

FINANCIAL STATEMENT **Discussion and Analysis**

for the year ended June 30, 2020



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The following is a discussion and analysis of the Vancouver School District’s financial results for the fiscal year ended June 30, 2020. This report is a summary of the District’s financial activities based on currently known facts, decisions, or conditions. The financial results for the current year are discussed in comparison with the financial results for the fiscal year ended June 30, 2019 and the amended annual budget for 2019-2020. This report should be read in conjunction with the District’s 2019-2020 audited financial statements.

Overview of the School District

The Vancouver School Board (District) is one of the most diverse public-school systems in Canada. It is home to some of the poorest and richest postal codes in the country. The District’s annual enrolment is approximately 51,000 students from Kindergarten to Grade 12, and it also provides educational programs and services to over 2,000 adult students and 1,800 international students. The District invests significant resources in a broad range of programs to meet the diverse learning needs of all students in fulfillment of the District’s vision to **“inspire student success by providing an innovative, caring and responsive learning environment.”** With this vision in mind the Vancouver School Board is committed to providing the highest quality learning experience for all students, helping them to reach their intellectual, social, and physical potential in a safe and inclusive environment. Vancouver schools are involved in a wide range of partnerships with cultural, arts and service organizations. The District also offers a multitude of services and program options to meet student interests and needs.

The District’s financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act of the Province of British Columbia*. This Section requires that the financial statements be prepared in accordance with Canadian public sector accounting standards, as developed by the Public Sector Accounting Board, except regarding the accounting for government transfers.



The Vancouver Board of Education is comprised of nine elected trustees and an appointed student trustee. The Board’s work is divided among [five standing committees](#) to facilitate comprehensive discussion of school district matters. Collectively, the Board sets education policies within the district as mandated by the *School Act*.

VS2021 Strategic Plan

The [VS2021 Strategic Plan](#) was developed in consultation with the district's partners including students, families, staff and stakeholders. It sets out a clear and shared vision for the future of public education in the Vancouver School District. The vision of inspiring student success by providing an innovative, caring, and responsive learning environment is guided by the following principles:



The following goals were also developed based on the themes that emerged during the public engagement process:

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

Goal 2: Build capacity in our community through strengthening collective leadership.

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

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

COVID-19 Pandemic

The District's operations have been impacted by the COVID-19 pandemic declared in March by the World Health Organization. That declaration prompted the Province of British Columbia to declare a state of emergency and the Public Health Office issued orders that shut down the Province in the last quarter of the school year. Students and school staff did not attend school after Spring Break until June when a partial return to in-class instruction came into effect.

As explained in other sections of this Financial Statement Discussion & Analysis the impact of the pandemic is far-reaching. Additional costs necessitated by new public health orders for enhanced cleaning in school buildings, safety signage and physical distancing requirements had a significant impact on District operations as schools were reopened in June. The move to remote learning for students at the start of the pandemic resulted in a distribution of technology to families who did not have access to Wi-Fi or devices. The District also experienced lost revenue when rentals of facilities and fields were suspended, and cafeterias were closed. Lower interest rates resulted in less investment income in the last few months of the fiscal year. Refunds were provided to some students in the International Student Program who had registered for a second term experience. Offsetting the added costs and lost revenues were significant

savings in staff on call replacements, transportation costs for contracted bus service for the District's students with diverse learning needs, savings in cafeteria food purchases and lower utilities costs.

As the pandemic is on-going, these impacts will continue. The District set aside a \$1.0 million fund in its 2020-2021 budget to help address the negative impacts caused by the pandemic. After the year end both the Provincial Government and the Federal Government have provided funding to help districts in managing the added costs expected to be incurred as schools fully reopen in September. The District's share of those government grants is approximately \$3.6 million from the Province and \$18.4 million from Ottawa.

Funding – Student Enrolment

The School District is funded primarily through an Operating Grant received from the Ministry of Education. The Operating Grant is based on student enrolment, confirmed in a provincial process called 1701 in September, February, May, and July. The District receives a fixed amount per full-time equivalent (FTE) student. This fixed amount is different for different categories of students, as illustrated below:

	Per FTE Funding		
	2018-19	2019-20	2020-21
Standard and Alternate	7,423	7,468	7,560
Continuing Education	7,423	7,468	7,560
Distributed Learning	6,100	6,100	6,100
Non-Graduated Adults	4,696	4,773	4,823

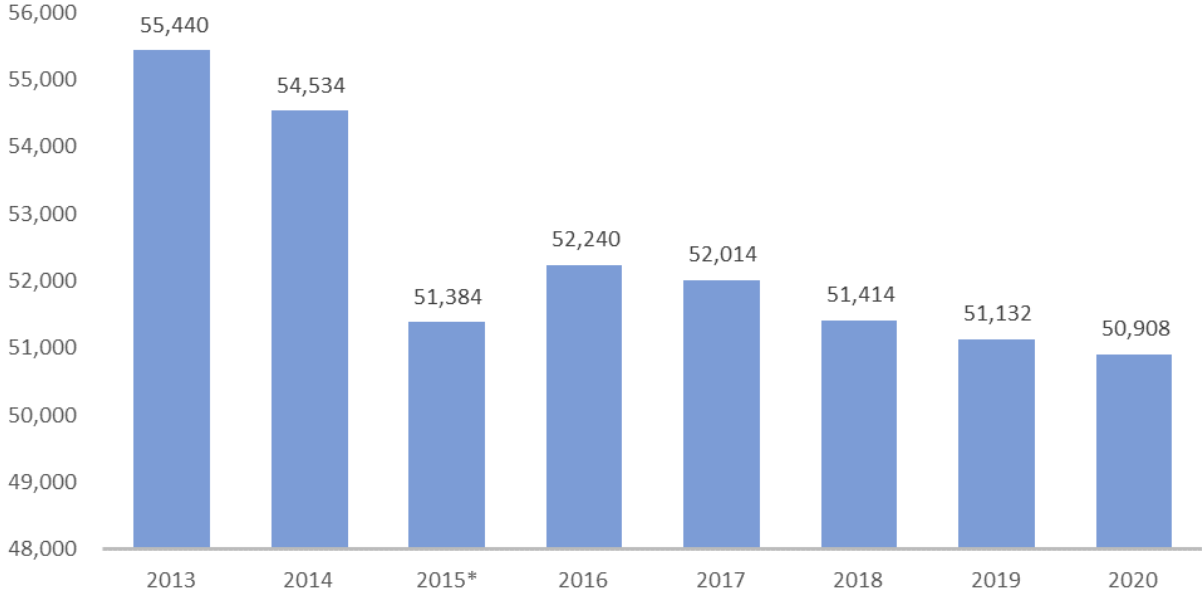
For each identified student with unique needs, the District receives a supplementary grant on top of the basic per pupil grant to provide the added resources needed to ensure schools can respond to the needs of diverse learners. The amount received is shown in the following table:

	Unique Student Needs Supplementary Funding Per FTE		
	2018-19	2019-20	2020-21
Students with Special Needs - Level 1	38,800	42,400	43,000
Students with Special Needs - Level 2	19,400	20,200	20,400
Students with Special Needs - Level 3	9,800	10,250	10,300
English/French Language Learning	1,420	1,495	1,520
Indigenous Education	1,230	1,450	1,500

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

The impact of the uncertainty of the student FTE enrolment has the potential to influence decisions with regards to potential course offerings, required staffing levels and even predictions as to future capacity requirements needed within the District's eighteen secondary schools, seventy-seven elementary schools, twelve annexes, and two adult education centers. Each spring, the District undertakes a comprehensive process of reviewing population data to identify trends, a review of new municipal development approvals, and incorporates local knowledge to develop an estimate of elementary and secondary student FTE for the coming budget year. The number of students enrolled directly impacts the number of staff needed. As staff salaries and benefits make up a significant proportion of School District expenses, a reliable estimate of student FTE is crucial to the integrity of the financial plan. As illustrated in the chart below, the District's full year funded enrolment has been on a steady decline over the years.

