

# FINANCIAL STATEMENT **Discussion and Analysis**

*for the year ended June 30, 2019*



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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, 2019. 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, 2018 and the amended annual budget for 2018-2019. This report should be read in conjunction with the District’s 2018-2019 audited financial statements.

## Overview of the School District

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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 50,000 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*.

## VSB2021 Strategic Plan

The [VSB2021 Strategic Plan](#) was developed in consultation with the district 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.

## Funding – Student Enrolment

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

	Per FTE Funding		
	2017-18	2018-19	2019-20
Standard and Alternate	7,301	7,423	7,468
Continuing Education	7,301	7,423	7,468
Distributed Learning	6,100	6,100	6,100
Non-Graduated Adults	4,618	4,696	4,773

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

### Unique Student Needs Supplementary Funding Per FTE

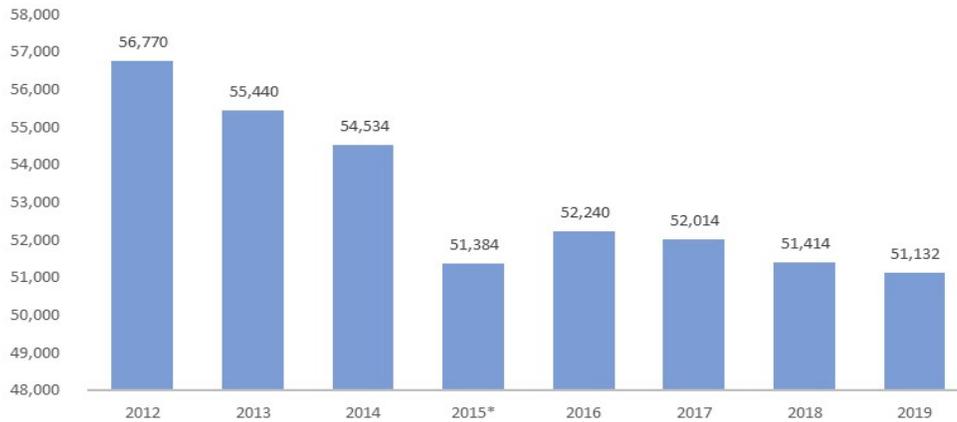
	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Students with Special Needs - Level 1	38,140	38,800	42,400
Students with Special Needs - Level 2	19,070	19,400	20,200
Students with Special Needs - Level 3	9,610	9,800	10,250
English/French Language Learning	1,395	1,420	1,495
Indigenous Education	1,210	1,230	1,450

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 in order to meet their course credit requirements. This results in some degree of variability in funding for secondary students, which poses a significant challenge that must be considered throughout the financial planning process.

The impact of the uncertainty of the student FTE enrolment has the potential to influence decisions with regards to potential course offerings, required staffing levels and even predictions as to future capacity requirements needed within the District's eighteen secondary schools, eighty-nine elementary schools, one middle school (converted to a K-7 elementary school starting September 2019) and two adult education centres. Each spring, the District undertakes a comprehensive process 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 expenditures, a reliable estimate of student FTE is crucial to the integrity of the financial plan. Student enrolment has remained relatively flat for the previous five years, a slight decline is expected next year. 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 each fund's revenues and expenditures. There are three funds that are reported in the financial statements:

### OPERATING FUND

Includes revenue and expense related to the daily operation of the district, including school and administrative functions.

### SPECIAL PURPOSE FUNDS

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.

### CAPITAL FUND

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.

### *Sale of Subsurface Parcel at Lord Roberts Annex*



The Board of Education signed a purchase and sale agreement with BC Hydro for the sale of a subsurface air parcel at the Lord Roberts Annex school site for the construction of an underground electrical substation. Under the terms of the agreement, the District received \$48.3 million for the subsurface parcel and a further \$16.7 million for the various statutory rights of way and covenants.

	<b>Total</b>	<b>VSB</b>	<b>Ministry</b>
		25%	75%
Purchase Price	48,300,000	12,075,000	36,225,000
Rights of Way	16,700,000	4,175,000	12,525,000
	<b>65,000,000</b>	<b>16,250,000</b>	<b>48,750,000</b>

The purchase and sale agreement required the approval of the Board of Education, the Board of Directors of BC Hydro and the Ministry of Education. The Ministry’s approval required the proceeds of sale be split 75% to the Ministry and 25% to the District. The Ministry’s portion of the proceeds are held with the District under Ministry Restricted Capital and can be spent on District capital projects with the prior approval of the Ministry and the District’s 25% share is recorded in Local Capital and can be spent on District capital projects with Board of Education approval.

However, these funds will be restricted and be used for the development of a new elementary school in Coal Harbour, planned for completion in 2023 and a replacement school on the Lord Roberts Annex site.

The Lord Roberts Annex site was first purchased between 1951 and 1957 in partnership with the City of Vancouver and was a consolidation of several land parcels. After several parcel consolidations and land exchanges between the two parties, the City approved the land exchange whereby the District owned the land where Lord Roberts Annex sits today. The total cost the District paid for these sites was \$113,214.

The transaction was recorded as a deemed disposition of land, even though it is a subsurface air parcel. The proportion of disposed land was determined to be 58.69% and based on the total price paid for the site, the cost base of the disposed value is \$66,445 ( $\$113,214 \times 58.69\%$ ). In recording the transaction, the District realized a gain on sale of \$12.0 million.

## Statement of Financial Position

The following table provides a comparative analysis of the District's net financial position for fiscal years ending June 30, 2018 and June 30, 2019 along with the year over year dollar and percentage changes. The variances are explained below.

