



Ministry of Education

Resource Management & Executive
Financial Office Division

2017/18 FINANCIAL STATEMENT INSTRUCTIONS

For British Columbia School Districts

Section A	Summary of Information Required by the Ministry.....	Page 1
	<ol style="list-style-type: none"> 1. Submission of Financial Statements 2. Independent Auditor's Report 3. Management Report 4. Business Company Annual Report 5. Classroom Enhancement Fund (CEF) 2017/18 Report 6. Local Education Agreement (LEA) / Direct-Funded Accounts Receivable 7. Statement of Financial Information (SOFI) 	
Section B	District Financial Accountability Website.....	Page 5
Section C	2017/18 Financial Statement Format Overview	Page 6
Section D	Operating Schedules.....	Page 7
	<ol style="list-style-type: none"> 1. Operating Fund Schedules 2 – 2C 2. Provincial Grants – Ministry of Education and Government Transfers (PSAS) 3. Provincial Grants – Other 4. Tuition 5. Cost Allocations 6. Deficits 7. Targeted Funds – Aboriginal Education Program 8. Liabilities for Employee Future Benefits (EFB) 9. Sale of Furniture, Equipment, Vehicles, Computer Software and Hardware 10. Local Education Agreement (LEA) / Direct-Funded Accounts Receivable Information 11. Net Transfers (to) from other funds 12. Allocation of Operating Surplus (Deficit) 	
Section E	Special Purpose Schedules.....	Page 13
	<ol style="list-style-type: none"> 1. Special Purpose Fund Schedules 3 & 3A 2. Accounting Requirements/General 3. Allocation of Interest Income 4. Deficits 5. Annual Facility Grant (AFG) 6. Learning Improvement Fund (LIF) 7. Priority Measures Funding 8. Classroom Enhancement Fund (CEF) 9. Endowment Funds 10. Scholarships and Bursaries 11. School-Generated Funds (SGF's) 12. Controlled and/or Related Entities (CRE's) 13. Net Transfers (to) from other funds 14. Allocation of Special Purpose Fund Surplus (Deficit) 	

Section F	Capital Schedules	Page 21
	<ol style="list-style-type: none"> 1. Capital Fund Schedules 4 – 4D 2. Accounting Requirements/General 3. Deficits 4. Allocation of Interest Income 5. Categories of Deferred Capital Revenue 6. Purchase of Tangible Capital Assets 7. Bylaw Project Surplus' 8. Sale/Disposal of Capital Assets 9. Capital Lease and Capital Loan Payments 10. Schedule 4 "Schedule of Capital Operations" Overview 	
Section G	Schedule 1 and Financial Statements 1 to 5	Page 26
	<ol style="list-style-type: none"> 1. Schedule 1 – Schedule of Changes in Accumulated Surplus (Deficit) by Fund 2. Statement 1 – Statement of Financial Position 3. Statement 2 – Statement of Operations 4. Statement 3 – Statement of Remeasurement Gains and Losses 5. Statement 4 – Statement of Changes in Net Financial Assets (Debt) 6. Statement 5 – Statement of Cash Flows 	
Section H	Notes to Financial Statements	Page 29
Section I	Other Considerations	Page 30
	<ol style="list-style-type: none"> 1. Excel Financial Statement Template 2. Comparative Amounts/District Entered Lines 3. Prior Period Adjustments and Opening Balances 	
Appendices	<ol style="list-style-type: none"> 1. Final Aboriginal Education Targeted Amount 2. Local Education Agreement (LEA) / Direct-Funded Accounts Receivable Form 3. Excel Financial Statement Template Functionality 	

SECTION A: SUMMARY OF INFORMATION REQUIRED BY THE MINISTRY

1. Submission of Financial Statements

DUE DATE: September 30, 2018

Pursuant to *Sections 156* (Accounting Practices) and *157* (Financial Statements) of the *School Act* and *Ministerial Order 033/09, Boards of Education* (Boards) must submit their financial statements in the form required by the Minister.

One electronic submission of:

Audited financial statements must be submitted electronically to the School District Financial Reporting Unit at **sdf@[gov.bc.ca](mailto:sdf@gov.bc.ca)** using the Excel Template provided by the Ministry (please refer to Appendix 3). Please submit using v6 of this template only.

The Excel template will be available in May 2018 and can be downloaded from the School District Financial Reporting Unit website at <https://www2.gov.bc.ca/gov/content/education-training/administration/resource-management/school-district-financial-reporting>
Set to “Finalize Package” prior to submission to the Ministry.

Please ensure that the version submitted electronically is the same as the audited financial statements.

One (1) SINGLE-SIDED UNBOUND hard copy of:

Audited Financial Statements – single-sided hardcopy prepared using Ministry’s Excel template “finalized” version as version numbers (generated at the bottom of each page) are control mechanisms which ensure continuity between data electronically submitted to the Ministry and that signed by the Board:

- Table of Contents
- Management Report (with original signatures)
- Independent Auditor’s Report
- Statements 1 to 5 (Statement 1 with original signatures)
- Notes to Financial Statements
- Schedule 1 – Accumulated Surplus (Deficit) by Fund
- Schedules 2 – 2C – Operating Fund
- Schedules 3 – 3A – Special Purpose Funds
- Schedules 4 – 4D – Capital Fund

The Ministry will provide copies to the Office of the Comptroller General and Office of the Auditor General.

**SECTION A: SUMMARY OF INFORMATION REQUIRED BY THE MINISTRY
(Continued)**

Hard copy submissions should be couriered (mail may take up to 10 days):

COURIER

School District Financial Reporting Unit
Resource Management & Executive Financial
Office Division – Ministry of Education
3rd floor, 620 Superior Street
Victoria BC V8V 1V2
Phone: 250 356-1883

MAIL

School District Financial Reporting Unit
Resource Management & Executive Financial
Office Division – Ministry of Education
PO Box 9151 Stn Prov Govt
Victoria BC V8W 9H1

2. Independent Auditor’s Report

DUE DATE: Ongoing

The auditor appointed to audit school district accounts and transactions must submit a report to the Board with respect to the annual financial statements. Pursuant to *Section 161(4)* of the *School Act*, a copy of every report (**including management letters & audit findings reports**) made to the Board or an official of the Board must be forwarded to the Ministry along with the audited financial statements.