Funded FTE Enrolment



*Summer school was cancelled in the 2014-15 school year due to labor negotiation job action.



Financial Highlights

The District uses fund accounting and each of these funds has restrictions on accounting for revenues and expenditures. There are three funds that are reported in the financial statements:

OPERATING FUND	SPECIAL PURPOSE FUNDS	CAPITAL FUND
Includes revenue and expense related to the daily operation of the District, including school and administrative functions.	Funding is restricted for a specific purpose and includes school generated funds. These funds do not report a surplus as revenues are only recognized when the related expenditure occurs. There may be a deficit in this fund which is then transferred to the Operating Fund or Capital Fund depending on the nature of the expenditure.	This fund includes financial activities for tangible capital assets. The Ministry of Education provides capital funding which is accounted for using the deferral accounting methodology whereby capital revenue is recorded over the life of the related asset to match the amortization expense recorded in the financial statements. Therefore, the revenue reported in the financial statements does not match the actual capital funding received in a year.

Statement of Financial Position

The following table provides a comparative analysis of the District’s net financial position for fiscal years ending June 30, 2020 and June 30, 2019 along with the year over year dollar and percentage changes. The variances are explained below.

	2020	2019	Variance	% Change
Financial Assets				
Cash and Cash Equivalents	252,446,220	240,548,009	11,898,211	4.9%
Accounts Receivable				
Due from Province - Ministry of Education	10,146,510	4,942,307	5,204,203	105.3%
Due from Province - Other	168,200	132,675	35,525	26.8%
Other	5,167,290	7,046,469	(1,879,179)	-26.7%
Portfolio Investments	712,341	996,966	(284,625)	-28.5%
Total Financial Assets	268,640,561	253,666,426	14,974,135	5.9%
Liabilities				
Accounts Payable & Accrued Liabilities				
Due from Province - Ministry of Education	173,857	185,434	(11,577)	-6.2%
Due from Province - Other	4,050,173	3,741,338	308,835	8.3%
Other	74,080,929	70,347,072	3,733,857	5.3%
Unearned Revenue	57,368,400	60,158,517	(2,790,117)	-4.6%
Deferred Revenue	35,125,057	38,431,885	(3,306,828)	-8.6%
Deferred Capital Revenue	717,744,982	656,212,899	61,532,083	9.4%
Employee Future Benefits	29,545,276	27,947,342	1,597,934	5.7%
Capital Lease Obligations	2,098,085	3,579,816	(1,481,731)	-41.4%
Other Liabilities	1,349,000	1,686,023	(337,023)	-20.0%
Total Liabilities	921,535,759	862,290,326	59,245,433	6.9%
Net Financial Assets (Debt)	(652,895,198)	(608,623,900)	(44,271,298)	7.3%
Non-Financial Assets				
Tangible Capital Assets	797,124,254	740,854,968	56,269,286	7.6%
Prepaid Expenses	2,137,471	3,855,200	(1,717,729)	-44.6%
Supplies Inventory	860,921	934,237	(73,316)	-7.8%
Total Non-Financial Assets	800,122,646	745,644,405	54,478,241	7.3%
Accumulated Surplus (Deficit)	147,227,448	137,020,505	10,206,943	7.4%

Cash increased by \$11.9 million primarily due to the \$10.2 million surplus for the year and the difference of \$1.7 million between the year over year increase in operating transactions of \$6.2 million, the year over year decrease in capital and financing transactions of \$4.8 million, and the \$0.3 million increase in investing transactions (see Statement 5 of the Financial Statements). Included in the cash balance is the restricted amount related to the sale of an underground airspace parcel to BC Hydro in 2018. That amount has increased in the current year by \$1.8 million of interest income.

Investment Type	2020	2019	Change
BMO Bank of Montreal - Operating Accounts	47,133,941	31,878,956	15,254,985
Provincial CDS Program	137,154,054	142,289,364	(5,135,310)
Provincial CDS Program - restricted capital	68,158,225	66,379,689	1,778,536
Total	252,446,220	240,548,009	11,898,211

Accounts Receivable is comprised of three categories of receivables – Due from Ministry of Education, Due from Province, and Other.

Description	2020	2019	Variance
Due from Province - Ministry of Education	10,146,510	4,942,307	5,204,203
Due from Province - Other	168,200	132,675	35,525
Other	5,167,290	7,046,469	(1,879,179)
Total	15,482,000	12,121,451	3,360,548

The receivable from the Ministry of Education is funding for capital projects that the District has requested but was not received prior to June 30, 2020. The \$5.2 million increase year-over-year is due to the timing of when the payment was received.

The amount that is receivable from the Province is for funding for Assistive Technology – BC.

The Other category is shown in the following table and the significant balances are for amounts due from the City of Vancouver for childcare space and other receivables, which includes invoices to various organizations along with insurance claims that the District is waiting for reimbursement.

Description	2020	2019	Variance
Due from Federal Government	1,151,655	370,893	780,762
Due from Municipalities	2,417,238	3,616,639	(1,199,401)
Due from Other School Districts	4,213	75,490	(71,278)
Rentals and Leases	176,404	330,826	(154,422)
Other Receivables	1,420,786	3,005,814	(1,585,028)
Allowance for Doubtful Accounts	(3,006)	(353,193)	350,187
Total	5,167,290	7,046,469	(1,879,179)

Accounts Payable and Accrued Liabilities is comprised of three categories – Due to Ministry of Education, Due to Province, and Other.

Description	2020	2019	Variance
Due to Province - Ministry of Education	173,857	185,434	(11,577)
Due to Province - Other	4,050,173	3,741,338	308,835
Other	74,080,929	70,347,072	3,733,857
Total	78,304,959	74,273,844	4,031,115

The payable to the Ministry of Education is for MyEdBC usage fees.

The amount payable to the Province is for service agreements for the PeopleSoft Financials and HCM programs the District uses for accounting, personnel, and payroll.

The Other category is shown in the following table.

Description	2020	2019	Variance
Accrued vacation pay	9,605,585	8,935,601	669,984
Other	12,069,687	12,397,073	(327,386)
Salaries and benefits payable	36,631,590	34,910,522	1,721,068
Trade payables	15,774,067	14,103,876	1,670,191
Total	74,080,929	70,347,072	3,733,857

The increase in Salaries and benefits payable is due to the Employer Health Tax, while the increase in Trade payables relates to capital projects.

Unearned Revenue represents amounts that have been collected by the District in advance of providing the related programming or service. Unearned revenue also includes the unamortized balance of \$13.3 million for a 99-year ground lease previously recorded as Deferred Capital Revenue (see Note 6 & Note 18 of the Financial Statements). These unearned revenues represent International Student Tuition Fees and prepaid Program of Choice fees. The decrease of \$2.8 million from the prior year is due to declines in tuition fees received (refunds) from international students, and rental and lease facilities (closures), both due to the COVID-19 pandemic.

Deferred Revenue represents amounts advanced on grant awards and unspent school generated funds, or unspent funds held in trust for the schools. The amounts will be recognized as revenue and spent in future years as eligible expenses are incurred.