	2019	2018	Variance	% Change
<b>Financial Assets</b>				
Cash and Cash Equivalents	240,548,009	143,405,503	97,142,506	67.7%
Accounts Receivable				
Due from Ministry of Education	4,942,307	8,068,198	(3,125,891)	-38.7%
Due from Province	132,675	-	132,675	
Other	7,046,469	5,297,735	1,748,734	33.0%
Portfolio Investments	996,966	1,914,800	(917,834)	-47.9%
<b>Total Financial Assets</b>	<b>253,666,426</b>	<b>158,686,236</b>	<b>94,980,190</b>	<b>59.9%</b>
<b>Liabilities</b>				
Accounts Payable & Accrued Liabilities	74,273,844	61,065,989	13,207,855	21.6%
Unearned Revenue	46,853,440	29,380,200	17,473,240	59.5%
Deferred Revenue	38,431,885	30,617,007	7,814,878	25.5%
Deferred Capital Revenue	669,517,976	599,129,507	70,388,469	11.7%
Employee Future Benefits	27,947,342	25,676,796	2,270,546	8.8%
Capital Lease Obligations	3,579,816	1,825,785	1,754,031	96.1%
Other Liabilities	1,686,023	987,023	699,000	70.8%
<b>Total Liabilities</b>	<b>862,290,326</b>	<b>748,682,307</b>	<b>113,608,019</b>	<b>15.2%</b>
<b>Net Financial Assets (Debt)</b>	<b>(608,623,900)</b>	<b>(589,996,071)</b>	<b>(18,627,829)</b>	<b>3.2%</b>
<b>Non-Financial Assets</b>				
Tangible Capital Assets	740,854,968	703,860,418	36,994,550	5.3%
Prepaid Expenses	3,855,200	3,554,679	300,521	8.5%
Supplies Inventory	934,237	952,851	(18,614)	-2.0%
<b>Total Non-Financial Assets</b>	<b>745,644,405</b>	<b>708,367,948</b>	<b>37,276,457</b>	<b>5.3%</b>
<b>Accumulated Surplus (Deficit)</b>	<b>137,020,505</b>	<b>118,371,877</b>	<b>18,648,628</b>	<b>15.8%</b>

**Cash** increased \$97.1 million due in large part to the sale of a subsurface air parcel at Lord Roberts Annex to BC Hydro and the increase in deferred revenue and accounts payable. The District has \$31.9 million in the bank for current operational requirements and the balance of the funds are held with the Ministry of Finance in the Provincial Central Deposit Program and is accessible within 3 business days. These deposits with the Ministry earn interest at 1.00% below the bank prime lending rate, currently 2.95%. The District has separated the funds from the sale of the subsurface air parcel in the Central

Deposit Program as it will be used to build the new Coal Harbour Elementary School and the replacement school at Lord Roberts Annex.

<b>Investment Type</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
BMO Bank of Montreal - Operating Accounts	31,878,957	29,010,144	2,868,812
Provincial CDS Program	142,289,364	114,395,359	27,894,006
Provincial CDS Program - restricted capital	66,379,689	-	66,379,689
<b>Total</b>	<b>240,548,009</b>	<b>143,405,503</b>	<b>97,142,506</b>

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

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, 2019. The variance 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.

<b>Description</b>	<b>2019</b>	<b>2018</b>	<b>Variance</b>
Due from Federal Government	370,893	362,324	8,569
Due from Municipalities	3,616,639	2,783,342	833,297
Due from Other School Districts	75,490	75,543	(53)
Rentals and Leases	330,826	210,548	120,278
Other Receivables	3,005,814	2,212,974	792,840
Allowance for Doubtful Accounts	(353,193)	(346,996)	(6,197)
<b>Total</b>	<b>7,046,469</b>	<b>5,297,735</b>	<b>1,748,734</b>

**Accounts Payable and Accrued Liabilities** have several accounts that make up the \$74.3 million. The significant changes from the prior year are:

- Increase in trades payable - \$1.5 million
- Increase in contractor holdbacks - \$0.8 million
- Decrease in the Teachers Savings Plan - \$0.6 million
- Increase in benefit plan premium payable - \$2.0 million
- Employer Health Tax payable - \$2.7 million
- CEF Remedy - \$1.9 million
- Contractual payment - \$3.5 million
- Miscellaneous - \$0.2 million

**Unearned Revenue** represents amounts that have been collected by the District in advance of providing the related programming or service. For the most part, these unearned revenues represent

International Student Tuition Fees and prepaid Program of Choice fees. The increase of \$17.5 million from the prior year is due primarily to the \$16.7 million in proceeds received for the rights of ways and covenants as part of the District's agreement with BC Hydro for the sale of the subsurface air parcel at Lord Roberts Annex for the construction of an electrical substation.

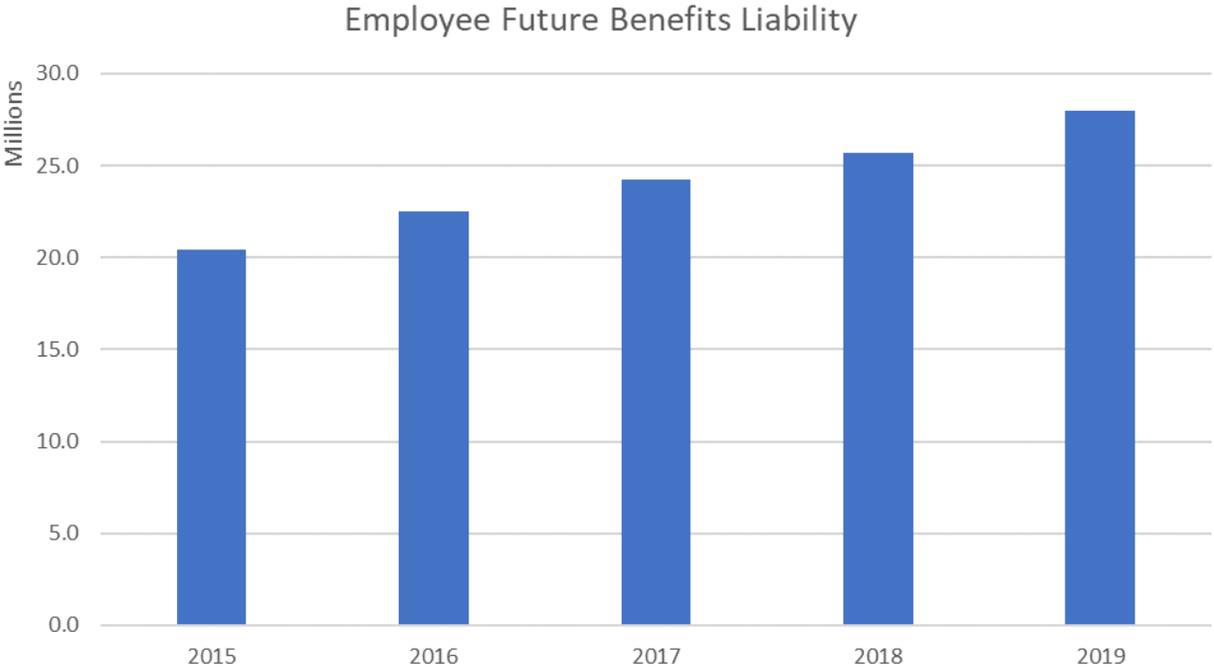
*Deferred Revenues* represent amounts advanced on grant awards and unspent school generated funds, or unspent funds held in trust for the schools. The amounts will be recognized as revenue and spent in future years as eligible expenses are incurred.