On the conversion to PSAS in 2013, the Office of the Auditor General (OAG) and other school district auditors expressed concerns over issuing an audit opinion following a fair presentation framework (following Public Sector Accounting Standards (PSAS)) after the issuance of *Treasury Board Restricted Contribution Regulation 198/2011*. The independent auditor’s report, management report and notes to financial statements should read “These financial statements have been prepared in accordance with *Section 23.1* of the *Budget Transparency and Accountability Act of the Province of British Columbia*” rather than referencing PSAS. The compliance framework and deviations from PSAS should be detailed in the notes to financial statements (see sample note 2 a) of the sample notes to financial statements posted on the Ministry website).

More recently, OAG has changed their position and now feel that districts’ statements are not following a compliance framework and instead, will issue a qualified opinion under a fair presentation framework (PSAS). This should only affect those districts audited by OAG as no other auditing firm have advised the Ministry regarding a change of position.

Please advise the Ministry of any new auditor’s name and contact information.

Ministry Contact: Ian Aaron (Ian.Aaron@gov.bc.ca)

Telephone: 250 415-1073

3. Management Report

DUE DATE: September 30, 2018

The purpose of this report is to communicate to external users of financial information the key elements of responsibility for the representations made in the financial statements, and to clarify whose representations they are. This report should be signed by the Board Chair, Superintendent and Secretary-Treasurer.

**SECTION A: SUMMARY OF INFORMATION REQUIRED BY THE MINISTRY
(Continued)****4. Business Company Annual Report****DUE DATE: September 30, 2018**

Pursuant to *Section 95.53 (1) to (6)* of the *School Act*, the directors of the business company must prepare an annual report that includes the following:

- Financial statements in respect of the immediately preceding fiscal year;
- The independent auditor's report submitted to the business company under *Section 95.63(1)(d)*;
- Information sufficient for the reader to understand the general nature of the business activities carried out in the previous fiscal year; and
- General information about planned business activities.

The financial statements of the business company must be prepared by the directors of the business company on or before September 15 in each year in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and the directions of the Minister. The GAAP the company should follow (for example International Financial Reporting Standards or Public Sector Accounting Standards) will depend on whether the company is a government business enterprise or not-for-profit. The financial statements must be approved by the directors of the business company and signed by one or more of the directors to confirm that approval has been obtained.

The financial statements must include a schedule of transactions between the business company and the board.

The company must, no later than September 30 in each year, make available to the public and forward to the Minister a copy of the annual report. It is recommended that the annual report of the business company be submitted together with the school district's audited financial statements.

Ministry Contact: Ian Aaron (Ian.Aaron@gov.bc.ca)

Telephone: 250 415-1073

5. Classroom Enhancement Fund 2017/18 Report**DUE DATE: Preliminary July 13, 2018
Final Sept 30, 2018**

As communicated in the Feb 23, 2018 Deputy Minister's Bulletin, a preliminary report on district's 2017/18 Classroom Enhancement Fund (CEF) spending must be submitted to SDFR@gov.bc.ca by July 13, 2018. A final template that will agree to the June 30, 2018 audited financial statements must be submitted by Sept 30, 2018. Instructions and templates were provided via the DM Bulletin.

Ministry Contact: Jonathan Foweraker (Jonathan.Foweraker@gov.bc.ca)

Telephone: 250 896-2673

**SECTION A: SUMMARY OF INFORMATION REQUIRED BY THE MINISTRY
(Continued)**

6. Local Education Agreement (LEA) / Direct-Funded Accounts Receivable DUE DATE: September 30, 2018

Please e-mail the electronic **Excel** form (available from <https://www2.gov.bc.ca/gov/content/education-training/administration/resource-management/school-district-financial-reporting/lea-disc-self-government> to Richard.Raloff@gov.bc.ca to provide information on receivables owed by Bands to the school district as at June 30, 2018 (Appendix 2).

Ministry Contact: Richard Raloff (Richard.Raloff@gov.bc.ca) Telephone: 778 676-3557

7. Statement of Financial Information (SOFI) DUE DATE: December 31, 2018

The Statement of Financial Information (SOFI) is required under the *Financial Information Act*. SOFI requirements will be detailed under separate cover.

It is recommended that school districts review the Office of the Auditor General report *An Independent Audit of Executive Expenses at School District 61*; which can be found here: http://www.bcauditor.com/sites/default/files/publications/reports/FINAL_SD61.pdf.

Recommendations contained within this report will be pertinent to all school districts in the preparation of the SOFI.

Ministry Contact: Ian Aaron (Ian.Aaron@gov.bc.ca) Telephone: 250 415-1073

SECTION B: DISTRICT FINANCIAL ACCOUNTABILITY WEBSITE

The School District Financial Reporting Unit in the Ministry's Resource Management & Corporate Services Division maintains, on the Ministry of Education website, material pertinent to school district financial reporting. This material is updated as required during the year and can be viewed or downloaded from <https://www2.gov.bc.ca/gov/content/education-training/administration/resource-management/school-district-financial-reporting>

This website provides the following information to assist with accounting and reporting requirements, timelines and instructions for preparation of financial statements and budgets:

Reporting Timelines

Government Reporting Entity (submission due dates)

Financial Statement Reporting

- 2017/18 Financial Statement Instructions
- Financial Statement Template (2017/18) version 6 - blank
- 2017/18 Sample Notes to Financial Statements
- Financial Statement Template (2017/18) version 6 – working copy
- Sample Journal Entries – Disposals of Sites and Buildings
- Sample Journal Entries - Write-downs of Sites and Buildings
- Sample Journal Entries - Write-offs of Buildings
- Policy: Allocation of Proceeds from the Disposition of Capital Assets

Budget Reporting

- 2018/19 Annual Budget Instructions
- 2018/19 Annual Budget Bylaw
- 2018/19 School Referendum Bylaw
- 2018/19 Annual Budget Excel Template

