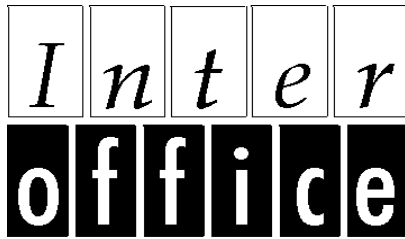
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- Changes in what gets funded from year to year (e.g. move from head count to per course, DL per-pupil not increased to recognize labour settlement costs, move to completion-based funding for graduated adults, etc.).
- Federal/Provincial changes to the cost base that are not specifically recognized (e.g. Employer Health Tax, Canada Pension Plan and EI premiums, exempt staff compensation, etc.).
- Administrative savings exercise, which meant cuts that impacted school districts and students.

Many districts were supportive of having three year rolling budgets.

***Members of the Independent Review Panel:***

- *Chris Trumpy (Chair)*
- *Philip Steenkamp*
- *Kelly Pollack*
- *Piet Langstraat*
- *Angus Wilson*
- *Flavia Coughlan*
- *Lynda Minnabarriet*



# Memorandum

vancouver school board



Date: June 11, 2018  
To: Committee V – Finance and Legal  
From: J. David Green, Secretary Treasurer  
Re: **Creating a Student Funding Mechanism (Scholarships)**

**ITEM 6**

## REFERENCE TO STRATEGIC PLAN:

### **Goal 1: Engage our learners through innovative teaching and learning practices**

#### **Objectives:**

- Enhance support for students with specific needs
- Provide increased opportunities to connect students to their learning

### **Goal 3: Create a culture of care and shared social responsibility.**

#### **Objectives:**

- Encourage and enhance practices that support cultural, emotional, physical and mental well-being.

## INTRODUCTION:

This item is provided for information.

## BACKGROUND:

At the April 30, 2018 meeting of the Board of Education the following motion was referred to Committee V – Finance and Legal:

*The VSB develop a web link for donations for scholarships for secondary students to transfer to local universities (SFU and UBC). These funds would be managed by each school to fund needy talented students. Not all parents have a RESP and designated entry scholarships for Grade 12 would be helpful.*

## DISCUSSION:

The rationale provided at the April 30, 2018 meeting in support of this motion was provided by Trustee Zaichkowsky:

*Rationale: This is a historic city with many past graduates of our high school system being pillars of the community. Many of these people would like to see our city nurture local talent to achieve their goals. At the moment, there is no easy way to donate to*

*individual schools. What is need is a one click solution where tax receipts are immediately received via credit card donations.*

*Further I realize there are many worthwhile causes, but this motion is a foot in the door to test the system and start the process*

### **Current Arrangements for Scholarships**

There are two processes currently in place in the district with respect to scholarships, both of which are manual and rely on staff dedicating time to manage them:

#### **School Generated**

Schools hold scholarship funds (mostly secondary schools) in their own bank/investment accounts and school general ledger accounts.

#### **District Scholarships**

The District holds a variety of scholarships - some that are intended for graduating students of specific schools, and others that are available to all schools. Most of these scholarships were set up many years ago. In the last few years we've received funds for four new scholarships. The money supporting these scholarships is recorded in a Special Purpose Fund in the financial statements.

The intent of the motion that has been referred to Committee V is to create a digital mechanism for handling scholarship donations. An on-line system would have the capability of issuing tax receipts for income tax purposes. As well, there would be opportunities to create a donor database and involve students in the learning around this as the process would be school specific.

#### **Next Steps**

If, after discussion at the Committee level, the Board of Education was interested in developing the capability implied in the motion there would need to be direction to staff to start that work and realign existing priorities.

<b>RECOMMENDATION:</b>
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This item is provided for information and there is no recommendation.