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## Introduction

The following Financial Statement Discussion and Analysis should be read in conjunction with the audited financial statements for the year ended June 30, 2020.

The purpose of this report is to provide readers with a better understanding of the school district's financial statements and to assess the overall financial condition of the district.

## District Overview

The Abbotsford School District is the eighth largest district in the province and has 46 schools that are attended by over 20,100 full and part time students. The District operates 30 elementary schools, 8 middle schools, 1 combined middle-secondary school, and 7 secondary schools. The District employs over 2,200 full and part time teaching and support staff who are committed to helping students succeed. A variety of quality programs are offered to meet unique learning needs and engage students in stimulating and relevant educational experiences.

The Abbotsford School District honors the traditional territory of the Sumas First Nation and Matsqui First Nation on which our schools are located. It is with respectful consideration that the programs and services provided to students and families are sensitive to the cultural protocols of these two communities.

## Strategic Plan

The Board of Education remains committed to upholding a strategic plan that maintains respect as its foundation, enables opportunity as the key part of its mission, and innovation as a means to success.

- **MISSION:** Preparing an inspiring our student for a lifetime of success through respect, opportunity, and innovation.
- **VISION:** A world-class, innovative an individualized educational experience for every student.



In 2016, we developed a refreshed Strategic Plan that will lead the district forward. This bold plan is aimed at making Abbotsford a national leader in education. Our vision is to develop a world-class, innovative, and individualized educational experience for every student.

## Accounting Policies

The consolidated financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

Significant accounting and reporting policies are summarized in Note 2 of the financial statements.

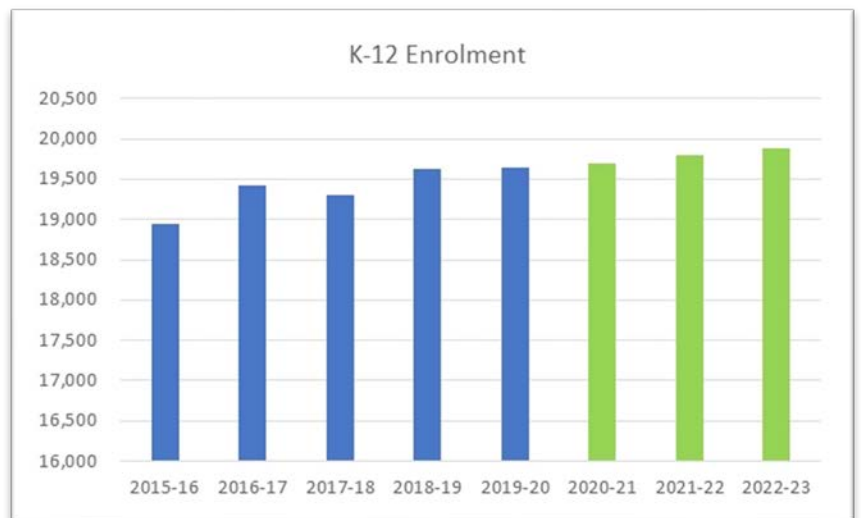
### COVID-19 Pandemic

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020 and has had a significant financial, market and social dislocating impact worldwide. Under direction of the Provincial Health Officer, all schools suspended in-class instruction in March 2020 and the District remained open to continue to support student and families in a variety of ways. Parents were given the choice to send their children back to school on a gradual and part-time basis beginning June 1 with new health and safety guidelines. The ongoing impact of the pandemic presents uncertainty over future cash flows and may have a significant impact on future operations including decreases in revenue, impairment of receivables, reduction in investment income and delays in completing capital project work. As the situation is dynamic and the ultimate duration and magnitude of the impact are not known, an estimate of the future financial effect on the District is unknown at this time.