<b>Deferred Revenues</b>			
<b>Description</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Indigenous Education Technology	11,442	11,130	312
Scholarships and Bursaries	560,032	900,668	(340,636)
Special Education Technology	2,163,440	2,540,859	(377,419)
School Generated Funds	10,611,085	9,592,855	1,018,230
Strong Start	51,476	64,195	(12,719)
Ready, Set, Learn	40,040	45,998	(5,958)
OLEP	29,760	52,970	(23,210)
CommunityLINK	354,475	382,301	(27,826)
Classroom Enhancement Fund	3,052,004	1,571,953	1,480,051
CommunityLINK - Other	831,416	795,582	35,834
Provincial Resource Programs	60,318	300,592	(240,274)
Educational Resource Acquisition Consortium	943,347	1,220,636	(277,289)
Communication Assistance for Youth & Adults	9,427,361	2,989,654	6,437,707
Assistive Technology BC	8,503,181	7,994,778	508,403
Provincial Resource Centre for the Visually Impaired	520,407	584,406	(63,999)
Settlement Workers in School	490,419	467,328	23,091
Miscellaneous	781,682	1,101,102	(319,420)
<b>Total Deferred Revenue</b>	<b>38,431,885</b>	<b>30,617,007</b>	<b>7,814,878</b>

*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 a deferred capital revenue 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:

<b>Deferred Capital Revenues</b>			
<b>Description</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Deferred Capital Revenue - Opening Balance	599,129,507	563,409,184	35,720,323
Additions - New Grant Funding received	265,372,237	106,711,546	158,660,691
Current Year Recognition of Deferred Grant Revenue	(194,983,768)	(70,991,223)	(123,992,545)
Closing Deferred Capital Revenue Balance	669,517,976	599,129,507	70,388,469

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



**Capital Lease Obligations** increased with new technology leases by the District.

**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. The funds expended on these capital projects, as well as those spent on vehicles, furniture and equipment and computer hardware and software are capitalized as Tangible Capital Assets. The costs of these assets are amortized over their expected useful lives.

Furniture and Equipment, vehicles and computer hardware and software 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	2019	2018
Cost, beginning of year	20,848,131	857,482,120	16,239,505	1,716,604	3,027,369	12,493,704	911,807,433	904,897,135
Additions	-	126,559,245	1,517,391	497,499	249,659	5,220,302	134,044,096	12,426,795
Disposals	66,445	-	1,664,237	-	145,091	1,433,009	3,308,782	5,516,497
Cost, end 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
Add: WIP Balance	-	72,826,298	3,407	-	-	-	72,829,705	144,005,432
Cost and WIP, end of year	20,781,686	1,056,867,663	16,096,066	2,214,103	3,131,937	16,280,997	1,115,372,452	1,055,812,865
Accumulated Amortization - Opening	-	336,238,348	7,849,810	906,719	1,202,650	5,754,920	351,952,447	333,479,370
Amortization Expense	-	20,500,908	1,616,547	196,535	615,913	2,877,471	25,807,374	23,989,574
Deemed Disposal Recapture	-	-	1,664,237	-	145,091	1,433,009	3,242,337	5,516,497
Accumulated Amortization - Closing	-	356,739,256	7,802,120	1,103,254	1,673,472	7,199,382	374,517,484	351,952,447
Tangible Capital Assets - Net Book Value	20,781,686	700,128,407	8,293,946	1,110,849	1,458,465	9,081,615	740,854,968	703,860,418



## Statement of Operations – Consolidated

This statement 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.

	<b>Budget 2019</b>	<b>Actual 2019</b>	<b>Variance to Budget</b>	<b>Actual 2018</b>	<b>Variance to 2018</b>
<b>Revenues</b>					
Provincial Grants	534,712,418	533,358,373	(1,354,045)	515,062,863	18,295,510
Federal Grants	2,259,915	2,259,914	(1)	2,364,846	(104,932)
Tuition	28,878,599	29,847,950	969,351	28,517,730	1,330,220
Other Revenue	37,924,246	32,057,017	(5,867,229)	36,398,608	(4,341,591)
Rentals and Leases	4,716,950	5,555,704	838,754	5,334,936	220,768
Investment Income	2,981,137	3,945,348	964,211	2,712,102	1,233,246
Gain (Loss) on Disposal of Tangible Capital Assets	16,237,469	12,008,555	(4,228,914)	-	12,008,555
Amortization of Deferred Capital Revenue	17,461,901	17,466,107	4,206	15,841,256	1,624,851
<b>Total Revenue</b>	<b>645,172,635</b>	<b>636,498,968</b>	<b>(8,673,667)</b>	<b>606,232,341</b>	<b>30,266,627</b>
<b>Expenses</b>					
Instruction	516,880,582	499,036,105	(17,844,477)	492,382,329	6,653,776
District Administration	24,385,967	24,392,628	6,661	20,071,774	4,320,854
Operations and Maintenance	91,876,338	91,371,275	(505,063)	87,353,245	4,018,030
Transportation and Housing	2,959,355	2,988,963	29,608	2,847,157	141,806
Debt Services	152,988	61,369	(91,619)	134,484	(73,115)
<b>Total Expense</b>	<b>636,255,230</b>	<b>617,850,340</b>	<b>(18,404,890)</b>	<b>602,788,989</b>	<b>15,061,351</b>
<b>Surplus (Deficit) for the year</b>	<b>8,917,405</b>	<b>18,648,628</b>	<b>9,731,223</b>	<b>3,443,352</b>	<b>15,205,276</b>

The District has a \$18.6 million surplus for the period ending June 30, 2019 (\$3.4 million – June 30, 2018) 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 \$7.4 million (\$2.5 million – 2018) and the Capital Fund reported an \$11.2 million surplus (\$0.9 million – 2018)