Revenue and Expenditure Tables - Financial information over a multi-year period

Statement of Financial Information

Employee Future Benefits

- Liabilities for Employee Future Benefits (April 2018)

Amortization Calculation Tools

Local Education Agreement (LEA) / Indigenous and Northern Affairs Canada (INAC) / Self-Government

- Local Education Agreement (LEA) / Accounts Receivable Form
- 2017/18 First Nation Billing Rates

Accounting and Reporting Guidelines

- Treasury Board Directive – Restricted Contributions (Nov 2011)
- Letter from Treasury Board (Sept 2010)
- Treasury Board Directive – Accounting Standards (Aug 2010)
- Treasury Board Regulation – Accounting Standards (Aug 2010)
- Accounting Practices Order (PDF) (February 2009) (Amended December 2014)
- Operating Fund Account Descriptions
- Canadian Institute of Chartered Accountants (CICA)

Financial Health Working Group (various toolkits and resources for School Districts)

Committees

- Accounting Advisory Committee
- British Columbia Association of School Business Officials (BCASBO)

SECTION C: 2017/18 FINANCIAL STATEMENT FORMAT OVERVIEW

The *Budget Transparency and Accountability Act of the Province of British Columbia* directs School districts to follow Public Sector Accounting Standards (PSAS) excluding the *PS4200* series, and *Treasury Board Restricted Contribution Regulation 198/2011*, issued in November 2011.

There are no significant format changes to the 2017/18 Financial Statement template. The following is a brief overview of the statements and schedules included in the June 30, 2018 Financial Statements. Please refer to the corresponding section in the instructions for more information, specific instructions and format changes.

Statement 1 - Statement of Financial Position reports Financial Assets – Liabilities = Net Assets (Debt). Net Assets (Debt) + Non-Financial Assets = Accumulated Surplus (Deficit). (See Section G)

Statement 2 - Statement of Operations will be populated from the information entered into the balance of the statements and schedules and will consolidate all revenue and expense by function reported for the operating (Schedule 2), special purpose (Schedule 3) and capital funds (Schedule 4). This statement presents expense by function rather than object as is required for PSAS reporting on the statements of operations. (See Section G 3.)

Statement 3 - Statement of Remeasurement Gains and Losses is used to accumulate any unrealized gains and losses relating to Financial Instruments that are not carried at cost (See Section G 4.)

Statement 4 - Statement of Change in Net Financial Assets (Debt) presents the change in net assets (debt) which can be defined as the annual surplus (deficit) plus the changes in non-financial assets. Only some of the values on this schedule are automatically populated from information entered on other schedules. (See Section G 5.)

Statement 5 – Statement of Cash Flows (See Section G 6.)

Schedule 1 – Schedule of Changes in Accumulated Surplus (Deficit) by Fund will present the fund balances that are not permitted to be disclosed on Statements 1 or 2 per PSAS (operating, special purpose and capital). This will be populated from the information entered into the balance of the statements and schedules. (See Section G 1.)

Schedules 2 – 2C discloses **Operating** revenues and expenses (See Section D).

Schedules 3 and 3A disclose **Special purpose** revenues and expenses and related deferred revenues (restricted contributions). All deferred revenues must be reported on Schedule 3A (this does not include unearned revenues (tuition, rental and other “earned” revenues). **“NEW”** Schedule 3A now includes 2 columns to report both components of the **“Classroom Enhancement Fund (CEF)”** (“CEF – Overhead” and “CEF – Staffing”). (See Section E).

Schedule 4 - 4D disclose districts’ **Capital** balances and activity. (See Section F).

SECTION D: OPERATING SCHEDULES

1. Operating Fund Schedules 2 – 2C

Schedule 2 – Schedule of Operating Operations revenues and expenses is populated from the information entered on Schedules 2A and 2C. This schedule follows the same format as Statement 2 “Statement of Operations” where expenses are presented by function rather than object.

Schedule 2A – Schedule of Operating Revenue by Source details operating revenues from all sources.

Schedule 2B – Schedule of Operating Expense by Object salaries and benefits expense will be populated from the information entered into Schedule 2C – “Operation Expenses by Function, Program and Object”. Total services and supplies must agree to the total reported on Schedule 2C – “Operation Expenses by Function, Program and Object”.

Schedule 2C – Operating Expense by Function, Program and Object details operating expenses by function, program and object.

2. Provincial Grants – Ministry of Education and Government Transfers (PSAS)

Please refer to *PS 3410 Government Transfers* in the *CPA PSA Handbook* and *Treasury Board Regulation 198/2011* for details on when amounts received from the province should be recognized. Contributions are no longer permitted to be deferred in the operating fund. All deferred revenues with the exception of capital contributions and earned revenues (tuition, rentals, etc.) must be reported as special purpose funds (see Section E for more information and specific instructions).

Ministry of Education (MEd) Operating grants reported on Schedule 2A on the line “**Operating Grant, Ministry of Education**” should be reported “**net**” of the **\$25 million Administrative savings target** (Full-Year amounts per funding table 1a) less any audit adjustments. This amount will be gross of First Nation Nominal roll recoveries that are based on the nominal roll received from the Department of Indigenous Services Canada (DISC). Separate lines are provided to report the DISC/LEA recovery and the return of administrative savings grant.

Pay Equity, Funding for Graduated Adults, Transportation Supplement, Economic Stability Dividend, Return of Administrative Savings, Carbon Tax and Student Learning Grants should be reported on the lines provided. The Student Learning Grant received in 2016/17 must be fully expended by June 30, 2018. District entered lines can be used if a line hasn’t been provided (FSA, Shoulder Tappers, etc).

**SECTION D: OPERATING SCHEDULES
(cont'd)**

3. Provincial Grants – Other

Grants to be included in Provincial Grants - Other on Schedule 2A include grants, excluding capital grants, from other ministries and Government Reporting Entities (GRE) (including Hospitals, Universities and Colleges) and should **NOT** include grants received from the Ministry of Education. Entities included in the GRE can be found in the British Columbia Public Accounts 2016–2017 at <http://www.fin.gov.bc.ca/pubs.htm> or on Schedule 1 of school district's quarterly GRE report (**Industry Training Authority**, British Columbia Public School Employers' Association, etc.).