Deferred Revenue

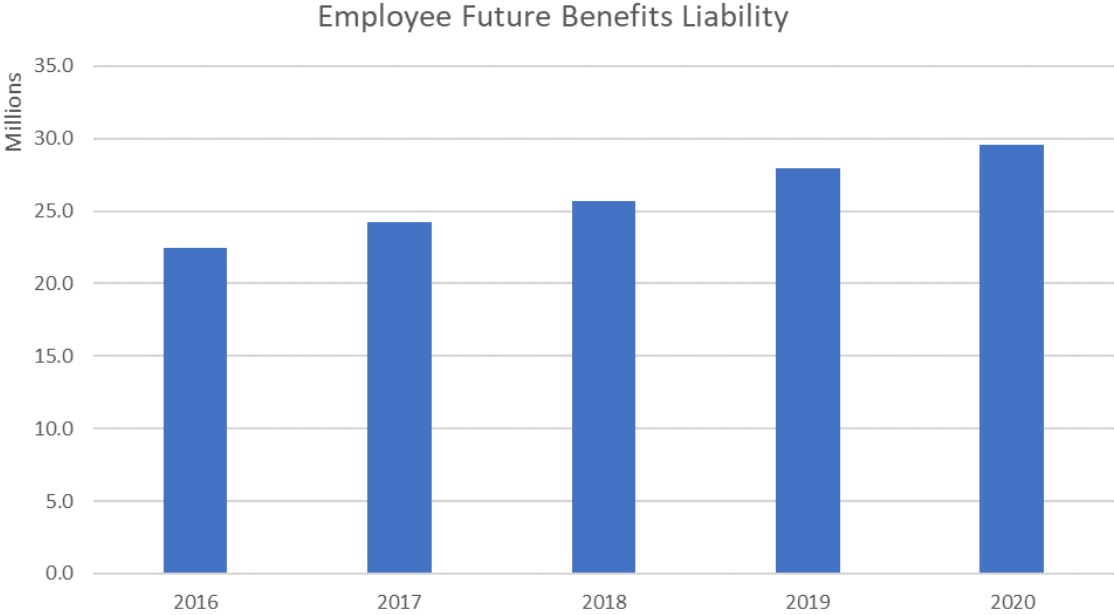
Description	2020	2019	Change
Learning Improvement Fund	273,793	-	273,793
Indigenous Education Technology	11,727	11,442	285
Scholarships and Bursaries	537,702	560,032	(22,330)
Special Education Technology	2,485,957	2,163,440	322,517
School Generated Funds	11,300,961	10,611,085	689,876
Strong Start	52,208	51,476	732
Ready, Set, Learn	31,461	40,040	(8,579)
OLEP	261,262	29,760	231,502
CommunityLINK	117,678	354,475	(236,797)
Classroom Enhancement Fund	1,753,614	3,052,004	(1,298,390)
First Nation Student Transportation	49,503	-	49,503
Mental Health in Schools	21,999	-	21,999
Changing Results for Young Children	25,954	-	25,954
CommunityLINK - Other	851,641	831,416	20,225
Provincial Resource Programs	224,046	60,318	163,728
Educational Resource Acquisition Consortium	-	943,347	(943,347)
Communication Assistance for Youth & Adults	6,471,844	9,427,361	(2,955,517)
Assistive Technology BC	8,963,439	8,503,181	460,258
Provincial Resource Centre for the Visually Impaired	454,678	520,407	(65,729)
Settlement Workers in School	426,485	490,419	(63,934)
Miscellaneous	809,105	781,682	27,423
Total Deferred Revenue	35,125,057	38,431,885	(3,306,828)

Deferred Capital Revenue relates to capital grant funds received in prior years which have been spent on capital projects. As a requirement of Treasury Board Regulation 198/2011, the grant revenue is recorded as deferred capital revenue (a liability) and over time this liability is drawn down and recognized as revenue over the expected life of the asset acquired. The balance in Deferred Capital Revenue increases annually by any new provincial grant funding received and is reduced by the annual recognition of capital grant revenue over the life of each capital project. The balance in Deferred Capital Revenue is explained in the following table:

Deferred Capital Revenues

Description	2020	2019	Change
Deferred Capital Revenue - Opening Balance	656,212,899	599,129,507	57,083,392
Prior Period Adjustment - Prepaid Ground Lease	-	(13,305,077)	13,305,077
Additions - New Grant Funding received	80,766,760	87,854,576	(7,087,816)
Current Year Recognition of Deferred Grant Revenue	(19,234,677)	(17,466,107)	(1,768,570)
Closing Deferred Capital Revenue Balance	717,744,982	656,212,899	61,532,083

Employee Future Benefits liability measures the estimated future cost to the District to provide employee benefits such as retirement allowances, vacation, sick pay, and maternity leave benefits. The annual increase is linear and predictable, suggesting that the cost of benefits increases over time as wages increase and the workforce ages. The Province provides this amount annually to the District based on actuarial valuations.



Capital Lease Obligations decreased due to technology leases expiring during the year.

Other Liabilities are estimated costs for the removal of asbestos for active construction projects.

Tangible Capital Assets - The District undertakes capital work each year by upgrading and extending the life of its existing buildings, or the construction of new buildings or replacement projects. Most of this work is tied to the Seismic Mitigation Program. The funds expended on these capital projects, as well as those spent on furniture and equipment, vehicles and computer hardware and software are capitalized as Tangible Capital Assets. The costs of these assets are amortized over their expected useful lives.

These assets are deemed to be disposed at the end of their useful life and the asset value and corresponding accumulated amortization are removed from the asset register. The District’s Tangible Capital Asset balances are recorded in the schedule below:

Tangible Capital Assets

	Sites	Buildings	Furniture and Equipment	Vehicles	Computer Software	Computer Hardware	2020	2019
Cost, beginning of year	20,781,686	984,041,365	16,092,659	2,214,103	3,131,937	16,280,997	1,042,542,747	911,807,433
Additions	-	25,457,075	2,460,999	597,551	-	2,244,046	30,759,671	134,044,096
Disposals	-	-	1,245,902	448,923	551,245	4,831,635	7,077,705	3,308,782
Cost, end of year	20,781,686	1,009,498,440	17,307,756	2,362,731	2,580,692	13,693,408	1,066,224,713	1,042,542,747
Add: WIP Balance	-	125,833,866	296,373	-	-	-	126,130,239	72,829,705
Cost and WIP, end of year	20,781,686	1,135,332,306	17,604,129	2,362,731	2,580,692	13,693,408	1,192,354,952	1,115,372,452
Accumulated Amortization - Opening	-	356,739,256	7,802,120	1,103,254	1,673,472	7,199,382	374,517,484	351,952,447
Amortization Expense	-	22,323,435	1,669,955	228,842	571,245	2,997,442	27,790,919	25,807,374
Deemed Disposal Recapture	-	-	1,245,902	448,923	551,245	4,831,635	7,077,705	3,242,337
Accumulated Amortization - Closing	-	379,062,691	8,226,173	883,173	1,693,472	5,365,189	395,230,698	374,517,484
Tangible Capital Assets - Net Book Value	20,781,686	756,269,615	9,377,956	1,479,558	887,220	8,328,219	797,124,254	740,854,968



Statement of Operations – Consolidated

Statement 2 explains the changes in the operating results of the District in the current year and includes the revenues and expenses for all three funds. The following schedule shows the consolidated results of operations of the District and each fund statement is reviewed below separately.

	Budget 2020	Actual 2020	Variance to Budget	Actual 2019	Variance to 2019
Revenues					
Provincial Grants	546,487,425	548,553,283	2,065,858	533,358,373	15,194,910
Federal Grants	2,280,857	2,280,857	-	2,259,914	20,943
Tuition	29,411,375	29,951,775	540,400	29,847,950	103,825
Other Revenue	31,495,877	26,063,173	(5,432,704)	32,228,696	(6,165,523)
Rentals and Leases	5,966,987	5,541,059	(425,928)	5,555,704	(14,645)
Investment Income	4,922,194	3,881,363	(1,040,831)	3,945,348	(63,985)
Gain (Loss) on Disposal of Tangible Capital Assets	-	-	-	12,008,555	(12,008,555)
Amortization of Deferred Capital Revenue	19,176,608	19,148,025	(28,583)	17,294,428	1,853,597
Total Revenue	639,741,323	635,419,535	(4,321,788)	636,498,968	(1,079,433)
Expenses					
Instruction	519,161,959	505,557,058	(13,604,901)	499,036,105	6,520,953
District Administration	24,285,974	23,457,736	(828,238)	24,392,628	(934,892)
Operations and Maintenance	94,717,239	93,677,099	(1,040,140)	91,371,275	2,305,824
Transportation and Housing	3,515,863	2,409,292	(1,106,571)	2,988,963	(579,671)
Debt Services	120,452	111,407	(9,045)	61,369	50,038
Total Expense	641,801,487	625,212,592	(16,588,895)	617,850,340	7,362,252
Surplus (Deficit) for the year	(2,060,164)	10,206,943	12,267,107	18,648,628	(8,441,685)

The District has a \$10.2 million surplus for the period ending June 30, 2020 (\$18.6 million – 2019) as reported in the Statement of Operations between all the funds as consolidated revenues exceeded consolidated expenses for the year. The surplus from the Operating Fund is \$10.3 million (\$7.4 million – 2019) and the Capital Fund reported a \$0.1 million deficit (\$11.2 million surplus – 2019). There is no surplus or deficit in the Special Purpose Fund.