## Statement of Operations – Operating Fund

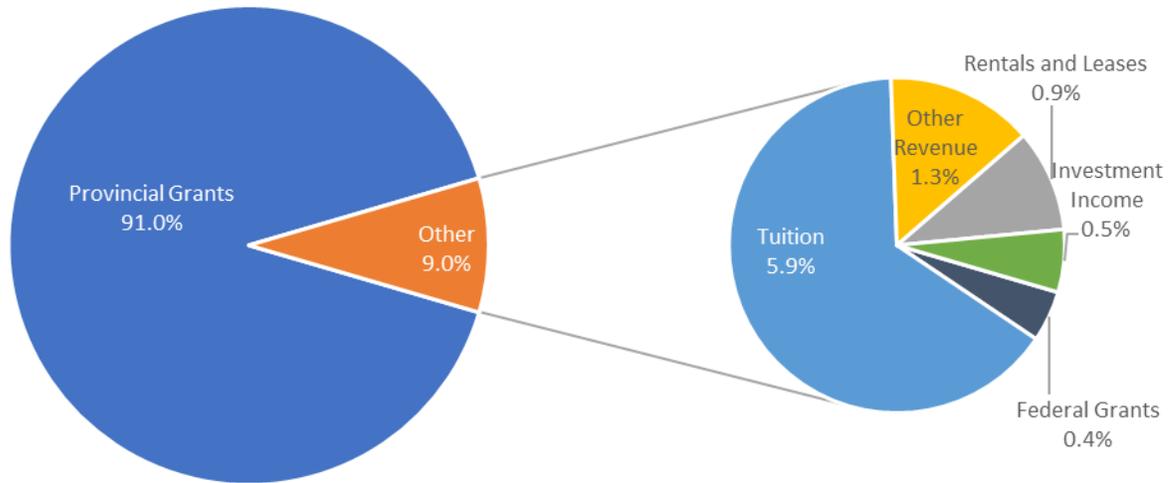
This statement reflects the day-to-day operations of the District for the year. The following schedule compares the results for the period ending June 30, 2019 against the budget for the year and the results for the prior year.

	<b>Budget 2019</b>	<b>Actual 2019</b>	<b>Variance to Budget</b>	<b>Actual 2018</b>	<b>Variance to 2018</b>
<b>Revenues</b>					
Provincial Grants	460,632,519	462,046,011	1,413,492	452,914,576	9,131,435
Federal Grants	2,259,915	2,259,914	(1)	2,364,846	(104,932)
Tuition	28,878,599	29,847,950	969,351	28,517,730	1,330,220
Other Revenue	5,699,825	6,519,772	819,947	5,414,945	1,104,827
Rentals and Leases	3,722,214	4,522,920	800,706	4,351,960	170,960
Investment Income	2,581,732	2,774,350	192,618	1,935,923	838,427
<b>Total Revenue</b>	<b>503,774,804</b>	<b>507,970,917</b>	<b>4,196,113</b>	<b>495,499,980</b>	<b>12,470,937</b>
<b>Expenses</b>					
<b>Salaries</b>					
Teachers	222,989,251	222,087,465	(901,786)	227,048,691	(4,961,226)
Principals and Vice Principals	24,067,002	23,993,358	(73,644)	22,757,385	1,235,973
Educational Assistants	38,331,986	36,966,930	(1,365,056)	34,436,424	2,530,506
Support Staff	54,912,383	53,670,115	(1,242,268)	53,052,511	617,604
Other Professionals	9,993,449	9,885,282	(108,167)	8,769,140	1,116,142
Substitutes	10,245,458	10,151,901	(93,557)	8,650,473	1,501,428
<b>Total Salaries</b>	<b>360,539,529</b>	<b>356,755,051</b>	<b>(3,784,478)</b>	<b>354,714,624</b>	<b>2,040,427</b>
<b>Employee Benefits</b>	<b>95,006,484</b>	<b>94,499,119</b>	<b>(507,365)</b>	<b>92,290,601</b>	<b>2,208,518</b>
<b>Total Salaries and Benefits</b>	<b>455,546,013</b>	<b>451,254,170</b>	<b>(4,291,843)</b>	<b>447,005,225</b>	<b>4,248,945</b>
<b>Services and Supplies</b>					
Services	17,140,103	16,399,860	(740,243)	12,838,594	3,561,266
Student Transportation	2,972,401	2,999,259	26,858	2,861,122	138,137
Professional Development and Travel	1,308,829	1,247,070	(61,759)	1,019,232	227,838
Rentals and Leases	1,558,775	950,286	(608,489)	1,214,709	(264,423)
Dues and Fees	905,790	893,453	(12,337)	866,214	27,239
Insurance	1,316,329	907,774	(408,555)	973,852	(66,078)
Interest	2,363	328	(2,035)	2,363	(2,035)
Supplies	14,903,514	10,701,905	(4,201,609)	12,073,409	(1,371,504)
Utilities	9,123,724	9,559,146	435,422	8,163,355	1,395,791
<b>Total Services and Supplies</b>	<b>49,231,828</b>	<b>43,659,081</b>	<b>(5,572,747)</b>	<b>40,012,850</b>	<b>3,646,231</b>
<b>Total Operating Expense</b>	<b>504,777,841</b>	<b>494,913,251</b>	<b>(9,864,590)</b>	<b>487,018,075</b>	<b>7,895,176</b>
<b>Surplus (Deficit) for the year</b>	<b>(1,003,037)</b>	<b>13,057,666</b>	<b>14,060,703</b>	<b>8,481,905</b>	<b>4,575,761</b>
<b>Budget Appropriation</b>	<b>5,210,896</b>				
<b>Net Transfers to (from) other funds</b>	<b>(4,207,859)</b>	<b>(5,643,802)</b>	<b>(1,435,943)</b>	<b>(5,981,173)</b>	<b>337,371</b>
<b>Total Operating Surplus</b>	<b>-</b>	<b>7,413,864</b>		<b>2,500,732</b>	

## Revenues

Most of the revenue for general operations is received from the Ministry of Education through grant funding (91%). The remaining \$45.9 million, or 9% is received through tuition fees for summer school and international education, rental and leases of school district property, investment income and some federal grants.