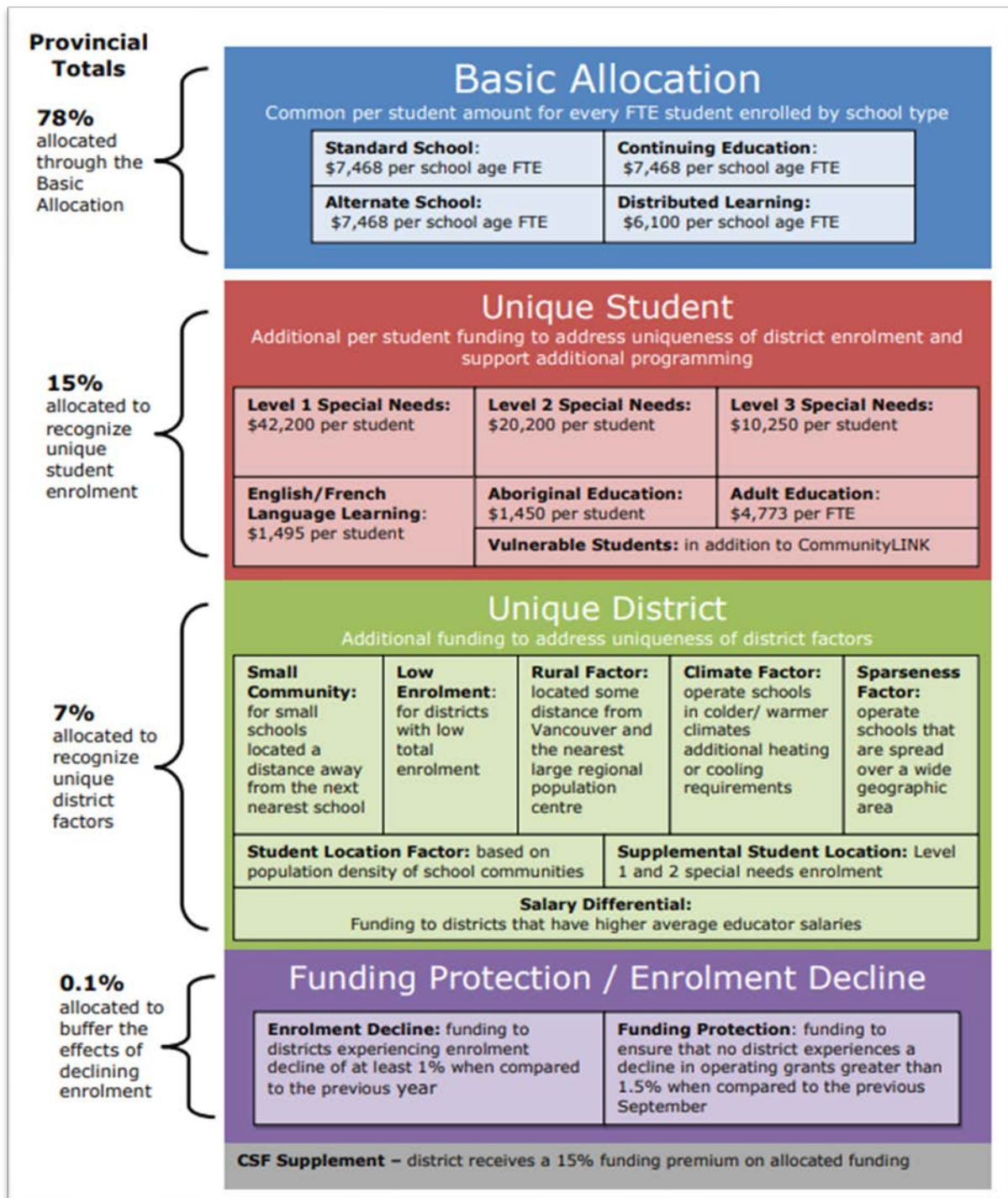
## Financial Analysis

### Enrolment

Student enrolment represents the key component for determining both the operating revenue and staffing costs in the school district. Enrolments have been relatively stable showing slight growth, and while they are projected to increase, the effects of the COVID-19 pandemic on enrolment are undetermined at this time.



The district is funded primarily through provincial operating grants from the Ministry of Education. These grants are based on student enrolment, mainly from a September enrolment count, but also supplementary counts in February, May and July. The province provides a per full-time equivalent (FTE) allocation for each student along with supplementary funding for students with unique needs and for other demographic factors. Below is a summary of how the provincial funding is allocated.



## Financial Reporting

To meet the financial reporting requirements the following funds are utilized:

- **OPERATING FUND:** The operating fund includes operating grants and other revenues used to fund day-to-day operations including instructional programs, school and district administration, facilities operations, maintenance, and transportation.
- **SPECIAL PURPOSE FUND:** Special purpose funds consist of targeted funding provided to the school district for a specific purpose. Pursuant to sections 156(4) and (5) of the *School Act*, each special purpose fund must be accounted for in accordance with the terms of that special purpose fund.
- **CAPITAL FUND:** Capital funds include capital expenditures related to equipment and facility purchases. The fund reports the financial activities for tangible capital assets as per Ministry accounting policy.

## Statement of Financial Position

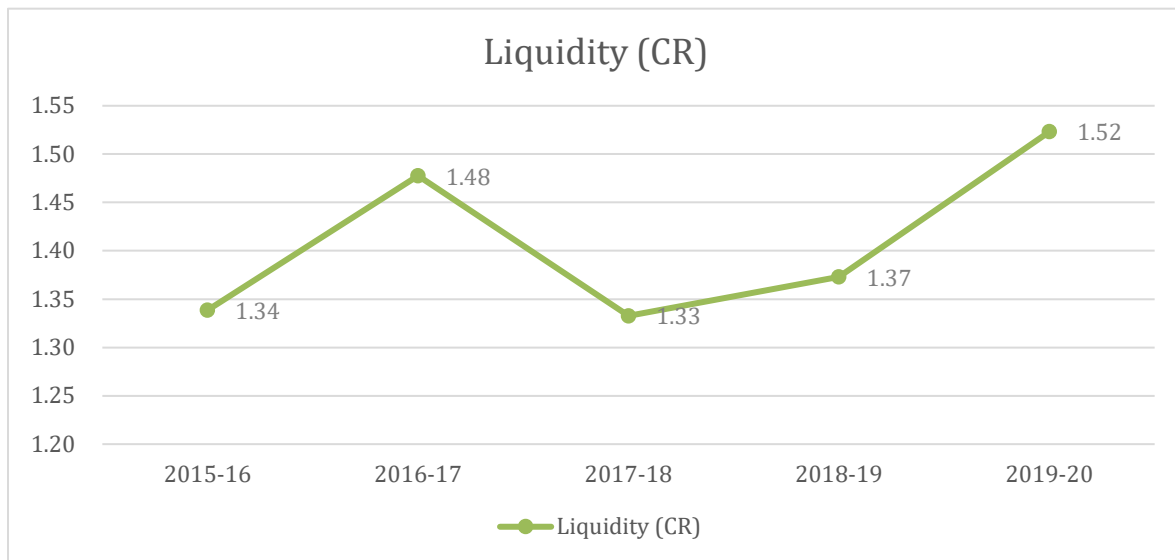
The Statement of Financial Position (balance sheet) presents the school district's financial assets and liabilities at the fiscal year end. It provides a comparative analysis of the district's net financial position for fiscal years ending June 30, 2019 and June 30, 2020 along with the year over year change.