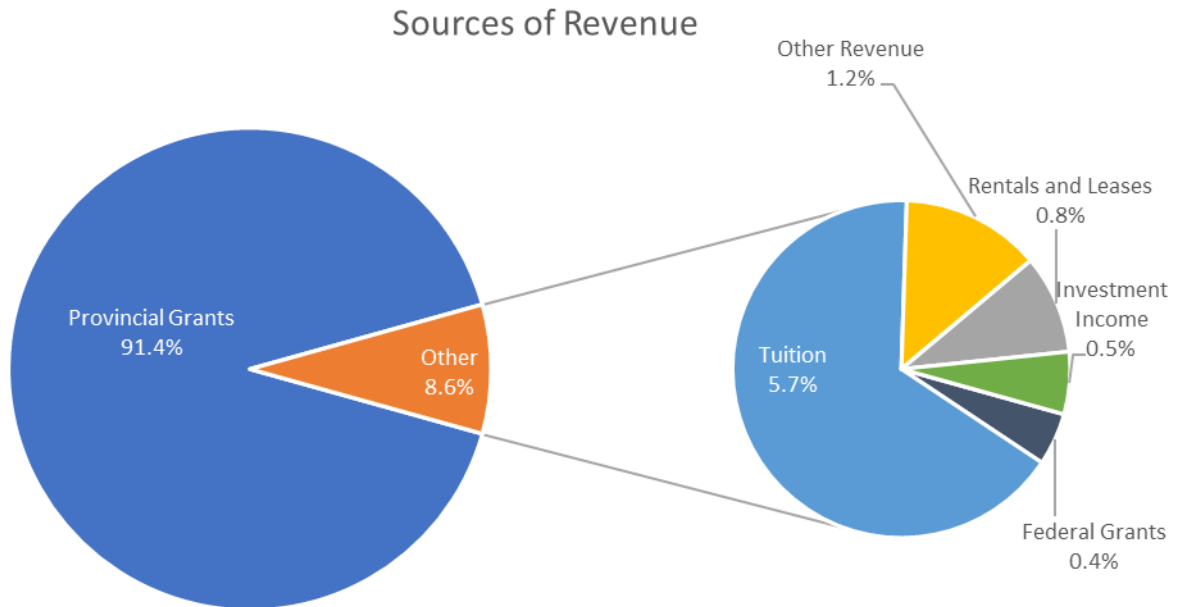
Statement of Operations – Operating Fund

This statement reflects the day-to-day operations of the District for the year. The following schedule compares the results for the period ending June 30, 2020 against the budget for the year and the results for the prior year.

	Budget 2020	Actual 2020	Variance to Budget	Actual 2019	Variance to 2019
Revenues					
Provincial Grants	471,930,020	478,638,235	6,708,215	462,046,011	16,592,224
Federal Grants	2,280,857	2,280,857	-	2,259,914	20,943
Tuition	29,411,375	29,951,775	540,400	29,847,950	103,825
Other Revenue	6,288,413	6,048,486	(239,927)	6,519,772	(471,286)
Rentals and Leases	4,654,079	4,288,039	(366,040)	4,522,920	(234,881)
Investment Income	3,374,666	2,706,834	(667,832)	2,774,350	(67,516)
Total Revenue	517,939,410	523,914,226	5,974,816	507,970,917	15,943,309
Expenses					
Salaries					
Teachers	226,929,527	230,201,588	3,272,061	222,087,465	8,114,123
Principals and Vice Principals	25,130,248	24,915,066	(215,182)	23,993,358	921,708
Educational Assistants	41,213,309	40,720,409	(492,900)	36,966,930	3,753,479
Support Staff	55,941,682	55,348,489	(593,193)	53,670,115	1,678,374
Other Professionals	11,004,578	11,833,466	828,888	9,885,282	1,948,184
Substitutes	10,626,084	7,743,430	(2,882,654)	10,151,901	(2,408,471)
Total Salaries	370,845,428	370,762,448	(82,980)	356,755,051	14,007,397
Employee Benefits	96,847,523	98,063,910	1,216,387	94,499,119	3,564,791
Total Salaries and Benefits	467,692,951	468,826,358	1,133,407	451,254,170	17,572,188
Services and Supplies					
Services	16,650,058	14,127,461	(2,522,597)	16,399,860	(2,272,399)
Student Transportation	3,581,798	2,448,469	(1,133,329)	2,999,259	(550,790)
Professional Development and Travel	1,281,971	1,080,664	(201,307)	1,247,070	(166,406)
Rentals and Leases	729,002	696,123	(32,879)	950,286	(254,163)
Dues and Fees	1,356,578	1,141,145	(215,433)	893,453	247,692
Insurance	1,111,736	1,031,860	(79,876)	907,774	124,086
Interest	-	1,680	1,680	328	1,352
Supplies	12,707,551	10,085,406	(2,622,145)	10,701,905	(616,499)
Utilities	8,597,303	7,748,822	(848,481)	9,559,146	(1,810,324)
Total Services and Supplies	46,015,997	38,361,630	(7,654,367)	43,659,081	(5,297,451)
Total Operating Expense	513,708,948	507,187,988	(6,520,960)	494,913,251	12,274,737
Surplus (Deficit) for the year	4,230,462	16,726,238	12,495,776	13,057,666	3,668,572
Budget Appropriation	2,389,671				
Net Transfers to (from) other funds	(6,620,133)	(6,465,481)	154,652	(5,643,802)	(821,679)
Total Operating Surplus	-	10,260,757		7,413,864	

Revenues

Most of the revenue for general operations is received from the Ministry of Education through grant funding (91%). The remaining \$45.3 million, or 9%, is received through tuition fees for summer school and international education, rentals and leases of school district property, investment income and some federal grants.



Revenue	Current Year Actual to Budget Comparison	2020 to 2019 Comparison
Provincial Grants	Current year operating grant revenue exceeded budget as after approval of the amended budget the Ministry announced funding for the February enrolment recount (\$0.6 million) and funding for the Teachers Labour Settlement (\$5.6 million). Also, the District had higher Graduated Adult enrolment (\$0.8million), which was offset by the elimination of the Carbon Tax Grant in calendar year 2020 (\$0.3 million).	The per pupil grant increased from \$7,423 per FTE to \$7,468 per FTE (\$2.2 million) and the supplementary funding for unique student needs increased (\$3.2 million). Regular student enrolment decreased by 226 FTE but was offset by an increase in unique student needs enrolment. Other differences include labour settlement funding (\$7.7 million) and the Employer Health Grant (\$4.1 million).

Tuition Revenue	Higher international education program tuition holdback related to withdrawals.	Increase in international education program enrolment (14 FTE).
Other Revenue	Loss of cafeteria sales due to the pandemic (\$0.5 million) was offset by additional grants and donations (\$0.1 million), and the sale of old vehicles and equipment (\$0.1 million).	Loss of cafeteria sales due to the pandemic (\$0.5 million).
Rentals and Leases	Loss of revenue due to the pandemic (\$0.5 million) was offset by an increase in rental rates (\$0.1 million).	Loss of revenue due to the pandemic (\$0.5 million) was offset by an increase in rental rates (\$0.1 million).
Investment Income	Interest rate environment decreasing during the pandemic provided lower revenue. The Bank of Canada lowered the bank rate 150 basis points in a 3-week period.	Decreased revenue due to decreasing interest rate environment during the pandemic was offset by a higher investment balance compared to 2018-2019.