Sources of Revenue



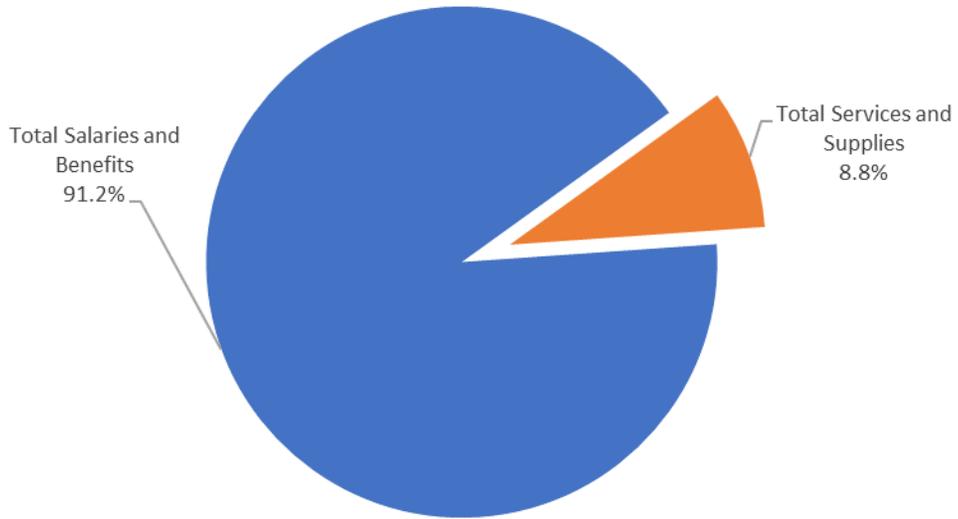
Revenue	Current Year Actual to Budget Comparison	2019 to 2018 Comparison
Provincial Grants	Current year operating grant revenue exceeded budget as the Ministry announced funding for the new Employer Health Tax after approval of the amended budget	The per pupil grant increase from \$7,301 per FTE to \$7,423 per FTE (\$4.6 million) along with the increase in supplementary funding for unique student needs (\$2.8 million) provided additional revenue when student enrolment decreased 282 FTE. Administrative Savings were also returned to districts that was previously deducted (\$2.2 million).

<b>Tuition Revenue</b>	Continuing education had an increase of \$0.5 million from the budget as more students took advantage of the flexible school schedule and the ability to learn at home. The international education program also saw an increase of \$0.5 million over budget as a result of having an increased number of visiting students who take schooling for a short period of time and not the full school year.	Increase in the tuition fees for the year which accounts for approximately \$1.0 million.
<b>Other Revenue</b>	Additional grants and donations and increased revenue from the Print Shop from new clients.	Increase of \$1.1 million year-over-year which was a result of the annualized revenue of Wilfrid Laurier Annex (\$0.2 million), taking into income deposits for Vancouver Learning Network and Adult Education students books that were not returned (\$0.24 million) and a posting correction that reduced revenue by \$0.75 million in the prior year. Revenue was offset by reduced cafeteria sales for the year (\$0.1 million).
<b>Rentals and Leases</b>	Higher demand for district space than what was anticipated.	
<b>Investment Income</b>	Interest rate environment increasing provided greater revenue.	Increased anticipated revenue due to rising interest rate environment from prior year.

## Expenses

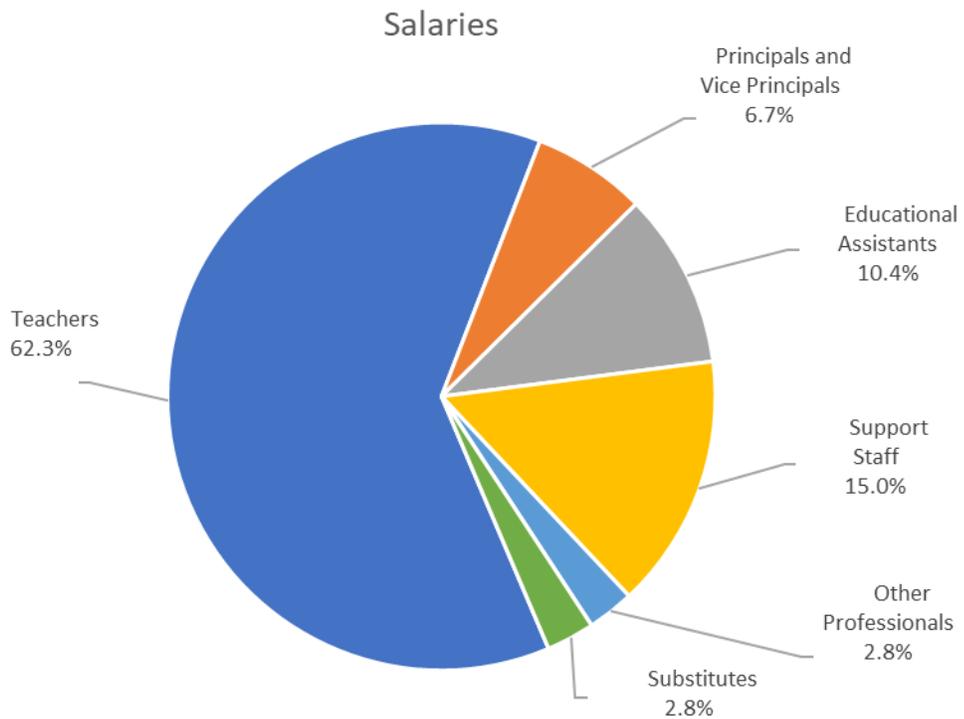
Staff Salaries and Benefits account for 91.2% of the operating expenses of the District, which is lower than the 91.8% in the prior year. A review of the last five years shows the proportion of expenses for Salaries and Benefits has been gradually declining from a high of 92.8% in 2014 to 91.2% in 2019.

## 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 is for Teachers, followed by Support Staff and then Educational Assistants.



**Teacher salaries** were under budget due to staffing shortages (\$1.3 million) which was offset by an increase in the actual average teacher salary used for budgeting (\$0.1 million) and an increase in use of teachers-on-call (\$0.3 million).

The decrease from the prior year was a combination of a reduction in the number of teachers due to lower student enrolment and a shortage of teachers being hired (\$7.6 million) which was offset by an increase to the District's average salary cost from \$78,483 to \$80,512, which resulted in an increased expense of \$5.1 million. The balance of the savings was from the District receiving sufficient funding in the Classroom Enhancement Fund this year whereas in the prior year \$2.4 million was expensed in the Operating Fund, having not been funded by the Ministry.

**Principals and Vice Principals salaries** ended the year on budget. The increase from the prior year is attributable to the annual wage lift and positions being filled for the entire school year.

**Educational Assistants** salaries were under budget throughout the year as the District was not able to fill all the vacant positions. During

the Amended Budget process, the Board established a \$1.5 million special grant from the savings in the first half of the year to be used to support students who experienced a loss of services. The \$1.3 million in underspend after the approval of the Amended Budget is also a result of not being able to fill positions. The District started an Educational Assistant training program to alleviate this staffing shortage and it is anticipated the graduates will be hired for the 2019-20 school year.