Statement of Financial Position	2019-20	2018-19	Change
<b>Financial Assets</b>			
Cash and Cash Equivalents	54,410,041	50,689,489	3,720,552
Accounts Receivable			
Due from Province - Ministry of Education	411,540	1,075,124	(663,584)
Due from First Nations	105,397	-	105,397
Other	539,765	867,882	(328,117)
<b>Total Financial Assets</b>	<b>55,466,743</b>	<b>52,632,495</b>	<b>2,834,248</b>
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities			
Other	11,756,884	11,604,455	152,429
Unearned Revenue	3,650,269	6,066,766	(2,416,497)
Deferred Revenue	2,641,787	2,325,436	316,351
Deferred Capital Revenue	158,621,268	161,348,737	(2,727,469)
Employee Future Benefits	9,296,566	8,885,938	410,628
Other Liabilities	9,069,666	9,452,084	(382,418)
<b>Total Liabilities</b>	<b>195,036,440</b>	<b>199,683,416</b>	<b>(4,646,976)</b>
<b>Net Debt</b>	<b>(139,569,697)</b>	<b>(147,050,921)</b>	<b>7,481,224</b>
<b>Non-Financial Assets</b>			
Tangible Capital Assets	204,106,305	210,127,625	(6,021,320)
Prepaid Expenses	1,118,101	1,111,164	6,937
<b>Total Non-Financial Assets</b>	<b>205,224,406</b>	<b>211,238,789</b>	<b>(6,014,383)</b>
<b>Accumulated Surplus (Deficit)</b>	<b>65,654,709</b>	<b>64,187,868</b>	<b>1,466,841</b>

- Cash increased by \$3.7 million primarily due to reduced spending caused by the COVID-19 pandemic. Of the total cash balance \$21.9 million is held in the Ministry of Finance in the Provincial Central Deposit Program.
- Due from Province – Ministry of Education decreased by \$663,584 due to the timing of drawing funds for capital purposes.
- Unearned revenue decreased by \$2.4 million due to fewer international students being registered for the 2020-21 school year. This decrease in enrolment is directly attributable to the COVID-19 pandemic.
- Tangible capital assets decreased by \$6 million due to depreciation costs being reported and no major capital additions in 2019-20.

## Analysis of Financial Health

Liquidity ratio looks at the ratio of current financial assets to liabilities (excluding deferred capital revenue) to see if there are sufficient current assets on hand to meet current liabilities. A liquidity ratio greater than 1 means that sufficient current assets are on hand to meet these liabilities.



## Net Debt or Net Financial Assets

Net Debt or Net Financial Assets is a term unique to public sector financial reporting. It is reported in the Statement of Financial Position and represents the difference between the school district's financial assets and total liabilities at a point in time. This provides a measure of the future revenues required to pay for past transactions and events. In our case Deferred Capital Revenues are used to fund the amortization of tangible capital assets in future years.

### Accumulated Amortization to Assets

The Accumulated Amortization to Assets ratio is a financial measurement tool that calculates the age, value and remaining useful life of a fixed asset. A low ratio may indicate that the assets have plenty of life left while a high ratio could indicate that asset will need replacement soon. The ratios below suggest that investments in new buildings and equipment and vehicles will be important over the next few years. In addition, some technology software and hardware (servers and switches) that have been capitalized are now nearing end of life and will require future investment. Note this does not include leased end-user technology equipment that is replaced regularly every four to five years through operating leases.

<b>Buildings</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Gross Assets</b>	322,080,713	324,695,934	327,528,960	330,140,560	331,951,389
<b>Accumulated Amortization</b>	142,548,544	149,828,748	157,185,778	164,584,939	172,004,007
<b>Ratio</b>	0.44	0.46	0.48	0.50	0.52
<b>Furniture, Equipment &amp; Vehicles</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Gross Assets</b>	12,622,564	12,240,564	12,503,383	11,921,756	11,673,840
<b>Accumulated Amortization</b>	5,860,001	5,977,805	6,190,988	6,127,609	5,848,045
<b>Ratio</b>	0.46	0.49	0.50	0.51	0.50
<b>Computer Software/Hardware</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Gross Assets</b>	7,997,481	7,444,147	5,049,369	4,706,383	4,441,579
<b>Accumulated Amortization</b>	4,043,243	5,021,210	1,680,232	2,189,387	2,687,897
<b>Ratio</b>	0.51	0.67	0.33	0.47	0.61
<b>TOTAL</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Gross Assets</b>	342,700,758	344,380,645	345,081,712	346,768,699	348,066,808
<b>Accumulated Amortization</b>	152,451,788	160,827,763	165,056,998	172,901,935	180,539,949
<b>Ratio</b>	0.44	0.47	0.48	0.50	0.52



## Consolidated Statement of Operations

This reports all revenues and expenses over the fiscal period from all three funds. Information on each fund is reviewed separately later in this report.