4. Tuition

Schedule 2A "Schedule of Operating Revenue by Source" includes a separate category for tuitions. Report tuition fee revenues on the appropriate line of this section rather than as other revenues.

5. Cost Allocations

The "Operating Fund Account Descriptions" document is applicable to financial statements. School districts must comply with the revenue and expenditure classifications and cost allocation guidelines. Please refer to the document posted on the District Financial Accountability website at: <https://www2.gov.bc.ca/gov/content/education-training/administration/resource-management/school-district-financial-reporting> in the "Reference and Resources" section under the "Accounting and Reporting Guidelines" heading.

Please disclose methods used on Schedule 2C "Operating Expense by Function, Program and Object" to allocate costs to programs, including special education and aboriginal education (see Note 2 s) in the "Sample Notes to Financial Statements"). Information pertaining to salaries, benefits, and supplies should be included. This information will allow statement readers a better understanding of the expense level allocated to particular programs.

6. Deficits

Pursuant to *Section 156(12)* of the *School Act*, school districts must obtain prior approval from the Minister before incurring deficits. Requests for deficit approval require the deficit amount, reasons for incurring the deficit and a plan showing how the deficit will be retired. **Total** accumulated operating deficits at the end of the year reported on Schedule 2 on the line "Operating Surplus (Deficit), end of year" must be approved.

Pursuant to *Ministerial Order 033/09* an **annual** deficit may be incurred in the operating fund Statement of Operations as a result of using a surplus balance in a fund balance, the amount of such a deficit being not greater than the available surplus balance. This type of deficit does not require prior approval from the Minister.

**SECTION D: OPERATING SCHEDULES
(cont'd)**

7. Targeted Funds – Aboriginal Education Program

The minimum spending level for aboriginal education was established by the 2017/18 Operating Grant Table 4b funding amounts **plus any applicable audit adjustments and under-expended target amounts from 2016/17** (see Appendix 1).

School districts are reminded to report only additional direct costs associated with providing this program. Please refer to the “Operating Fund Account Descriptions” document posted on the District Financial Accountability website:

<https://www2.gov.bc.ca/gov/content/education-training/administration/resource-management/school-district-financial-reporting>

Spending less than the final revised target amount requires approval from the Minister of Education. In situations where the under-spent amount exceeds 20 percent of the final revised target, the Board of Education will be required to submit a plan detailing how these funds are to be allocated and expended in the following year for the benefit of Aboriginal students.

Request to under spend should be received by the Minister **no later than September 30, 2018**.

8. Liabilities for Employee Future Benefits (EFB)

Districts follow PSAS *Sections PS 3250* and *PS 3255*. These standards specify that non-vested benefits must be included in the calculation of Employee Future Benefits (EFB) and specify the discount rate to be used. For more detailed information, please refer to the paper "Liabilities for Employee Future Benefits (April 2018)" that is posted on the District Financial Accountability Website <https://www2.gov.bc.ca/gov/content/education-training/administration/resource-management/school-district-financial-reporting> in the Reference and Resource section under the heading "Employee Future Benefits". Here you will find a sample actuarial tool, instructions and information relating to accounting for plan amendments, discount rates, EARSL, etc.

a) Actuarial Tool and Financial Statement Reporting at June 30, 2018

School district’s EFB liability at March 31, 2018 (for use at June 30, 2018) has been recalculated by the actuary based on the census data provided by School Districts as at October 31, 2015 and by applying the applicable interest rates at March 31, 2018. In addition, due to a significant increase in educators, the actuary has also estimated the increase in the accrued benefit obligation (ABO), service costs and interest costs based on FTE data obtained from EDAS (Employee Data and Analysis System). Census data will be collected as at Oct 31, 2018 for the next valuation as at March 31, 2019. Revised appendices C and E specific to each school district and an actuarial calculation tool were provided to each district in an e-mail “SDXX District March 2018 Actuarial Results & Actuarial Tool” dated April 27, 2018.

**SECTION D: OPERATING SCHEDULES
(cont'd)**

8. Liabilities for Employee Future Benefits (EFB)

a) Actuarial Tool and Financial Statement Reporting at June 30, 2018 (cont'd)

Districts will need to populate the actuarial tool with actual vested benefits paid (cash payments) for the periods April 1, 2017 to March 31, 2018 and April 1, 2018 to June 30, 2018 (after measurement date). This payment information includes all employees. Individual amounts for each employee group are not required. The tool will then calculate the balances and adjustments required for the June 30, 2018 audited financial statements. (see Sample Note 10 of the sample notes to financial statements posted on the Ministry website).

PSAS permits the use of an early measurement date for EFB but does not address transactions occurring after the measurement date (April – June). In order to maintain consistent reporting throughout the SUCH sector, the Office of the Auditor General has reviewed the accounting treatment and concluded that the best approach under PSAS would be to recognize both the payments and expenses up to the financial statement date of June 30.

The Actuarial Calculation Tool will include these transactions and calculate the adjustments and note disclosure for use in preparing the June 30, 2018 audited financial statements. The EFB liability as at June 30 will equal the accrued benefit obligation measured as at March 31, less the April to June cash payments, plus the April to June EFB expense (service & interest costs) plus/minus any unamortized gain/loss (please refer to the “Actuarial Calculation Tool”).

b) Plan to Retire Unfunded Liabilities

A plan to fully retire the unfunded liability for EFB over a specified number of years is required and should be disclosed in the Notes to Financial Statements (see Sample Note 11).

Districts that still carry an **Unfunded Liability for EFB** (4 Districts @ June 30, 2017) are still expected to apply funds in order to eliminate this deficit. The Ministry will be monitoring the reduction of the unfunded liabilities for EFB by annual reviews of the audited Financial Statements and Budgets until all boards have fully provided for the unfunded accrued EFB.

9. Sale of Furniture, Equipment, Vehicles, Computer Software and Hardware

Proceeds from the sale of furniture and equipment, vehicles, computer software and computer hardware should be recorded as “Other Revenue” in the Operating Fund. These assets are deemed to be written off at the end of their applicable useful life through the “deemed disposal” entries reported on Schedule 4A generated from the district’s amortization tool. Operating funds to be used for capital purchases can then be transferred from the Operating Fund to the Capital Fund.