Expenses

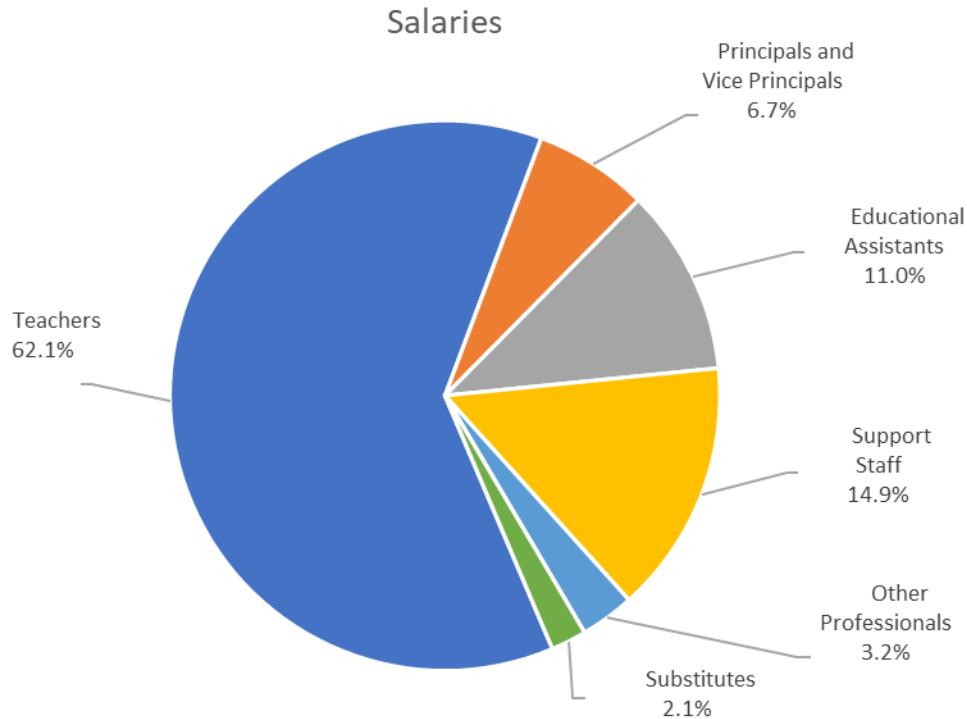
Staff Salaries and Benefits account for 92.4% of the operating expenses of the District, which is higher than the 91.2% in the prior year. A review of the last five years shows the proportion of expenses for Salaries and Benefits has been gradually declining from a high of 92.8% in 2014 to 92.4 % in 2020.

Salaries & Benefits as a proportion of Total Operating Costs



Salaries and Benefits

As shown in the chart below, the bulk of the salaries paid by the District in 2019-2020 was for Teachers, followed by Support Staff and then Educational Assistants.



Teachers' salaries were over budget due to a negotiated wage increase (\$4.5 million) which was reached after the amended annual budget was established. This was offset by savings in on-call staff during the pandemic (\$1.2 million).

In addition to the above reasons, the increase from the prior year was due to increased enrolment driven staffing (\$1.1 million), average salary increasing from \$80,512 to \$81,508 (\$2.8 million), additional positions approved by the Board through the budget process (\$0.6 million), and one-time positions from special funding (\$0.3 million)

Principals and Vice Principals salaries ended the year under budget due to savings in on-call administrators during the pandemic. The increase from the prior year was attributable to the wage increase approved by the Public Sector

Employer's Council and positions being filled for the entire school year.

Educational Assistants salaries were under budget due to savings in on-call staff during the pandemic.

The increase from the prior year was due to a negotiated salary increase (\$0.8 million), increased staffing due to higher special needs enrolment and demand (\$0.6 million), and the improved ability to fill vacant positions (\$2.1 million).

Support Staff salaries were under budget due to savings in on-call staff during the pandemic (\$0.2 million), lower transfer of costs from AFG (\$0.2 million) and lower sick replacement (\$0.2 million).

The increase from prior year was due to annual wage lifts that are tied to collective agreements (\$1.1 million), one-time positions from special funding (\$0.3 million) and filling prior year vacancies (\$0.3 million).

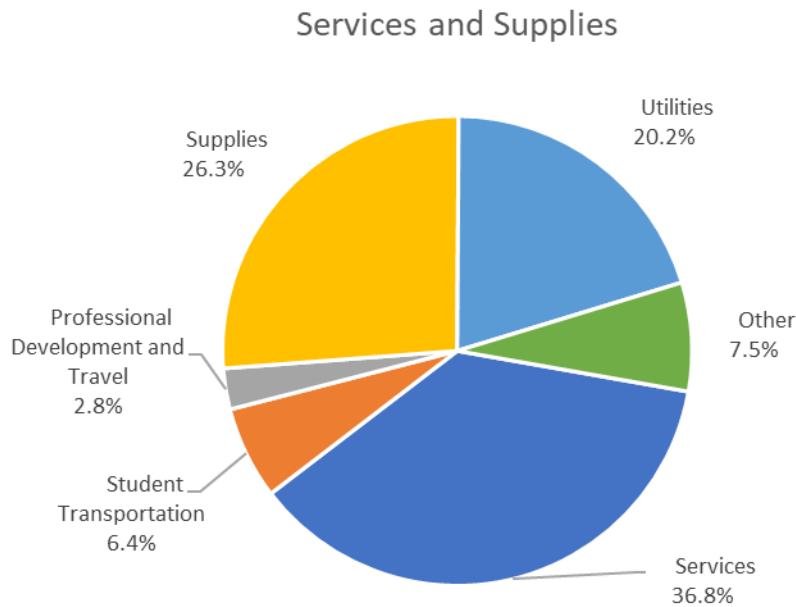
Other Professionals salaries were over budget due to an increase in vacation and leaves balances and payouts (\$0.5 million) and severance (\$0.3 million). The change from the prior year was a

result of a wage increase approved by the Public Sector Employer’s Council (\$1.5 million), new positions approved by the Board (\$0.2 million), and higher vacation liability and payouts due to the pandemic (\$0.2 million).

Substitutes salaries were under budget for the current year and decreased from the prior year, due to savings in on-call staff during the pandemic.

Services and Supplies

As shown previously, the District spent 7.6% of the funds received on daily operations in 2019-2020 with a significant proportion being used for Services, Supplies and Utilities as shown in the following chart.



Services were under budget for the year primarily due to decreased use of services during the pandemic (\$0.8 million), savings from the Next Generation Network the Province realized and passed along to districts (\$0.3 million), labour negotiations completed under budget (\$0.3 million), delaying the implementation of software projects (\$0.7 million), the budget for the McBride Elementary Human Rights Case spent on labour and supplies (\$0.2 million), and the confined space assessment project carrying

into 2020-2021 (\$0.2 million). Compared to the prior year, 2019-2020 had lower costs for contracted services.

Student Transportation expenses were under budget due to reduced student participation in the second school term (\$0.4 million) and services being discontinued during the pandemic (\$0.7 million).

Compared to 2018-2019, without the impact of the pandemic, higher costs were due to inflation for bussing services (\$0.2 million).

Professional Development and Travel expenses were under budget for the year and lower than prior year due to the pandemic, realizing \$0.1 million in savings and another \$0.1 million delayed to 2020-2021.

Supplies came in less than budget mostly due to the delay in ongoing spending such as school account balances (\$1.2 million), school supplies bulk order (\$0.4 million) and food program supplies (\$0.4 million) due to the pandemic. Also impacted by the pandemic were the budgeted one-time purchases (\$0.6 million) for special education support and District Resource computers. Compared to 2018-2019, the delay in ongoing spending mentioned above was offset by the cost of international education students' MSP fees (actual cost \$0.5 million), pandemic related supplies (\$0.6 million), and a larger transfer from AFG (\$0.3 million).