	2019-20 Budget	2019-20	Variance to Budget	2018-19	Variance to 2018-19
<b>Revenues</b>					
Provincial Grants					
Ministry of Education	199,070,711	204,427,877	5,357,166	196,328,713	8,099,164
Other	225,000	533,909	308,909	337,762	196,147
Federal Grants	-	59,204	59,204	15,763	43,441
Tuition	6,605,000	6,576,564	(28,436)	6,273,370	303,194
Other Revenue	8,131,663	7,565,064	(566,599)	9,127,616	(1,562,552)
Rentals and Leases	390,000	251,229	(138,771)	375,567	(124,338)
Investment Income	477,500	701,286	223,786	787,738	(86,452)
Amort. of Deferred Capital Revenue	7,591,665	7,595,914	4,249	7,562,844	33,070
<b>Total Revenue</b>	<b>222,491,539</b>	<b>227,711,047</b>	<b>5,219,508</b>	<b>220,809,373</b>	<b>6,901,674</b>
<b>Expenses</b>					
Instruction	185,198,311	184,760,266	(438,045)	180,312,760	4,447,506
District Administration	5,511,809	6,237,581	725,772	6,198,532	39,049
Operations and Maintenance	30,721,202	31,210,995	489,793	29,682,943	1,528,052
Transportation and Housing	3,606,216	4,035,364	429,148	4,121,028	(85,664)
<b>Total Expense</b>	<b>225,037,538</b>	<b>226,244,206</b>	<b>1,206,668</b>	<b>220,315,263</b>	<b>5,928,943</b>
<b>Surplus (Deficit) for the year</b>	<b>(2,545,999)</b>	<b>1,466,841</b>	<b>4,012,840</b>	<b>494,110</b>	<b>972,731</b>

Ministry grants increased from budget and the prior year due to funded wage settlements in the operating fund and the Classroom enhancement fund (CEF) in the special purpose fund.

Other revenue decreased by \$1.5 million from the prior year as a result of lower school generated funds (special purpose fund) and decreased rental revenues (operating fund), both resulting from the COVID-19 pandemic.

Expenditure increases from the prior year result from increased wage settlements. The budget variance in instruction arises from school operations being curtailed in the spring due to COVID-19 pandemic. Schools did not spend their budget allocations, resulting in an increase in their budget carry-overs.

District Administration, Operations and Maintenance and Transportation were over budget primarily due to wage settlements that were not included in the preliminary budget estimates.

## Consolidated Accumulated Surplus

Accumulated Surplus	2019-20	2018-19
Invested in tangible capital assets	52,000,101	52,909,204
Local capital surplus	5,843,617	3,554,020
<b>Total capital surplus</b>	<b>57,843,718</b>	<b>56,463,224</b>
Operating surplus	7,810,991	7,724,644
<b>Total Accumulated Surplus</b>	<b>65,654,709</b>	<b>64,187,868</b>

## Operating Fund

### Statement of Operating Operations

This statement of revenue and expenditures 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 of the prior year.

