



School District No. 22 (Vernon)

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2015/16 Financial Statements (Surpluses and Interfund Transfers)

September 28, 2016

Introduction

School districts operate on a fiscal year of July 1st to June 30th.

For the 2015/16 school year, the Board adopted an Annual Budget Bylaw on May 6, 2015 and an Amended Annual Budget Bylaw on February 24, 2016.

The 2015/16 school year ended on June 30, 2016 and the district has prepared financial statements which report on the actual financial transactions for the school year and the actual financial position as at June 30, 2016.

Our auditors, KPMG, have been conducting their audit and will be presenting an audit findings report to the Board. After the board approves the financial statements, the auditors will provide a signed Auditors Report and the financial statements will be forwarded to the Ministry of Education.

These audited financial statements are presented to the board for approval.

This report provides some additional information on the process and financial results from the 2015/16 school year.

Background

Under Section 157 of the *School Act*

- (1) The Board must cause to be prepared each fiscal year by the secretary treasurer or other person authorized by it, financial statements of the school district respecting the preceding fiscal year.
- (2) The financial statements required under subsection (1) must be prepared on or before September 15 of each year, in accordance with
 - (a) subject to paragraph (b), generally accepted accounting principles, and
 - (b) the directions of the minister.
- (3) The financial statements may include separate statements of special activities of the board so long as the items of account of a controlling nature appear in the statements referred to in subsection (2).



- (4) The financial statements referred to in subsection (2) must be signed by the chair of the board and the secretary treasurer, and must be published for distribution to the public before December 31 together with the auditor's report submitted to the board under section 161 (1) (d).
- (5) The secretary treasurer must, not later than September 30 in each year, forward to the minister a copy of the financial statements together with the auditor's report.

According to Board Policy, it is recognized that the fiscal resources allocated may be greater or less than the cost of providing the service. All those involved in managing the budget are expected to at all times be governed by prudence, remembering that the object is to meet the District's educational and operational objectives. Any funds remaining after the objectives have been met will become reserved for general budget management purposes. (Policy 2.15)

The 2015/16 school year ended on June 30, 2016 and the district has prepared financial statements which report on the actual financial transactions for the school year and the actual financial position as at June 30, 2016. These statements have been prepared prior to September 15th and in accordance with Generally Accepted Accounting Principles (GAAP) and directions of the minister.

Our auditors, KPMG, have provided a draft audit report to the Board and is incorporated into the financial statements. These audited financial statements are presented to the board for approval and will be sent, not later than September 30th, to the Ministry.

On April 27, 2016, the board was presented with a Use of Surplus Budget Report. The Board approved the recommendations in this report which were as follows:

- 1) That the district's financial planning and reporting processes continue to be consistent with the Budget Development Guiding Principles and Budget Criteria.
- 2) That the district continues to publicly report details of surpluses and interfund transfers between the operating fund, special purpose funds, and capital funds.
- 3) That surpluses be retained as much as possible until the district has completed the Long Term Facilities, Technology, and District Strategic Planning processes and the Board has made decisions regarding the recommendations and implementation of these Plans.

Decisions previously made have been incorporated into the 2015/16 financial statements and will be incorporated into the 2016/17 Amended Annual Budget which will be presented to the board in January/February 2017.



Reporting of surpluses and interfund transfers

The reporting of surpluses and interfund transfers are provided through both the financial statement and budget reporting processes. The budget reporting processes outline the initial plan for surpluses and transfers and the financial statements report on the actual surpluses and transfers.

The financial statements, along with the Notes to the Statements, provide details of this information. These various amounts are presented on Statement 1, Statement 2, Schedule 1, Schedule 2, Schedule 3 and Schedule 4 and summarized below. In addition, Note 8, Accumulated Surplus, provides additional detail on the district's accumulated surplus

	2016	2015
Operating Fund		
Internally restricted	2,373,697	4,285,027
Special Purpose Funds	-	2,714
Capital Fund		
Invested in tangible capital assets	19,065,445	19,549,853
Local Capital		
Externally restricted for future capital asset purchases	1,455,068	1,455,068
Internally restricted for future capital asset purchases	5,224,221	2,700,000
	6,677,659	4,155,068
Capital Fund	25,744,734	23,704,651
Total Accumulated Surplus (Statement 1)	\$ 28,118,431	\$ 27,992,662

The School District made the following transfers to the Capital Fund during the year to June 30th, 2016. These amounts are presented on Schedule 1, Schedule 2, Schedule 3 and Schedule 4 and summarized below.

	Actual (Schedule 1)	Budget
Capital assets purchased from Operating Fund	\$ 726,942	\$ 623,117
Capital assets purchased from Special Purpose Funds	323,606	419,119
Transferred to Local Capital from Operating Fund (amounts internally restricted for future capital asset purchases)	2,524,221	1,872,360
	\$ 3,574,769	\$ 2,914,596

The transfer to Local Capital is \$651,861 greater than budgeted. This additional transfer is made to retain surpluses as much as possible and to support the Long Term Facilities Plan and the Technology Plan once decisions are made regarding the recommendations and implementation of these Plans.



Retention of Surpluses

The Board adopted Budget Guiding Principles and Budget Criteria. Two of these directly relate to the issue of surpluses.

- ▶ District contingency reserve is established and maintained
- ▶ One-time revenues and surpluses shall only be used to cover one-time costs

Operating Surplus

The district continues to have a contingency reserve of \$1,000,000. This contingency is reserved to ensure the school district does not end up in a deficit due to unexpected costs or unexpected losses of revenues. This contingency is equal to about 1.3% of annual operating revenues or about two weeks of operating expenses.

The district budgeted to spend \$600,257 of operating surplus in 2016/17 to support a number of one-time items approved through the 2016/17 budget development process.

The district has retained \$773,440 in surplus to support schools, departments, union and aboriginal education commitments.

In total, \$2,373,697 in Operating surplus has been retained and internally restricted for the purposes identified above.

Local Capital Surplus

The district has \$1,455,068 in externally restricted surplus for future capital expenses. These funds are from the previous sale West Vernon Elementary School Site. The Board must spend these funds on capital expenses but has flexibility on what capital projects are supported.

The district also has \$5,224,221 of internally restricted surplus for future capital expenses. These funds have accumulated over the years from department savings, profit from international programs, interest revenue, and funds retained in the maintenance department to support the replacement of the school board office.

In total, \$6,679,289 in Local Capital surplus has been retained.

Recommendations:

That the Board of Education approves the additional transfer of \$651,861 from the Operating Fund to Local Capital.