**Support Staff** salaries were under budget due to timing of positions being filled. The increase from prior year is from the annual wage lifts that are tied to collective agreements.

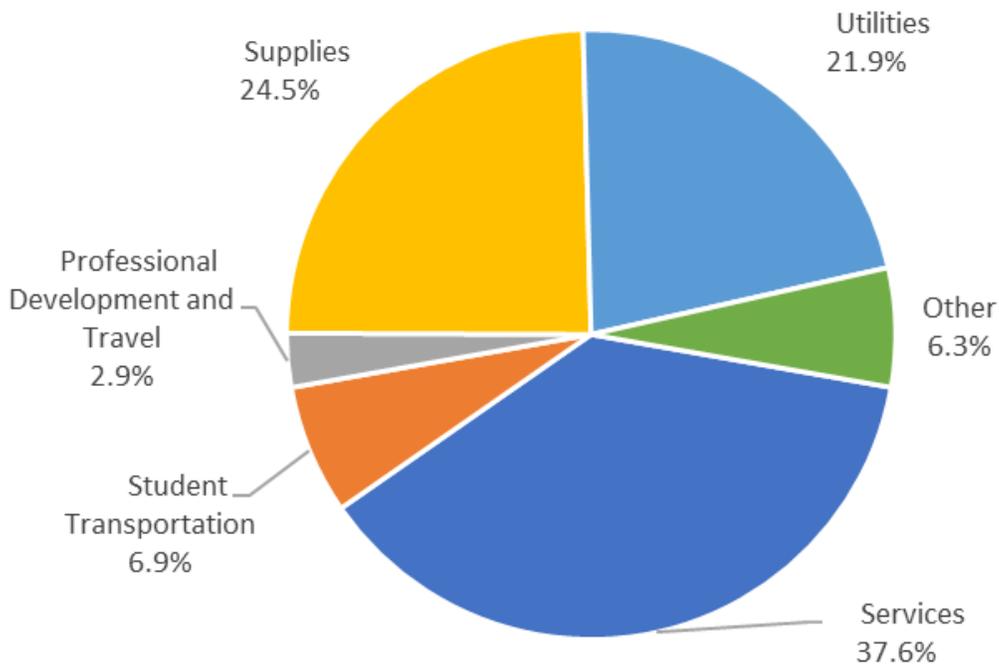
**Other Professionals** salaries was on budget for the year. The change from prior year is a result of having all positions that were vacant in 2017-18 filled and applying a wage increase for existing positions that was approved by the Public Sector Employers' Council.

**Substitutes** salaries was on budget for the current year and the increase from the prior year is due to higher sick replacements to cover increased employee absences.

## **Services and Supplies**

As shown previously, the District spends 8.8% of the funds received on daily operations with a significant proportion being used for Services, Supplies and Utilities as shown in the following chart.

## Services and Supplies



**Services** were significantly under budget for the year primarily due to the \$1.5 million special fund established by the Board not being spent by year end and the savings from the Next Generation Network (\$0.9 million) the province realized and passed along to districts. Savings were also realized in telephone costs (\$0.4 million) and legal fees (\$0.3 million).

**Student Transportation** expenses were on budget and comparable to the prior year.

**Professional Development and Travel** expenses was on budget for the current year. The increase from the prior year is due to staff utilizing professional development opportunities to enhance their skills.

**Rentals and Leases** is under budget due to the maturity of a sale and leaseback agreement (\$0.8 million) for furniture and equipment which was not reflected in the budget. The savings were offset by increased vehicle rental

costs as the new fleet of vehicles the District purchased required decaling and fleet gas rings. The decrease from the prior year is a result of the 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.

**Dues and Fees** is on budget for the year and has a slight increase from the prior year due to inflation.

**Insurance** costs for the District were lower than expected in the budget as the premiums from the School Protection Program were less than budget (\$0.3 million). Year-over-year this category was consistent with the small reduction due to lower vandalism and therefore less deductible paid.

**Interest** expense is from a one-time bank account overdrawn made by the District and is on budget and comparable to the prior year.

**Supplies** came in less than budget with most of the savings from school account balances (\$2.7 million) that could not be spent in the current fiscal period. The District also realized savings as some of the planned expenditures were capitalized (\$0.7 million) and some budgeted equipment was not able to be replaced in the current year (\$0.3 million).

The reduction in this category from the prior year is a result of one-time spending in the prior year for the startup funding for Crosstown Elementary (\$0.1 million) and a grant for the Literacy program (\$0.1 million). Schools also

spent more from their flex budget allocation (\$0.6 million) and the District did an account balance cleanup (\$0.3 million). The Annual Facility Grant deficit for the current year was also less than in the prior year (\$0.2 million).

**Utilities** was slightly higher than budget as a result of increased natural gas pricing due to the Enbridge pipeline explosion in October 2018. The volatility of the natural gas prices was difficult to project and is reflected in the variance to the budget and the increase from the prior year.

### **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 \$7.4 million for the year ending June 30, 2019 after transfers for capital projects. With an opening accumulated surplus balance of \$12.4 million, the District's accumulated operating surplus balance is \$19.9 million as at June 30, 2019. Application of the policy results in the accumulated operating surplus balances as follows:



### Accumulated Surplus

Purpose	June 2019	June 2018
Operations spanning future school years	7,792,091	3,768,805
Anticipated unusual expenses	2,503,785	1,640,864
Fund constraints	4,681,971	4,073,077
Contingency reserve	2,474,567	-
Unrestricted operating surplus	2,416,518	2,972,321
	19,868,931	12,455,067