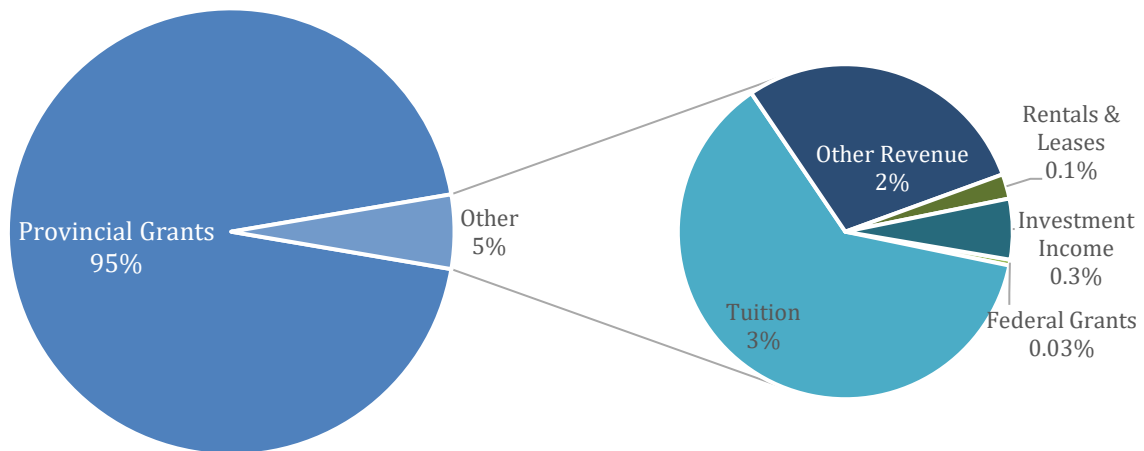
Operating Fund	2019-20 Budget	2019-20	Variance to Budget	2018-19	Variance to 2018-19
<b>REVENUE</b>					
Provincial Grants, MOE	183,483,826	186,184,717	2,700,891	178,963,361	7,221,356
Provincial Grants, Other	225,000	272,236	47,236	263,113	9,123
Federal Grants	-	59,204	59,204	15,763	43,441
Tuition	6,605,000	6,576,564	(28,436)	6,273,370	303,194
Other Revenue	2,302,663	3,053,872	751,209	3,189,049	(135,177)
Rentals & Leases	390,000	251,229	(138,771)	375,567	(124,338)
Investment Income	450,000	619,065	(169,065)	757,937	(138,872)
<b>Total Revenue</b>	<b>193,456,489</b>	<b>197,016,887</b>	<b>3,560,398</b>	<b>189,838,160</b>	<b>7,178,727</b>
<b>EXPENSE</b>					
Teachers	86,796,631	86,781,631	(15,000)	82,429,030	4,352,601
Principals & Vice-Principals	10,816,610	10,881,000	64,390	10,629,687	251,313
Education Assistants	15,358,664	16,141,551	782,887	14,830,099	1,311,452
Support Staff	14,547,885	14,580,972	33,087	13,801,705	779,267
Other Professionals	4,277,850	4,425,681	147,831	3,963,215	462,466
Substitutes	6,234,242	4,126,629	(2,107,613)	5,636,524	(1,509,895)
<b>Total Salaries</b>	<b>138,031,852</b>	<b>136,937,464</b>	<b>(1,094,388)</b>	<b>131,290,260</b>	<b>5,647,204</b>
Employee Benefits	35,464,115	35,115,315	(348,800)	32,729,423	2,385,892
<b>Total Salary &amp; Benefits</b>	<b>173,495,967</b>	<b>172,052,779</b>	<b>(1,443,188)</b>	<b>164,019,683</b>	<b>8,033,096</b>
Services & Supplies	20,509,016	21,980,344	1,471,328	24,111,390	(2,131,046)
<b>Total Expense</b>	<b>194,004,983</b>	<b>194,033,123</b>	<b>28,140</b>	<b>188,131,073</b>	<b>5,902,050</b>
<b>Operating Surplus (Deficit)</b>	<b>(548,494)</b>	<b>2,983,764</b>	<b>3,532,258</b>	<b>1,707,087</b>	<b>1,276,677</b>
<b>Total Interfund Transfers</b>	<b>(1,300,000)</b>	<b>(2,897,417)</b>	<b>(1,597,417)</b>	<b>(2,798,344)</b>	<b>(99,073)</b>
<b>Surplus (Deficit) for Year</b>	<b>(1,848,494)</b>	<b>86,347</b>	<b>1,934,841</b>	<b>(1,091,257)</b>	<b>1,177,604</b>

## Revenue

Almost 95% of the revenue reported in the Operating Fund is received from the Ministry of Education through operating grants. Operating grant revenues reflect the 2019-20 enrolments and includes funding for wage settlements. This funding was not part of the preliminary budget estimates and this represents the significant area of budget variance. The remaining revenue is received through International student tuition fees, rentals and leases of district property, user fees and investment income.

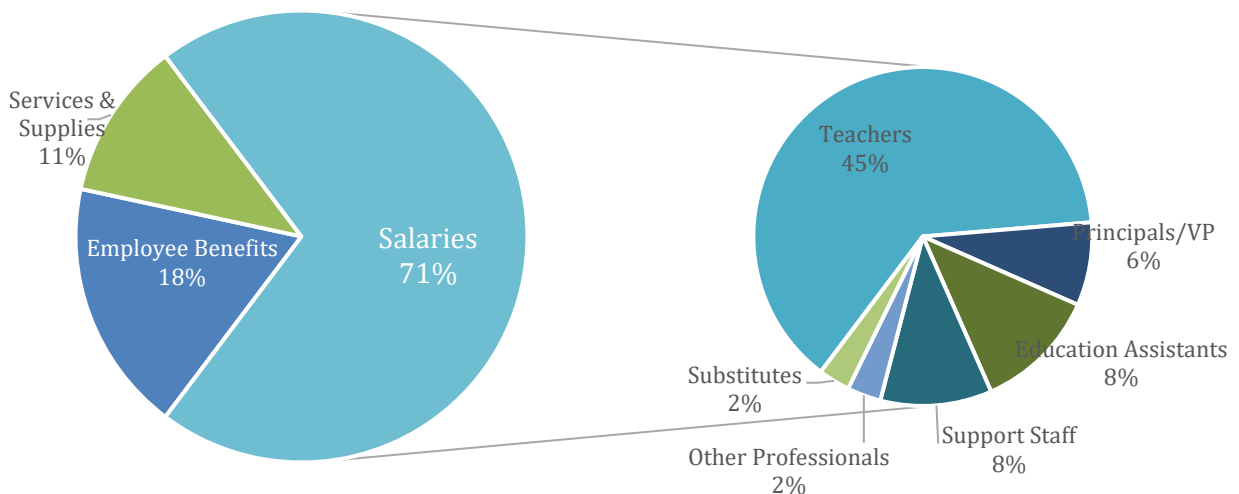
Tuition revenue for International student fees was lower than budget due to some tuition refunds arising from the travel restrictions created by the COVID-19 pandemic.