**SECTION D: OPERATING SCHEDULES
(cont'd)**

10. Local Education Agreement (LEA) / Direct-Funded Accounts Receivable Information

The Ministry is continuing the annual survey of receivables owed by Bands to school districts as at June 30, 2017. The collective results will be brought to the attention of the Department of Indigenous Services Canada (DISC) requesting their assistance to settle these outstanding receivables.

Please e-mail the electronic Excel form (Appendix 2) to Richard.Ralloff@gov.bc.ca by **September 30, 2018**.

The electronic form is available on the District Financial Accountability website:
<http://www.bced.gov.bc.ca/accountability/district>

11. Net Transfers (to) from other funds

Tangible Capital Assets Purchased, including replacements, will be **capitalized** when they meet the criteria for capitalization and where costs exceed capital threshold amounts established by the district. Amounts reported on Schedule 2 will also be reported on Schedule 4 “Schedule of Capital Operations” as an increase to Invested in Capital Assets.

Tangible capital assets purchased from all sources will also be reported on Statement 4 “Statement of Changes in Net Financial Assets (Debt)” and on Schedule 4A “Tangible Capital Assets”.

Tangible Capital Assets – Work in Progress purchased from operating will be reported here and as an increase to Invested in Capital Assets on Schedule 4, “Schedule of Capital Operations”.

Tangible Capital Assets – Work in Progress purchased from all sources will also be reported on Statement 4 “Statement of Changes in Net Financial Assets (Debt)” and on Schedule 4B “Tangible Capital Assets – Work in Progress”.

Local Capital transfers represent operating surplus approved by the board to be allocated to Local Capital for the purchase of capital assets in future years. These transfers will also be reported on Schedule 4 “Schedule of Capital Operations” as an increase to Local Capital.

Other transfers include capital lease and capital loan payments made from operating (principal and interest) which must be transferred from operating to the capital fund. On Schedule 4 “Schedule of Capital Operations”, the transfer into capital should be reported on the appropriate line (Capital Lease Payment or Capital Loan Payment) in the section “Net Transfers (to) from other funds” in the Local Capital Column. The principal should then be reported as a transfer from Local Capital to Invested in Capital Assets on the line “Principal Payment – Capital Lease” or “Principal Payment – Capital Loan” in the section “Other Adjustments to Fund Balances”. The interest portion should be reported on the line “Debt services – Capital Lease Interest” or “Debt services – Capital Loan Interest” in the “Expenses” section of Schedule 4.

**SECTION D: OPERATING SCHEDULES
(cont'd)**

12. Allocation of Operating Surplus (Deficit)

Total operating surplus (deficit) should be allocated in the section provided at the bottom of Schedule 2 to Internally Restricted, Unrestricted and Unfunded EFB. PSAS does not allow these balances to be presented on the Statement of Financial Position or the Statement of Operations.

“Internally Restricted” reported on Schedule 2 must not cause “Unrestricted” to be less than zero. If there is an accumulated operating deficit, no amount should be reported as internally restricted unless prior permission has been received from the Minister.

SECTION E: SPECIAL PURPOSE SCHEDULES

1. Special Purpose Fund Schedules 3 & 3A

Schedule 3 - Schedule of Special Purpose Operations presents the consolidated special purpose fund revenues and expenses in the same format as Statement 2 “Statement of Operations”.

The revenue and net transfers (to) from other funds (tangible capital assets purchased, tangible capital assets – work in progress and other) on Schedule 3 are populated from the information entered on Schedule 3A “Changes in Special Purpose Funds”.

Expenses must be entered by “function” on Schedule 3 and agree to the total expense reported on Schedule 3A. Districts will need to determine which “function” best describes their SPF expenditures (interest, amortization, repairs, etc. are objects and not functions).

Schedule 3A - Changes in Special Purpose Funds All deferred revenues must be reported here. In order to facilitate the presentation of expenditures funded by the operating fund for programs associated with the various special purpose funds, a line has been provided to report these additional expenses if districts wish to disclose this information. **The Program areas within the Ministry will be referring to this data when evaluating the funding levels of certain programs (Strong Starts & Ready Set Learn for example).** This line is for information purposes only and, if left blank, will not print.

“NEW” Schedule 3A now includes columns headed **“Classroom Enhancement Fund - Overhead”** and **“Classroom Enhancement Fund - Staffing”** (see Section E part 8). In order to facilitate the summarizing of like data amongst districts, please report these grants in the columns provided rather than using district entered columns.

2. Accounting Requirements/General

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. *Treasury Board Restricted Contribution Regulation 198/2011*, issued in November 2011, defines a restricted contribution as “a contribution that is subject to a legislative or contractual stipulation or restriction as to its use other than a contribution or part of a contribution that is of, or for the purpose of acquiring, land”.

Only restricted contributions received, with the exception of capital contributions and unearned revenues (tuition, rentals, etc.) may be reported on Schedule 3A as deferred revenues (SPF’s).

Revenues must be recognized when the stipulation or restriction the contribution is subject to is met.

Operating and Capital funds cannot be transferred to special purpose funds.

Unearned revenues such as tuition, rentals, etc (earned) continue to be deferred until the related service is provided and should be reported on Statement 1 “Statement of Financial Position” line “Unearned Revenue” and not on Schedule 3A as deferred revenue.

**SECTION E: SPECIAL PURPOSE SCHEDULES
(cont'd)**

2. Accounting Requirements/General (cont'd)

School districts are encouraged to review their requirements and wherever possible, reduce the number of funds reported. Individual funds could be tracked internally within the school district accounts with similar type funds grouped for Schedule 3A reporting.

With the exception of controlled and related entities and endowment contributions, there should be no accumulated surplus (deficit) reported in SPF's.