### 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 is listed below.

MINISTRY OF EDUCATION FUNDING					
Fund	Current Year	Prior Year	Difference	Deferred Revenue Balance	Intended Use
Annual Facility Grant (AFG)	2,342,391	2,247,644	94,747	-	Routine maintenance of school facilities, especially regarding roofs.
Learning Improvement Fund (LIF)	1,725,642	1,758,948	(33,306)	-	Supplementary funding to school districts for additional teacher assistants and other para-professionals and/or additional services to students.
Indigenous Education Technology	-	16	(16)	11,442	
Special Education Technology (SET-BC)	7,972,166	7,135,745	799,749	2,163,440	Provincial program established to assist school districts in utilizing technology to support the diverse needs of students.
Strong Start	626,955	615,317	11,638	51,476	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	229,813	209,433	20,380	40,040	Intended for families and their three- to five-year-old children, Ready, Set, Learn is all about providing good 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.
CommunityLINK	9,153,614	9,217,868	(64,254)	354,475	To support programs and services to improve educational performance of vulnerable students, including both academic achievement and social functioning.
CEF – Overhead	4,529,730	5,653,444	(1,123,714)	1,225,636	Funding to implement the Memorandum of Understanding re: Letter of Understanding No. 17.
CEF - Staffing	30,058,467	22,515,871	7,542,596	1,726,164	
CEF - Remedy	2,925,385	-	1,028,670	100,204	
Provincial Resource Program (PRP)	2,159,411	2,076,183	83,228	60,318	
Educational Resource Acquisition Consortium (ERAC)	2,883,058	3,032,101	(149,043)	943,347	A member-based organization providing services to the K-12 education sector in British Columbia and the Yukon.
Communication Assistance for Youth and Adults (CAYA)	3,006,832	2,855,033	151,799	9,427,361	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)	2,949,510	3,232,457	(282,947)	8,503,181	Provides assistive technology resources to make learning environments usable for people with disabilities.
Provincial Resource Centre for the Visually Impaired (PRCVI)	2,157,655	1,994,184	163,471	520,407	Outreach program that supports school districts' goal of ensuring equitable access and enhanced educational opportunities for students with visual impairments.

<b>FEDERAL FUNDING</b>					
<b>Fund</b>	<b>Current Year</b>	<b>Prior Year</b>	<b>Difference</b>	<b>Deferred Revenue Balance</b>	<b>Intended Use</b>
<b>French Language (OLEP)</b>	658,979	621,678	37,301	29,760	All Federal Funds received by school districts must be spent entirely in support of French Immersion Programs or Core French Courses.
<b>Settlement Workers in Schools (SWIS)</b>	67,728	155,272	(87,544)	490,419	School based settlement service for immigrants, refugees and other eligible clients to meet their immediate settlement or ongoing needs after their arrival in Canada.

<b>OTHER FUNDING</b>					
<b>Fund</b>	<b>Current Year</b>	<b>Prior Year</b>	<b>Difference</b>	<b>Deferred Revenue Balance</b>	<b>Intended Use</b>
<b>CommunityLINK Other</b>	810,920	817,338	(6,418)	831,416	
<b>Scholarships and Bursaries</b>	96,500	69,986	26,514	560,032	
<b>School Generated Funds</b>	22,066,574	27,008,252	(4,941,678)	10,611,085	

## Capital Funds

Specific balances in the Capital Fund are as follows:

Capital Funds	June 30, 2019	June 30, 2018	Variance
Bylaw capital	\$ -	\$ 1,026,028	\$ (1,026,028)
Restricted capital	38,308,928	583,492	37,725,436
Other Provincial capital	147,712	130,288	17,424
Other capital	-	103,768	(103,768)
Local capital	9,897,980	128,330	9,769,650
Total	48,354,620	1,971,906	46,382,714

**Bylaw capital:** The balance decreased by \$1.0 million as the surplus balances from various completed Capital projects were transferred to Restricted capital.

**(Ministry) Restricted capital:** These are funds held on behalf of the Ministry of Education. The balance increased by \$37.7 million primarily due to proceeds from the sale of a subsurface air parcel at the Lord Roberts Annex school site, in addition to surplus balances from various completed capital projects.

**Other Provincial capital:** Increased by \$17,424 as additional funds were provided by the Ministry of Jobs, Tourism and Skills

Training to purchase trades training equipment in support of Industrial Training Authority Youth Trades programs.

**Other capital:** These funds are from the City of Vancouver in relation to constructing childcare facilities as part of the seismic upgrade at various schools. The balance decreased by \$103,768 due to delayed billing to the City of Vancouver for childcare-related construction costs.

**Local capital:** Increased by \$9.8 million due to rental revenue, and proceeds from the 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	June 30, 2019	June 30, 2018	Difference
Carryforward Balance	128,330	128,330	-
Dr. George M. Weir Elementary Upgrade Project	1,364,102	-	1,364,102
New school in Coal Harbour	12,075,000	-	12,075,000
Capital project costs incurred prior to receiving Ministry approval	(3,669,452)	-	(3,669,452)
Total	9,897,980	128,330	9,769,650

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 2023. Prior to receiving Ministry approval for a capital project all project expenditures are funded by local capital.

**Major Capital Projects**

**Seismic Replacement**



Four schools are currently under construction, with two expected to be occupied in fall 2019 (Nelson Elementary, Fleming Elementary), and two expected to be completed in 2020 (Lord Tennyson Elementary, Maple Grove Elementary).

Ten projects are currently in the design / tender phase: Bayview Elementary, Sir Matthew Begbie Elementary, David Lloyd George Elementary, Eric Hamber Secondary, General Wolfe Elementary, Edith Cavell Elementary, Lord Selkirk Elementary, Chief Maquinna Elementary, Lord Byng Secondary, Dr. George M. Weir Elementary.

**Project Definition Reports (PDR)**



The preparation of project definition reports is in various stages for seven projects: Killarney Secondary, David Thompson Secondary, Sir Guy Carleton Elementary, Henry Hudson Elementary, False Creek Elementary, David Livingstone Elementary, Sir Wilfred Grenfell Elementary.

**Future New School Construction**



***Coal Harbour Elementary:*** This project includes a new school on a secured site adjacent 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. This project is currently in the schematic design phase and is anticipated to be completed during the 2023-2024 school year.

## 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 projects were completed during the year:

Project	Funding	Actuals
<i>Washroom upgrade</i>	515,000	
Sir Winston Churchill Secondary		54,957
Champlain Heights Elementary		241,384
Nootka Elementary		2,424
Lord Byng Secondary		51,358
Thunderbird Elementary		187,626
<i>Roof barriers installation</i>	100,000	
False Creek Elementary		5,965
Admiral Seymour Elementary		3,146
Templeton Secondary		21,028
<i>Fire alarm upgrade</i>	176,000	
Magee Secondary		155,940
<i>Electrical/PA system upgrade</i>	190,000	
Emily Carr Elementary		17,039
David Livingstone Elementary		17,038
John Henderson Elementary		17,038
Kingsford-Smith Elementary		4,104
Nootka Elementary		17,038
David Oppenheimer Elementary		16,984
Trafalgar Elementary		17,038
Sir John Franklin Elementary		17,038
Queen Victoria Annex		17,038
Lord Selkirk Elementary		17,038
All Schools		31,277
<b>Total</b>	<b>981,000</b>	<b>912,493</b>