Revenue from rentals of facilities is lower than budget due to facility closures caused by the COVID-19 pandemic.



## Expenditures

Employee salaries and benefits account for 89% of the operating expenses in the district, which is slightly more than the previous year of 87%.



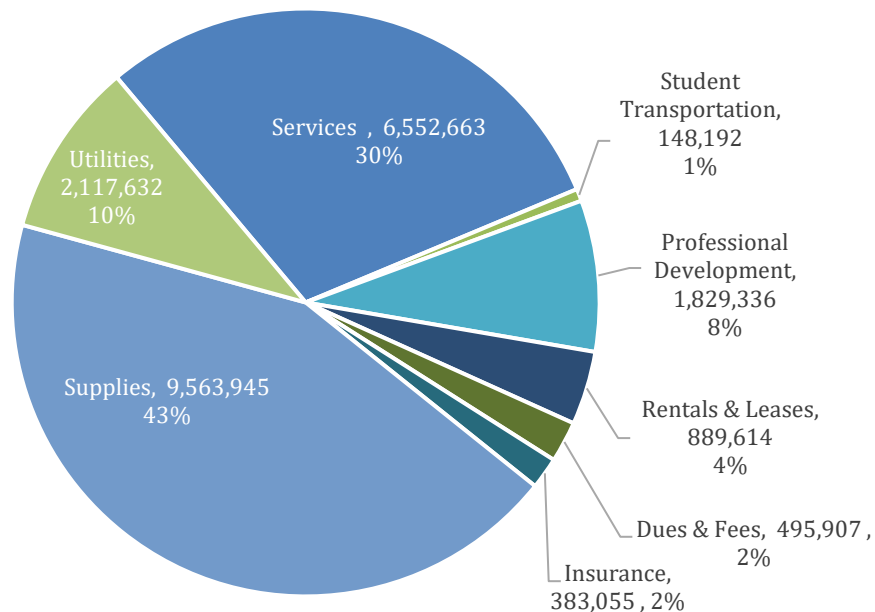
Generally, staffing levels are driven by enrolments whether they are teachers or support staff, so it is crucial to effectively project and respond to enrolment fluctuations.

FULL TIME STAFFING	2019-20	2018-19
TEACHERS	1,176	1,169
PRINCIPALS/VP	87	87
EDUCATION ASSISTANTS	413	409
SUPPORT STAFF	350	348
OTHER PROFESSIONALS	42	40

Salary costs are higher than the prior year due to enrolment increases and wage settlements for all staff. The budget variances are not overly significant, except in substitute salaries where actual costs were \$2.1 million less than the preliminary budget estimates. This is direct result of the COVID-19 pandemic limiting school operations throughout the spring of 2020.

The overall increase in spending from the prior year totaled \$5.6 million, with 92% or \$5.4 million allocated to Instructional areas.

Service and supply spending was over preliminary budget estimates mainly due to school budget carry overs not being included in these estimates. These expenditures were lower than previous year as a result of decreased operations from March to June stemming from the COVID-19 pandemic. Compared to the prior school year, spending was \$436,897 lower in professional development, \$820,164 lower in consumable supplies, \$452,241 lower in utilities. The chart below breaks down service and supply costs in more detail.



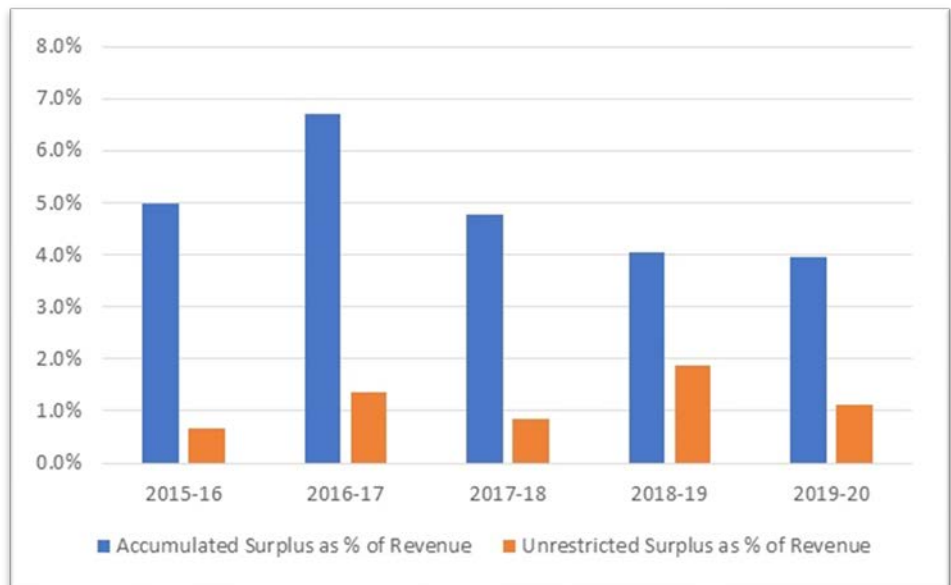
### Accumulated Surplus (Operations)