Utilities were lower than budget due to savings from school closures during the pandemic (\$0.8 million). Compared to 2018-2019 when the natural gas price rose significantly after the Enbridge pipeline explosion, 2019-2020 has a lower cost of \$1.8 million.

Rentals and Leases were on budget for the year but lower than prior year due to a sale and leaseback agreement that was established as a declining balance expense, which means that every year the expense of this transaction is less than the previous year (\$0.3 million). This was offset by additional leases for replacing the District's aging fleet of vehicles (\$0.1 million).

Dues and Fees were under budget for the year due to International Education students MSP fees recorded under the Supplies category (budget \$0.3 million), which was offset by an unbudgeted arbitration award for the Best Efforts arbitration (\$0.1 million).

Compared to the prior year, 2019-2020 expense was higher due to the arbitration award for the Best Efforts arbitration (\$0.1 million) and additional subscription fees for library services (\$0.1 million).

Insurance costs for the District were lower than budgeted due to lower fleet vehicle insurance premiums (\$0.1 million). Compared to 2018-2019 a one-time Optional Building Program fee was paid in 2019-2020 (\$0.1 million).

Interest was unbudgeted and expense was due to CRA and school banking transactions.

Accumulated Surplus (Operations)

With the Board of Education having responsibility for protecting the District from financial forecasting risk and unforeseen circumstances that could negatively impact the education of students, an Accumulated Operating Surplus policy has been developed.

The policy allows the Board to restrict spending of the surplus for the following purposes:

- Operations spanning future school years
- Anticipated unusual expenses
- Fund constraints
- Contingency reserve



Any amount of the accumulated operating surplus that is not restricted will be held as an unrestricted operating surplus and be used for working capital purposes, or emergency funds for unforeseen costs.

Use of this policy will reduce the volatility of fluctuating funding amounts in the District with the declining student population forecasted.

Schedule 2 of the audited financial statements reflects a net operating surplus of \$10.3 million for the year ending June 30, 2020 after transfers for capital projects. With an opening accumulated surplus balance of \$19.9 million, the District's accumulated operating surplus balance is \$30.1 million as at June 30, 2020. Application of the policy results in the accumulated operating surplus balances as follows:

Accumulated Surplus		
Purpose	June 2020	June 2019
Invested in Capital Assets	106,712,698	107,253,594
Local Capital Fund	10,385,062	9,897,980
	<u>117,097,760</u>	<u>117,151,574</u>
Operations spanning future school years	14,499,276	7,792,090
Anticipated unusual expenses	2,876,397	2,503,785
Fund constraints	3,863,185	4,681,971
Contingency reserve	5,049,436	2,474,567
Unrestricted operating surplus	3,841,394	2,416,518
	<u>30,129,688</u>	<u>19,868,931</u>
Accumulated Surplus	<u>147,227,448</u>	<u>137,020,505</u>

Special Purpose Funds

Special purpose funds are funds received by the District and are designated for specific use. The District receives funds from the Ministry of Education, the Federal government and from other sources. The different types of special purpose funds and their intended use are listed below.

MINISTRY OF EDUCATION FUNDING					
Fund	Current Year	Prior Year	Difference	Deferred Revenue Balance	Intended Use
Annual Facility Grant (AFG)	2,252,742	2,242,391	10,351	-	Routine maintenance of school facilities, especially regarding roofs.
Learning Improvement Fund (LIF)	1,433,882	1,725,642	(291,760)	273,793	Supplementary funding to school districts for additional teacher assistants and other paraprofessionals and/or additional services to students.

Indigenous Education Technology	-	-	-	11,727	
Special Education Technology (SET-BC)	8,082,073	7,972,166	109,907	2,485,957	Provincial program established to help school districts in using technology to support the diverse needs of students.
Strong Start	631,295	626,955	4,340	52,208	A free early learning program located in schools, for preschool children accompanied by parent, other adult family member or caregiver, created through an agreement between school districts and the Ministry of Education.
Ready, Set, Learn	229,307	229,813	(506)	31,461	Intended for families and their three- to five-year-old children, Ready, Set, Learn is all about providing valuable information about how to support a young child's early learning and development. It also develops positive connections between families, the school system and local community agencies.
Community LINK	9,428,506	9,153,614	274,892	117,678	To support programs and services to improve educational performance of vulnerable students, including both academic achievement and social functioning.
CEF – Overhead	4,365,985	4,529,730	(163,745)	162,812	Funding to implement the Memorandum of Understanding re: Letter of Understanding No. 17.
CEF - Staffing	30,910,161	30,058,567	851,594	1,525,054	
CEF - Remedy	1,484,468	2,925,385	(1,440,917)	65,748	
First Nation Student Transportation	-	-	-	49,503	To ensure all First Nation Students ordinarily resident on-reserve and enrolled in BC Public Schools get to and from those BC Public Schools safely and ensure participation in extracurricular activities outside of school hours.
Mental Health in Schools	-	-	-	21,999	To support mental health initiatives, resources, and/or programs for students, educators and/or families within their school communities.

Changing Results for Young Children	7,329	-	7,329	25,954	To support district capacity building in high quality early learning and care experiences for children.
Provincial Resource Program (PRP)	2,141,501	2,159,411	(17,910)	224,046	To help districts to meet the educational needs of students to continue learning while in hospitals, treatment centers or containment centers. Other PRP facilities provide specific services for students with special needs throughout the province, either on an outreach basis or within a provincial center.
Educational Resource Acquisition Consortium (ERAC)	1,152,668	2,883,058	(1,730,390)	-	A member-based organization providing services to the K-12 education sector in British Columbia and the Yukon. Dissolved in December 2019.
Communication Assistance for Youth and Adults (CAYA)	3,156,094	3,006,832	149,262	6,471,844	A province wide service program that supports adults aged 19 year and older who require an augmentative/ alternative communication system due to a severe communication disability.
Assistive Technology BC (AT-BC)	3,398,871	2,949,510	449,361	8,963,439	Provides assistive technology resources to make learning environments usable for people with disabilities.
Provincial Resource Centre for the Visually Impaired (PRCVI)	2,180,289	2,157,655	22,634	454,678	Outreach program that supports school districts' goal of ensuring equitable access and enhanced educational opportunities for students with visual impairments.

FEDERAL FUNDING					
Fund	Current Year	Prior Year	Difference	Deferred Revenue Balance	Intended Use
French Language (OLEP)	430,770	658,979	(228,209)	261,262	All Federal Funds received by school districts must be spent entirely in support of French Immersion Programs or Core French Courses.

Settlement Workers in Schools (SWIS)	75,272	67,728	7,544	426,485	School based settlement service for immigrants, refugees, and other eligible clients to meet their immediate settlement or ongoing needs after their arrival in Canada.
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OTHER FUNDING					
Fund	Current Year	Prior Year	Difference	Deferred Revenue Balance	Intended Use
Community LINK Other	875,785	810,920	64,865	851,641	To support programs and services to improve educational performance of vulnerable students, including both academic achievement and social functioning.
Miscellaneous	390,519	1,125,561	(735,042)	809,105	Most of these funds are for career education.
Scholarships and Bursaries	37,520	96,500	(58,980)	537,702	To give to students
School Generated Funds	17,613,438	22,066,574	(4,453,136)	11,300,961	For various purposes

Capital Fund

The balance in the Capital Fund at any year end is the surplus from capital operations over time that is invested in tangible capital assets and the local capital funds the District has generated. At the end of June 2020, the balance in the Capital Fund was \$117.1 million, consisting of \$106.7 million of Invested in Tangible Capital Assets and \$10.4 million in Local Capital (see Schedule 4 of the financial statements).

Specific balances in the Capital Fund are as follows:

Description	2020	2019	Change
Bylaw capital	1,160	-	1,160
Restricted capital	39,224,290	38,308,928	915,362
Other Provincial capital	2,299,683	147,712	2,151,971
Local capital	10,385,062	9,897,980	487,082
Total	51,910,195	48,354,620	3,555,575

Bylaw capital: This balance is receivable from the Ministry of Education.