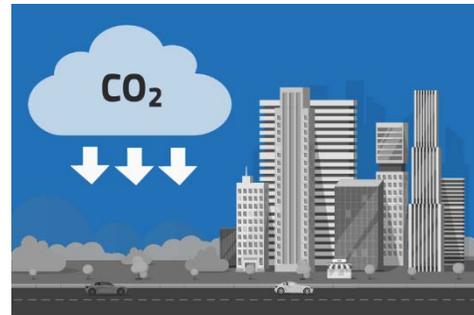
The following projects are in progress:

Project	Funding	Spending to June 2019	Expected Completion
<i>Elevator Construction</i>			
Sir Richard McBride Elementary	300,000	366,872	August 2019
<i>Fire System Upgrade</i>			
General Wolfe Elementary	760,000	-	March 2020
Sir Winston Churchill Secondary	225,000	-	March 2020
<b>Total</b>	<b>1,285,000</b>	<b>366,872</b>	

### Carbon Neutral Capital Funded Projects (CNCP)

Provides specific funding to energy efficiency projects that lower the school districts 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, 2020.
- **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, 2020.



### Building Envelope Program Funding (BEP)

Funding is provided to help school districts with remediation of schools suffering damage from water ingress due to premature building envelope failure. Eligible school facilities under this program have been built between 1980 and 2000 and have a risk assessment report facilitated by B.C. Housing.

- **Magee Secondary:** In January 2018, additional funding of \$461,736 was approved by the Ministry of Education for building envelope remediation. This project was administered by BC Housing, and was completed during the year at a total project cost of \$5.2 million.

## 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 \$105,000 for universally accessible playground equipment.

- **General Brock Elementary:** Ministry of Education approved a funding grant of \$90,000 to build a playground. Project was completed during the year.
- **University Hill Elementary:** Funding grant of \$105,000. Project was completed during the year.
- **John Norquay Elementary:** Funding grant of \$105,000. Scheduled to be completed by March 31, 2020.
- **Waverley Elementary:** Funding grant of \$105,000. Scheduled to be completed by March 31, 2020.



**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 2018-2019.

	No. Schools	Amount
Electrical System Upgrades	29	1,860,000
Facility Upgrades	58	3,778,964
Functional Improvements	50	1,489,125
Health and Safety Upgrades	11	92,800
Mechanical System Upgrades	83	1,279,357
Roof Replacement	11	1,861,403
Site Upgrades	17	346,280
Technology Infrastructure Upgrades	19	100,000
<b>Total</b>		<b>10,807,929</b>

**Other Capital Developments**

- David Thompson Secondary Land Exchange:** As part of the Seismic Mitigation Program, the Vancouver School District is working with the Vancouver Park Board on a potential agreement for a land exchange between the current school site and the adjacent Gordon Park. The PDR is projected to be completed in December 2019. The plan is to construct a new seismic replacement school on Gordon Park, and eventually relocate Gordon Park to the existing school site with the total park area to remain unchanged.



## 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 document phase. Occupancy expected July 2021. Project cost information being compiled.
- **Coal Harbour:** Project is at procurement phase. Occupancy expected September 2023. Project cost information being compiled.
- **Eric Hamber:** Project is at procurement phase. Occupancy expected September 2023. Project cost information being compiled.

## Risk Factors

There are a number of risk factors that may have a financial impact on the District, ranging from enrolment changes to unexpected cost pressures. The District has undertaken a comprehensive enterprise wide risk assessment and has identified 23 key areas of risk. District staff continue to work on mitigating the identified risks and the development and implementation of the accumulated surplus policy has reduced some of the risk. Some of the major areas of risk for the District are outlined below.

**Funding Model Review** – The Province is currently undertaking a Funding Model Review that was announced in October 2017 by the Minister of Education. An Independent Review Panel was appointed by the Minister to review the current model and consult with school districts to determine what a new model should look like. The Panel provided a report to the Minister in August 2018 with 22 recommendations, which was made public in December 2018. The Minister has announced that additional work on the new model will be completed during the 2019-20 school year and that the new

model will be in place for the 2020-21 school year. This additional work will be completed by four Working Groups that have been established – Adult and Continuing Education, Financial Management, Inclusive Education and Online Learning. The Working Groups will consider the key implementation issues related to the Panel’s recommendations and will be responsible for: 1) Outlining how to best educate partners and stakeholders in the current funding system and the proposed changes; 2) Completing a reporting template that identifies implications associated with implementing the recommendations and discusses strategies for how best to successfully move forward; and 3) Submitting the reporting template to the Minister of Education by Fall, 2019. Along with the Working Groups, the Minister has also established an Advisory Committee for Enhancing Student Learning. This Committee will aim to align all efforts across the sector to some common values, outcomes and measures while fully respecting local autonomy to deliver education. Throughout the process, the Ministry has articulated that the Review will not result in an injection of additional funding, it will reflect a revised allocation of existing funding.

**Collective Bargaining** – All the collective agreements with the District expired June 30, 2019. Bargaining remains a concern, despite the positive working relationships that the District has established with its unions, due to the unknown around bargaining at the provincial level. The District has been successful in ratifying Agreements with CUPE Local 15 and CUPE Local 407, all other collective agreements continue to be bargained. The harm of labour disruption to the educational system and the effort and resources to correct damaged relationships, while important, is distracting.

**International Education** – The District relies to some extent on International Education enrolment to supplement the Operating Grant revenue from the Ministry of Education. Global economic conditions and revisions to study permit applications are the largest factors that impact international student demand for spaces in Vancouver schools.

The political instability between Canada and China may have an impact in the longer term as families may choose to continue to educate their children in their home country. The program has students from 38 countries, which helps to mitigate this risk.

On August 1, 2019, the government announced the introduction of the International Student Health Fee that will be effective September 1, 2019. The fee for 2019 will be \$37.50 per student per month and will increase to \$75 per student per month effective January 1, 2020. The government will be billing students individually for this fee.

**Facilities** – The District operates 77 elementary schools, 18 secondary schools, 13 annexes, 8 District Schools (leased or district program sites), 6 District Support Facilities and 3 properties on which businesses operate for a total of 125 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.

To address the recruitment of support staff, the District has embarked on a training program for Education Assistants with the outcome of hiring those students graduating from the program.

**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 21<sup>st</sup> 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 in order to meet the ongoing needs for improved data and reporting. System security remains a high concern. 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 general but more detailed overview of the finances and 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.