The Board of Education values sound financial stewardship and takes responsibility for managing its financial resources. Accumulated surpluses and reserves are an important factor in determining the financial health of the school district. These resources are designed to protect the district from unforeseen financial and operating events or circumstances to avoid affecting services to students. An unrestricted operating surplus of between 3% and 5% of total revenues is the optimal target established by the Board. While the total accumulated surplus falls within this target the unrestricted accumulated surplus is at 1.1% of total revenue.

The district ended the 2019-20 year with an accumulated operating surplus of \$7,810,991 of which \$5,621,726 was internally restricted for specific purposes and \$2,189,265 is restricted.

Accumulated Surplus (Operations)	2019-20	2018-19
<b>Internally Restricted:</b>		
<b>School Budget Carry over</b>	2,866,245	1,435,464
<b>Aboriginal education program</b>	106,222	199,665
<b>Other targeted budgets</b>	2,649,259	2,531,980
<b>Unrestricted operating surplus</b>	2,189,265	3,557,535
<b>Total Accumulated Operating Surplus</b>	<b>7,810,991</b>	<b>7,724,644</b>

The table below show the district’s operating revenues and accumulated net operating surplus over a five-year period. In 2018-19 the Ministry of Education required the school district to contribute \$2.5 million of its accumulated operating surplus for the new elementary on Eagle Mountain. The school district transferred \$0.60 million in 2018-19 and \$1.9 million in 2019-20 from operations into local capital fund. This has had a direct impact on the overall operating surplus in the district.



Further details of the internal restrictions on operating surplus are outlined below:

<b>Accumulated Surplus (Operations)</b>		<b>2019-20</b>
Internally Restricted:		
School Budget Carry over		2,866,245
Aboriginal education program		106,222
Other targeted budgets:		2,649,259
Strategic Initiatives	512,000	
IT Infrastructure	1,000,000	
Around School	95,197	
Strong Starts	119,342	
Learning Commons	69,292	
Leadership	69,679	
Community Connections	49,782	
Science Fair	24,802	
Abby Arts PCIF	120,082	
Equity Program	400,048	
IBLT-PLC	57,392	
ACE-IT (Careers)	131,643	
Unrestricted operating surplus		2,189,265
<b>Total</b>		<b>7,810,991</b>

### Special Purpose Funds

Special purpose funds are funds received by the district and designated for a specific use. The district receives funds from the Ministry of Education, the Federal government and from other sources. The details of special purpose funds are below:

Fund	Current Year	Purpose
Annual Facility Grant	691,973	Planned maintenance of facilities.
Learning Improvement Fund	683,203	Supplementary funding for support staff to provide services to students.
School Funds	4,300,812	School funds includes fundraising for school purposes as well as funds that are collected and paid out through school accounts in support of school-based programs.
Strong Start	353,739	A free early learning program located in schools, created through agreement between the Ministry and school districts.
Ready, Set, Learn	35,597	Intended to assist support a young child's early learning and development.
OLEP (French Language)	182,593	Federal funds to support our French immersion program.
Community LINK	1,220,518	Supports programs and services to improve educational outcomes of vulnerable students.
Classroom Enhancement Fund – Overhead	487,798	Funding to implement the Memorandum of Understanding regarding restoration of provisions in the Teacher's Collective Agreement.
CEF – Staffing	10,625,877	

CEF – Remedy	632,600	
First Nation Transportation	2,769	Special funding from the Ministry of Education to provide transportation to First Nations students.
Mental Health in Schools	15,000	Funding to support mental health and substance use challenges for children and youth in schools.
Changing Results for Young Children	7,864	Funding to provide collaborative professional learning among early learning educators.
Provincial Resource Program (PRP)	197,346	Provides funding for the Abbotsford Adolescent Day Treatment Program.
IPALS	13,107	Support for immigrant parents in the community.
Early Years Centre	16,229	Program for families with children aged 0-6 to find necessary community supports.
Early Years Outreach	245,444	Program for families with children aged 0-6 to find necessary community supports.
Literacy Matters	41,990	A community organization to help students master literacy.
Community Support	155,283	A variety of small programs and grants supporting students and families in the district.
<b>Total</b>	<b>19,909,742</b>	

### Capital Fund

The net value of capital assets is \$204.1 million as at June 30, 2020 (see schedule 4A). These net costs represent the historical cost net of accumulated depreciation of all capital assets, they do not reflect current market value.

The school district has two major capital projects at various stages of progress as of June 30, 2020.

A new 460 student elementary school on Eagle Mountain and a major seismic upgrade at Abbotsford Traditional Secondary School (ATSS). The design on the new elementary school has been completed and the project is going to tender in the Fall of 2020. The seismic project at ATSS was announced just before year end so it is in the early stages of consultant selection.