The following grants meet the definition of a restricted contribution per *Treasury Board Regulation 198/2011*. To ensure consistent reporting these grants "**must**" be reported on Schedule 3A:

- Annual Facility Grants (AFG) (excluding amounts paid via bylaw COA's)
- Learning Improvement Fund (LIF)
- Special Education Equipment Grants
- Provincial Resource Program Grants (PRP) (including SET BC)
- Aboriginal Education Technology Grants
- CommunityLINK Grants (CLink)
- Official Languages in Education French Programs (OLEP) Grants
- Strong Start Centre Grants
- Ready Set Learn Grants
- Service Delivery Transformation Grant (**must be fully expended by June 30, 2018**)
- Coding and Curriculum Implementation Grant (**must be fully expended by June 30, 2018**)
- Rural Education Enhancement Fund (REEF)
- Classroom Enhancement Fund (Staffing, Overhead & Remedies) "**NEW**"
- Priority Measures (**must be fully expended by June 30, 2018**)
- School Generated Funds (restricted contributions only)
- Controlled and Related Entities (if applicable – see below)
- Earnings and disbursements of endowments (excluding capital)
- Interest earned on any of the above funds

OLEP, 1st, 2nd, and Minority Language Funding is a Ministry of Education grant and therefore should be reported on Schedule 3A as "Provincial Grants - Ministry of Education" and **NOT** as Federal Grants.

**SECTION E: SPECIAL PURPOSE SCHEDULES
(cont'd)**

2. Accounting Requirements/General (cont'd)

The following Ministry of Education grants “do not” meet the definition of a restricted contribution and therefore “**must not**” be reported on Schedule 3A but on Schedule 2A – “Schedule of Operating Revenue by Source” instead:

- Pay Equity Grants (PE)
- Economic Stability Dividend
- Funding for Graduated Adults
- Carbon tax grant
- Transportation Supplement
- Student Learning Grant (2016/17)
- Return of Administrative Savings
- Operating Grants (including all adjustments, recounts and allocations for ABED, DL, Education Plan, vulnerable students, etc.)

Contributions from the Ministry of Education not listed here, other Ministries, provincial and non-provincial sources will need to be assessed to determine whether they meet the definition of a restricted contribution and should be deferred (reported on Schedule 3A) or not (reported on Schedule 2A). Refer to *Treasury Board Regulation 198/2011* when making that determination. If necessary, it may be advisable to consult your auditors to assist in this determination.

3. Allocation of Interest Income

School Act section 156 (11) states “.....interest earned in respect of a fund is deemed part of the fund”. Allocation of interest income is required, except where interest income is not considered to be material. Applicable interest income must be allocated to the appropriate special purpose fund (e.g., Annual Facility Grant).

4. Deficits

Deferred Revenue balances should not be a debit (overspent). This is overstating revenues by recognizing revenue that has not been received or receivable and is not consistent with Generally Accepted Accounting Principles (GAAP). Any shortfall is a “**fund balance deficit**”. *School Act sections 156(1)(b)(ii), 157(2), 157.1* and *Ministerial Order 033/09* direct the use of GAAP in both the preparation of financial statements, the GRE and other financial reports.

Special purpose fund deficits are unusual. Pursuant to section *156(12)* of the *School Act*, school districts must not incur deficits without prior approval from the Minister. Requests for deficit approval must include the deficit amount, reasons for incurring the deficit, an explanation of why over-expenditures were not covered by funds provided and a plan showing how the deficit will be retired.

**SECTION E: SPECIAL PURPOSE SCHEDULES
(cont'd)**

5. Annual Facility Grant (AFG)

This fund was established to account for grants and expenditures relating to annual facility projects. For details see the policy document “Annual Facility Grant” on the [Ministry Policy Site](#).

Record funding received in the year, gross of the CAMS recovery, as deferred revenue “Provincial Grant – Ministry of Education” in the AFG column of Schedule 3A. The CAMS expense should be reported on the line “Services and Supplies”. **Please do not include amounts paid via a bylaw** – Certificate of Approval (COA) draw (these must be reported as bylaw revenue received on Schedule 4D). As project expenditures are recorded, a corresponding amount should be transferred to revenue. The ending balance **should not be a Debit (overspent)**. (Please refer to E 4. “Deficits”)

Expenditures for capital acquisitions should be reported on Schedule 3A as “Interfund Transfers – Tangible Capital Assets Purchased” or “Interfund Transfers – Tangible Capital Assets – Work in Progress”. These amounts will link to Schedule 4 in the capital fund to increase invested in capital assets and must also be reported as asset additions on Schedules 4A or 4B.

Interest income earned on the Annual Facility Grant must be allocated to the fund and used for eligible annual facility grant expenditures.

6. Learning Improvement Fund (LIF)

The Learning Improvement Fund (LIF) was established for the purpose of providing additional resources, specifically targeted to support complex classes that present challenging learning conditions. Districts have the discretion to allocate these funds to improve the learning conditions for all students and support teachers in meeting student needs. From 2013/14 to 2016/17 the LIF was comprised of two components: the Support Staff component and the Teacher Education Fund (TEF). The TEF is no longer part of the LIF and has formed part of the funding agreement resulting in the Classroom Enhancement Fund (CEF) (see Section E: part 8).

The LIF is \$20M for the 2017/18 school year and must be used for the provision of additional teacher assistants and other para professionals to address classrooms with the highest need. Individual district allocations can be found on Table B of the “Summary of Grants to Date, 2017/18” on the K-12 Funding and Allocation website.

Unspent LIF amounts from 2016/17, including the teacher component (if any) must continue to be reported in this fund on Schedule 3A and must be **fully expended by June 30, 2018**. Unspent amounts relating to the teacher component should be spent in accordance with the MoA in 2017/18 (see Section E: part 8). For financial reporting, do not transfer unspent amounts from the LIF fund to the Classroom Enhancement Fund (they should be reported as separate funds on Sch 3A).

**SECTION E: SPECIAL PURPOSE SCHEDULES
(cont'd)**

6. Learning Improvement Fund (LIF) (cont'd)

Districts should review the contract language pertaining to the LIF and if Districts are unsure how it pertains to their particular district, they should contact BCPSEA for more information.

Upon receipt of the district's financial statements, ministry staff will review LIF spending as detailed on Schedule 3A. Specifically, ministry staff will verify that LIF grants were only spent on Educational Assistants' and support staff salaries and benefits. Spending less than the annual allocation may impact the following year's allocation.