(Ministry) Restricted capital: These are funds held on behalf of the Ministry of Education. The balance increased by \$0.9 million due to interest earned on proceeds from the 2018 sale of a subsurface air parcel at the Lord Roberts Annex school site.

Other Provincial capital: Increased by \$2.2 million as funds were provided by the Ministry of Children and Family Development for the construction of new childcare space.

Local capital: Increased by \$0.5 million due to rental revenue, and interest earned on proceeds from the 2018 sale of a subsurface air parcel at the Lord Roberts Annex school site.

Funds Restricted in Local Capital:

Local capital funds have been restricted for the following purposes:

Project	2020	2019	Change
Carryforward Balance	9,897,980	128,330	9,769,650
Dr. George M. Weir Elementary Upgrade Project	930,000	1,364,102	(434,102)
Maple Grove Elementary Upgrade Project	371,259	-	371,259
New school in Coal Harbour	315,636	12,075,000	(11,759,364)
Capital project costs incurred prior to receiving Ministry approval	(1,129,814)	(3,669,452)	2,539,638
Total	10,385,062	9,897,980	487,082

All funds in the local capital fund are restricted. The upgrade and partial replacement project for Dr. George M. Weir Elementary is estimated to be completed in 2022. The new elementary school in Coal

Harbour is planned for completion in 2024. Prior to receiving Ministry approval for a capital project all project expenditures are funded by local capital.

Major Capital Projects

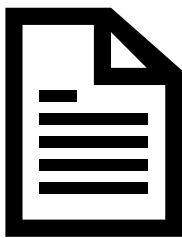
Seismic Replacement

The following nine schools are currently under construction with expected occupancy:

- Maple Grove Elementary – Fall 2020
- Sir Sandford Fleming Elementary – Fall 2020
- Lord Tennyson Elementary – December 2020
- Lord Selkirk Elementary – April 2021
- General Wolfe Elementary – September 2021
- Lord Byng Secondary – September 2021
- Chief Maquinna Elementary – October 2021
- Sir Matthew Begbie Elementary – January 2022
- Bayview Elementary – January 2022

The construction of David Lloyd George Elementary is scheduled to start in September 2020. Four projects are currently in the design / tender phase: Eric Hamber Secondary, Edith Cavell Elementary, Dr. George M. Weir Elementary, David Livingstone Elementary.

Project Definition Reports (PDR)



The preparation of project definition reports is in various stages for five projects: Killarney Secondary, David Thompson Secondary, Henry Hudson Elementary, False Creek Elementary and Sir Wilfred Grenfell Elementary. Sir Guy Carleton Elementary is no longer being considered for seismic upgrading as a business case could not be generated as either an enrolling site or a swing space site.

Future New School Construction



Coal Harbour Elementary: This project includes a new school on a secured site next to the Coal Harbour Community Centre, as part of a larger City of Vancouver mixed-use development that would include childcare and non-market housing. The final revision to the Project Definition Report (PDR) was completed in June 2019. The construction of the school will be funded entirely by the District from the proceeds of the sale of the subsurface air parcel at Lord Roberts Annex to BC Hydro in 2018. This is reflected in the Capital Project Funding Agreement which is in the final stages of approval. This project is expected to be completed in time for occupancy by students in September 2024.

School Enhancement Funded Projects (SEP)

The School Enhancement Program provides funding to help districts extend the life of their facilities through a wide range of improvement projects, including:

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



The following project was completed during the year:

Project	Funding	Actuals
<i>Elevator construction</i>		
Sir Richard McBride Elementary	300,000	366,884

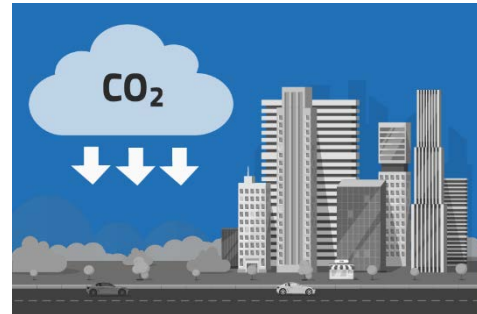
The following projects are in progress:

Project	Funding	Spending to June 2020	Expected Completion
<i>Fire System Upgrade</i>			
General Wolfe Elementary	760,000	211,434	March 2021
Sir Winston Churchill Secondary	225,000	225,000	March 2021
<i>Fire Suppression System Upgrades</i>			
Edith Cavell Elementary	152,150	-	March 2021
<i>Plumbing upgrades</i>			
Lord Selkirk Elementary	199,693	-	March 2021
Edith Cavell Elementary	123,283	-	March 2021
Chief Maquinna Elementary	127,406	-	March 2021
Lord Byng Secondary	159,832	-	March 2021
General Wolfe Elementary	173,415	-	March 2021
Total	1,920,779	436,434	

Carbon Neutral Capital Funded Projects (CNCP)

Provides specific funding to energy efficiency projects that lower the School District’s carbon emissions.

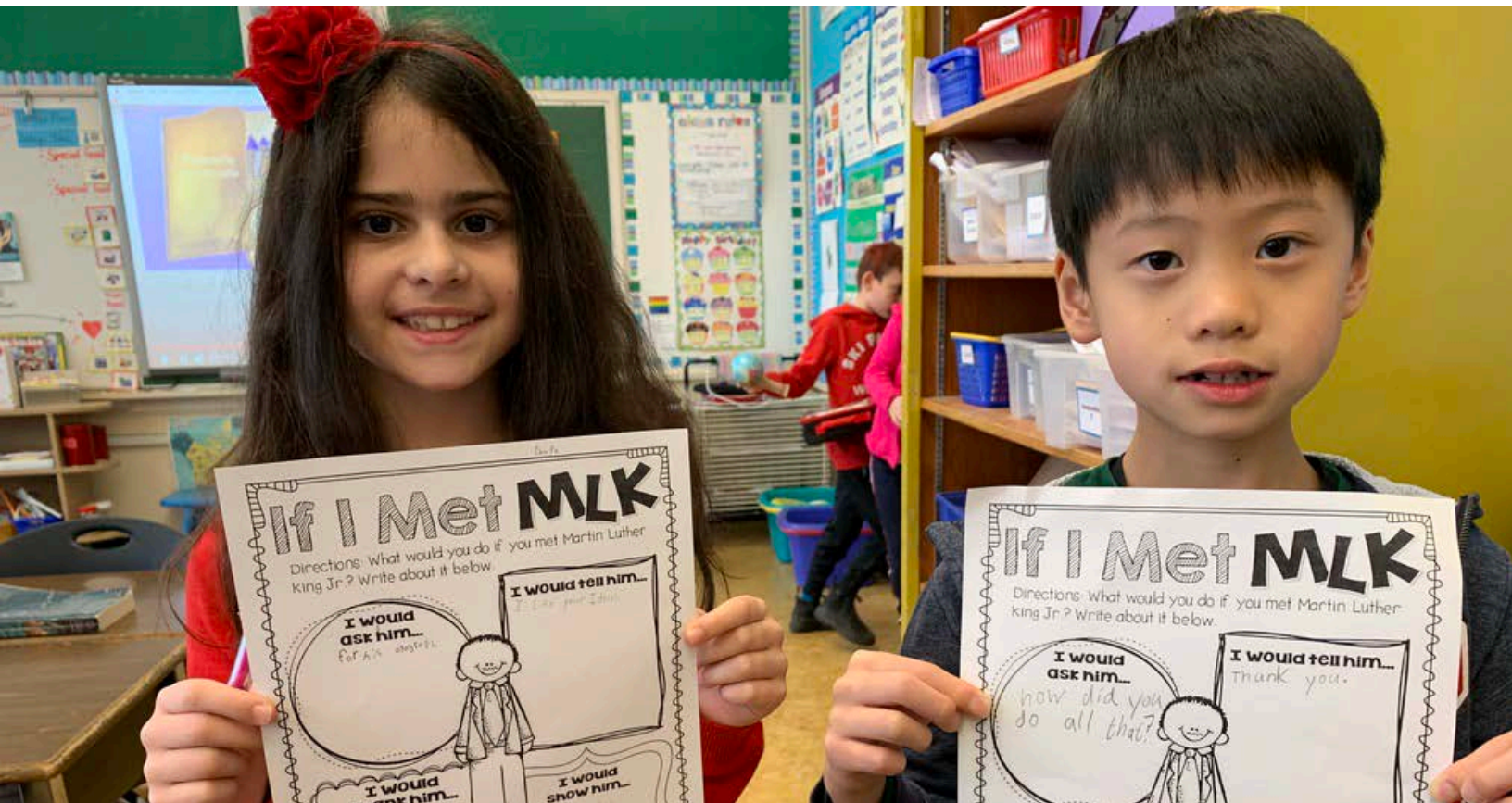
- **Lord Roberts Elementary:** \$355,467 boiler upgrade and heat plant replacement. Natural Gas estimated savings – 663 GJ per year. Project scheduled to be completed by March 31, 2021.
- **Hastings Elementary:** \$432,033 boiler upgrade and heat plant replacement. Natural Gas estimated savings – 1,090 GJ per year. Project scheduled to be completed by March 31, 2021.
- **Eric Hamber Secondary:** \$20,000 direct digital control (DCC) upgrade and heat, ventilation, and air conditioning (HVAC) control system upgrade. Project scheduled to be completed by March 31, 2021.
- **Norquay Elementary:** \$364,000 heat, ventilation, and air conditioning (HVAC) upgrade. Project scheduled to be completed by March 31, 2021.
- **Lord Selkirk Elementary:** \$396,000 heat, ventilation, and air conditioning (HVAC) upgrade. Project scheduled to be completed by March 31, 2021.