**Specific balances in the Capital Fund are as follows:**

Capital Funds	as at June 30, 2020	as at June 30, 2019	Description
Bylaw capital	-	-	Represents funds drawn on Certificate of Approval (COA) for capital projects.
Restricted capital	100,342	98,227	Represents the Ministry's portion of the proceeds on disposal of land and building and any bylaw capital surplus from capital projects.
Other Provincial capital	1,940,364	-	Capital funding received from MCFD for an onsite childcare centre at the new elementary school on Eagle Mountain.
Land capital	4,434,627	4,013,146	Funds received from the City of Abbotsford for School Site Acquisition Charges.
Other capital	33,764	12,976	Includes capital grants received from and restricted by any entity not included in the Government Reporting Entity.
Local capital	5,843,617	3,554,020	Funds generated by the school district to be utilized for capital expenditures as determined by the school district.

The most significant changes in capital are in Other Provincial capital and local capital. The increase of \$1.94 million in Other Provincial capital represents the capital funding received from MCFD for new childcare spaces that will be built with the new elementary school on Eagle Mountain. The amount represents 65% of the total funding that will be provided for these spaces.

The changes to local capital result from transfers from the operating fund of \$1.9 million for the Board's required contribution to the new school on Eagle Mountain less \$75,551 in project costs and a \$0.65 million transfer for capital equipment less \$267,073 in allocated equipment costs. Interest of \$82,221 is reported as revenue on these local capital funds.

Local Capital	June 30, 2020	June 30, 2019
Capital additions	1,141,424	724,277
Centralized Program/Service Centre	2,277,744	2,229,743
Reserve for new elementary school	2,424,449	600,000

In addition, the Ministry provides funding for the following capital programs:

Capital Program	Funding	Expense	Description
Annual Facility Grant (AFG)	3,456,869	3,456,869	AFG funding is provided to address repair and maintenance priorities at schools to ensure facilities are safe and functioning well. The amount reported include the AFG amount report in the special purpose fund. Projects this year included roofing replacements, boiler upgrades and painting projects.
School Enhancement Program (SEP)	917,549	584,834	The School Enhancement Program is an application-based program to help school districts extend the life of their facilities through a wide range of improvement projects. Projects in 2019-20 included washroom improvements, building enclosures, flooring upgrades and boiler replacement.
Carbon Neutral Capital Program (CNCP)	71,120	71,120	The CNCP program provides funding for energy-efficiency projects that lower carbon emissions in the district. Mechanical/HVAC upgrades were completed during the year.



Playground Equipment Program (PEP)	179,851	179,851	The district received funding to purchase and install replacement playground equipment that is universal in design, and in compliance with accessibility measures as defined through the <u>Canadian Standards Association CAN/CSA-Z614-14 (R2019): Children's Playspaces and Equipment</u> .
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## Risks

There are a number of potential risks and other unknown factors that may have a financial impact on the district ranging from enrolment fluctuations to unexpected costs. The district has undertaken a comprehensive enterprise risk management plan that identifies areas of risk along with appropriate mitigation strategies. Some of the major areas of risk include:

- COVID-19 – the impact on district/school operations and finances stemming from the COVID-19 pandemic are ongoing.
  - Strategic: Increased demands and pressure on staff along with reduced student attendance may impact the district’s strategic performance measures in the strategic plan.
  - Financial: The financial pressures on government may result in provincial spending reductions that impact grants from the Ministry of Education. Currently, the Provincial government is taking significant measures to ensure increased costs related to addressing the pandemic are adequately funded. It will be crucial for the district to maintain a reasonable unrestricted accumulated surplus to mitigate any unexpected changes in funding or unexpected costs.
- Funding model review – The Ministry of Education is continuing its review of the K-12 funding model. It is not known at this time what specific changes will be implemented, but with provincial operating grants making up the vast majority of district revenue, any negative shift may impact the level of programs and services offered in the district.
- International student program – Declines in International enrolment and the resulting loss of tuition revenue, due to the COVID-19 pandemic, is having a significant impact on school district operations. The current year forecast projects losses more than \$4 million. The district has currently centralized all school-based International allocations until the situation is clarified later in the Fall of 2020. Staffing adjustments have been made and per student allocations adjusted.
- Recruitment and retention – School districts across the province face challenges in the recruitment and retention of qualified staff. We continue to be proactive in our recruitment and employee and leadership development strategies.
- The district understands the information technology risks within the K-12 sector and recognizes the importance to build effective information technology security controls to ensure the privacy and security of district information and financial assets. Ongoing improvements in the district’s security posture will require a financial commitment and changes to staffing levels, roles and responsibilities.
- Overall capacity of our school facilities sits at 102% district-wide which based on the projected enrolment growth will continue to put additional pressure on facilities. The new elementary

school on Eagle Mountain, opening in 2022, will assist in managing this high utilization rate, however additional portable classroom spaces may be required.

### **Contingency**

The annual operating budget provides limited contingencies for any unbudgeted or unforeseen costs that may arise. The unrestricted accumulated operating surplus is relied upon to absorb any of unanticipated changes.