7. Priority Measures Funding

\$50 million was paid to districts in April of 2017 as the first step in responding to the decision from the Supreme Court of Canada. A Memorandum of Agreement (MoA) supported the implementation of priority measures as agreed upon by MoE, BCPSEA, and the BCTF while negotiations continued regarding restored collective agreement provisions (see Section E: part 8).

Unspent amounts, if any, as at June 30, 2017 should be reported as the opening balance in the Priority Measures fund in the column provided on Schedule 3A. This fund should be **fully expended by June 30, 2018. Do not combine** this funding with the Classroom Enhancement Fund (CEF) (see Section E: part 4). Staffing costs covered by the unspent Priority Measures funding (which reduced the CEF grant received) should be allocated to that column.

8. Classroom Enhancement Fund

On March 10, 2017, the Ministry of Education (MEd), the BC Public Schools Employers Association (BCPSEA) and the BC Teachers Federation (BCTF) ratified a Memorandum of Agreement (MoA), negotiated pursuant to Letter of Understanding (LoU) No. 17 to the 2013-2019 BCPSEA–BCTF Provincial Collective Agreement. The MoA fully and finally resolves all matters related to the implementation of the Supreme Court of Canada decision from the fall of 2016.

To fund this agreement, the MEd has currently (as at May 2018) committed \$419.1 million for school districts for the 2017/18 school year. This \$419.1 million Classroom Enhancement Fund (CEF) was provided to districts as a special purpose fund in 2017/18 net of unused priority measures funding. The CEF is comprised of three components: the FTE Teacher staffing allocation (\$340.6 million), Teacher remedies (\$23.7 million) and the Overhead allocation (\$54.8 million).

Two new columns have been provided on Schedule 3A to report the CEF (Staffing and Overhead). Both CEF staffing and remedies funding (net of unused Priority Measures funding) should be reported in the "Staffing" column. Report only CEF funding in the columns provided (do not include LIF or Priority Measures grants here). Please note the following:

**SECTION E: SPECIAL PURPOSE SCHEDULES
(cont'd)**

8. Classroom Enhancement Fund (cont'd)

- Revised district allocations are reflected in Table A “Summary of Grants to Date, 2017/18”.
- Districts will be required to provide a final report as at June 30th 2018 (due July 13, 2018) outlining their hiring and use of remedies, together with a final financial submission (due Sept 30, 2018) that can be reviewed against district audited financial statements.
- Adjustments to district allocations may again be made after the 2017/18 school year, especially if it is determined that a particular school district received more funding than was required.

To ensure that the expenditure of this funding aligns with the MoA, please note the following requirements:

- Boards of Education are responsible for ensuring that funding is spent in a manner that aligns with the MoA and optimal classroom organization to ensure the most efficient use of resources.
- Any unused LIF (TEF component) and Priority Measures funding from the 2016/17 school year must be fully expended by June 30, 2018.
- MEd staff will be reviewing school district final reports and Financial Statements to verify that the funds were spent in a manner that is consistent with the MoA.

9. Endowment Funds

Endowments represent funds contributed to the school district where the donor has specified that the original contribution cannot be spent (asset held in perpetuity). In most cases, the donor has also restricted the earnings of those funds (interest) for specific purposes (usually scholarships).

PSAS currently does not have a specific standard addressing endowment contributions. The Office of the Comptroller General and the Office of the Auditor have agreed on the following treatment:

- Endowment contributions are reported as revenue on the Statement of Operations when received as a separate line item below a subtotal of “surplus (deficit) excluding endowment contributions” as long as annual surplus (deficit) inclusive of all revenues and expenditures is also presented (See Statement 2 and Schedule 3).
- Investment income earned on endowment principal is recorded as deferred revenue on Schedule 3A if it meets the definition of a restricted contribution and is recognized as revenue in the year related expenses (disbursements) are incurred.
- Endowment assets are reported as restricted non-financial assets on the Statement of Financial Position (Statement 1).
- The SPF fund balance resulting from endowment contributions received forms part of total accumulated surplus (deficit) and is disclosed at the bottom of Schedule 3.

**SECTION E: SPECIAL PURPOSE SCHEDULES
(cont'd)**

9. Endowment Funds (cont'd)

In some cases, endowment funds are held and controlled by either the donor or their representative who provides the school district with funds for disbursement. In these circumstances, the capital component of the endowment fund is not reported in the school district financial statements.

A summary of the total activity in the endowment funds should be disclosed in the notes to the financial statements (see sample Note 18 of the Sample Notes to Financial Statements).

10. Scholarships and Bursaries

Schedule 3A includes a column headed “Scholarships and Bursaries”. In order to facilitate the summarizing of like data amongst districts, please report Scholarship and Bursary transactions in this column rather than a district entered column. Endowment income available for distribution can also be reported in this column.

11. School-Generated Funds (SGF's)

The numerous individual school-generated (school-based) funds will require ongoing review and identification based on their source and purpose. These should be reviewed to determine whether they should be treated as restricted contributions (Schedule 3A) or unrestricted (Schedule 2A).

Examples of SGF's that could be considered restricted are fieldtrip funds collected, donations from parents/external parties for a specific use, fundraising funds targeted for a specific purpose, etc.

12. Controlled and/or Related Entities (CRE's)

Controlled and/or related entities must be reported in the financial statements.

If the CRE is a Government Business Enterprise (see *PS 1300.28*), the investment should be accounted for using the modified equity method (see *PS 3070*). Under the modified equity method of accounting, only the school district's investment in the business enterprise and the enterprise's net income and other changes in equity are recorded (or proportionate share in the business partnership). No adjustment is made for accounting policies of the enterprise that are different from those of the school district.

If the CRE is a Government Not-for-Profit, it should be consolidated on a line by line basis (see *PS 1300.25-27*).

If you are reporting a Controlled and/or Related Entities in your financial statements you must add “Consolidated” to the statement and schedule headings. The Excel template has a consolidation function to add “Consolidated” to statement headings.