Playground Equipment Program (PEP)

Annual funding program to purchase and install new or replacement playground equipment. The program will provide capital funding grants of two different amounts - \$90,000 for standard playground equipment, and \$125,000 for universally accessible playground equipment.

- **Queen Victoria Annex:** Funding grant of \$125,000. Scheduled to be completed by March 31, 2021.
- **Walter Moberly Elementary:** Funding grant of \$125,000. Scheduled to be completed by March 31, 2021.



Annual Facility Grant (AFG)

The Annual Facility Grant is funding provided by the Ministry of Education for designated school capital or maintenance upgrades. \$10.8 million was provided to fund the following projects in 2020-2021.

	No. of Schools	Amount
Disabled Access	1	50,000
Electrical System Upgrade	28	1,565,000
Facility Upgrade	51	3,970,499
Functional Improvement	49	1,806,097
Health and Safety Upgrade	6	26,500
Mechanical System Upgrade	58	932,967
Roof Replacement	13	1,999,016
Site Upgrade	47	384,328
Technology Infrastructure Upgrade	10	100,000
Total		<u>10,834,407</u>

Childcare Centres



As part of the seismic upgrades, the Vancouver School District has entered into agreements with the City of Vancouver to build new childcare facilities within various schools. Costs associated with constructing these childcare facilities are to be funded by the City of Vancouver.

- **Lord Nelson Elementary:** The first school in the Vancouver School District to enter into this agreement in November 2015. Project cost: \$6.8 million.
- **Sir Sandford Fleming Elementary:** Entered into agreement with the City of Vancouver in November 2017. Project cost: \$7.4 million.
- **Lord Tennyson Elementary:** Entered into agreement with the City of Vancouver in October 2018. Project cost: \$8.3 million.
- **David Lloyd George:** Project is at construction phase. Occupancy expected December 2022. Project cost: \$7.5 million.

- **Coal Harbour:** Project is at design phase. Occupancy expected September 2024. Project cost: \$10.4 million
- **Eric Hamber:** Project is at design phase. Occupancy expected September 2023. Project cost: \$8.2 million.

Risk Factors

There are several risk factors that may have a monetary impact on the District, ranging from enrolment changes, unexpected cost pressures and lost revenues. The District undertook a comprehensive enterprise wide risk assessment in 2018 and 2019 and has identified 23 key areas of risk. The impact of the pandemic has added to these risk areas. Some of the major areas of risk for the District are outlined below.

COVID-19 Pandemic – The pandemic is ongoing and will remain a concern until pharmaceutical companies can develop a vaccine and governments distribute it. As schools reopen in September the future is uncertain and many areas of the District’s operations will remain exposed to financial challenges.

Organizational Capacity – The most significant risk factor identified in the KPMG assessment in 2018 was organizational capacity. The additional capacity placed on the organization and staff resulting from the pandemic is a concern moving forward, particularly around mental health and the need to hire additional staff to address needs created by the pandemic. There is an increased awareness of privacy and security issues around technology being distributed to students and staff. Also, the need to stay informed of Ministry and Provincial health and safety directions has resulted in staff being hired in order to update District messaging to schools.

Ministry Funding – The new funding model which was expected to be in effect for the 2020-2021 school year was only partially implemented when the Ministry announced preliminary grants to school districts in March while the pandemic was declared by the World Health Organization. Several grants which had previously been funded separately were rolled into the basic per pupil amount. These were the Employer Health Tax refund, the Carbon Tax refund, and the Service Improvement Allocation for CUPE. As a result, districts will receive less funding than what they had anticipated receiving for the 2020-2021 school year.

The funding announcement in March was based on projected enrolments supplied to the Ministry in February. With the onset of the pandemic, the District is expecting lower enrolment funding for 2020-2021 due to a reduced summer school program and a higher number of students taking Distance Learning courses where the funding for those students is less than the funding for students attending at schools.

International Education – The District relies to a great extent on International Education enrolment to supplement Ministry of Education funding. Many of the students who enroll in the program do not come to the Province until just before the start of the school year. The Federal Government issued Order in Council 17 in March which prohibited foreign nationals from entering Canada and international students who had study permits issued after March 18, 2020 were impacted by the Order. While the projected enrollment in the 2020-2021 budget had already been reduced due to the concerns around the pandemic, a further reduction is likely as the Federal ban remains in effect.

Facilities – The District operates 77 elementary schools, 18 secondary schools, 12 annexes, 8 District Schools (leased or district program sites), 6 District Support Facilities and 3 properties on which businesses operate for a total of 124 active facilities. The Long-Range Facilities Plan has identified the District has many older buildings with significant seismic safety concerns and deferred maintenance requirements. The capital approval process takes time and resources to get new capital projects up and running, and the Ministry continues to request that school districts contribute more local funds towards capital projects.

Recruitment and Retention – School districts across the Province are facing significant challenges in the recruitment and retention of qualified staff. The reinstatement of class size and composition language with the Collective Agreement has created additional demand for qualified teachers and support staff. The pandemic has caused more staff to request medical accommodations which, if approved, may increase the need for more recruitment.

Technology Requirements – The demand for technology hardware, software and system utilization continues at a rapid pace. Providing the required services and ensuring that information is secure and protected necessitates allocating more financial resources. Technology in support of education will allow the District to implement the paradigm shift and transformational education required to be at the forefront and on the cutting-edge in the 21st century. Technology in support of the Framework for Enhancing Student Learning and more real-time reporting on student progress is a crucial undertaking. The MyEdBC student administration system requires enhancements to meet the ongoing needs for improved data and reporting. System security remains a high concern. With that in mind new positions in the LIT Department will need to be created. While a multi-year plan has been developed for some aspects of the District's requirements, additional resources will need to continue to be directed in this area.

Contacting Management

This financial report is designed to provide the District's stakeholders with a more detailed overview of the District's financial statements for the year ended June 30, 2020 and related facility matters and the seismic mitigation program. It is intended to demonstrate increased accountability for the public funds received.

If you have questions about this financial report, please contact the Office of the Secretary-Treasurer at 604.713.5080.