**SECTION E: SPECIAL PURPOSE SCHEDULES
(cont'd)**

13. Net Transfers (to) from other funds

Tangible Capital Assets Purchased, including replacements, will be **capitalized** when they meet the criteria for capitalization and where costs exceed capital threshold amounts established by the district. Amounts reported on Schedule 3 are populated from Schedule 3A and are also reported on Schedule 4 “Schedule of Capital Operations” as an increase to Invested in Capital Assets.

Tangible capital assets purchased from all sources will also be reported on Statement 4 “Statement of Changes in Net Financial Assets (Debt)” and on Schedule 4A “Tangible Capital Assets”.

Tangible Capital Assets – Work in Progress purchased are populated from Schedule 3A and reported as an increase to Invested in Capital Assets on Schedule 4, “Schedule of Capital Operations”.

Tangible capital assets – work in progress purchased from all sources will also be reported on Statement 4 “Statement of Changes in Net Financial Assets (Debt)” and on Schedule 4B “Tangible Capital Assets – Work in Progress”.

Other transfers include capital lease and capital loan payments (principal and interest), which must be transferred from special purpose funds to the capital fund. On Schedule 4 “Schedule of Capital Operations”, the transfer into capital should be reported on the appropriate line (Capital Lease Payment or Capital Loan Payment) in the section “Net Transfers (to) from other funds” in the Local Capital Column. The principal should then be reported as a transfer from Local Capital to Invested in Capital Assets on the line “Principal Payment – Capital Lease” or “Principal Payment – Capital Loan” in the section “Other Adjustments to Fund Balances”. The interest portion should be reported on the line “Debt services – Capital Lease Interest” or “Debt services – Capital Loan Interest” in the “Expenses” section of Schedule 4.

Special purpose funds are externally restricted contributions and cannot be transferred to Local Capital or the Operating Fund.

14. Allocation of Special Purpose Fund Surplus (Deficit)

Total special purpose fund surplus (deficit) should be allocated in the section provided at the bottom of Schedule 3 to Related Entities and Endowment Contributions. PSAS does not allow these balances to be presented on the Statement of Financial Position or the Statement of Operations.

SECTION F: CAPITAL SCHEDULES

1. Capital Fund Schedules 4 – 4D

Schedule 4 – Schedule of Capital Operations presents the consolidated capital fund revenues, expenses and changes in fund balances (local capital and invested in capital assets) in the same format as Statement 2 “Statement of Operations.

Schedule 4A – Tangible Capital Assets

Schedule 4B – Tangible Capital Assets – Work in Progress

Schedule 4C – Deferred Capital Revenue represents deferred capital revenues “spent” on completed and WIP capital assets.

Schedule 4D – Changes in Unspent Deferred Capital Revenue represents deferred capital revenues received and spent.

2. Accounting Requirements/General

Treasury Board Restricted Contribution Regulation 198/2011, issued in November 2011, directs districts to report restricted contributions for the purpose of acquiring or developing depreciable tangible capital assets (bylaw capital for example), as a deferred capital revenue and recognize that revenue at the same rate that amortization is recognized in respect of the asset.

The Office of the Auditor General (OAG) and some school district auditors believe that this accounting treatment is not consistent with PSAS. Those auditors, with the exception of OAG, feel that districts are following a compliance framework (provincial reporting legislation) rather than a fair presentation (PSAS) framework of accounting. Please see note 2 a) in the Sample Notes to Financial Statements for more detailed information. School districts are advised to discuss this with their auditors.

Under PSAS and the Regulation, amounts spent on sites are reported as revenue.

3. Deficits

Pursuant to section 156(12) of the *School Act*, school districts must obtain prior approval from the Minister before incurring deficits which includes a local capital deficit. Requests for deficit approval must include the deficit amount, reasons for incurring the deficit and a plan showing how the deficit will be retired.

Pursuant to *Ministerial Order 033/09*, an annual deficit may be incurred in the capital fund Statement of Operations for the portion of amortization expense that exceeds revenues from deferred capital contributions. This deficit does not require prior approval from the Minister.

4. Allocation of Interest Income

Pursuant to section 156(11) of the *School Act*, interest earned must be allocated to the applicable deferred capital revenue accounts and to local capital.

**SECTION F: CAPITAL SCHEDULES
(cont'd)**

5. Categories of Deferred Capital Revenue

Deferred Capital Revenues received should be reported in the increase section on the appropriate line (Provincial Grants – MEd, other, interest, etc.) and in the appropriate category (column) on Schedule 4D.

Bylaw Capital represents funds drawn on Certificates of Approval (COA) for capital projects by school districts and will include amounts for CNCP (Carbon Neutral Capital Program) and AFG that are paid through a COA.

MEd Restricted Capital represents the Minister’s portion (usually 75%) of the proceeds on disposal of land and buildings and any bylaw project surplus’ on completed projects. Permission must be received from the Minister to spend these funds. Spent amounts would be included in the “Other Provincial” column on Schedule 4C.

Other Provincial Capital represents capital grants received from, and restricted by, other Ministries, Crown Corporations or SUCH sector entities. This should include ITA capital funding for the **Youth Trades Capital Equipment Program (YTCEP)**.

Land Capital represents funds that are:

- a) paid to a school district by a local government under the former section 942(14) of the *Municipal Act (1996)*, or under section 937.3 of the *Local Government Act (2000)*; or
- b) realized from the sale of land acquired by a school district under the former section 942(15) of the *Municipal Act (1996)*, or under section 937.6 of the *Local Government Act (2000)*

All other land transactions should be accounted for in the appropriate capital accounts.

Other Capital would include capital grants received from and restricted by, any entity not included in the Government Reporting Entity (PAC’s for example). This would also include the fair market value of assets received from non-related entities such as playground equipment donated by a PAC.

6. Purchase of Tangible Capital Assets

Tangible Capital Assets purchases from Local Capital, including sites, should be shown on Schedule 4 “Schedule of Capital Operations” on the line “Tangible Capital Assets Purchased from Local Capital” in the “Other Adjustments to Fund Balances” section as an increase to Invested in Capital Assets and a decrease to Local Capital. The asset should be recorded on Schedule 4A “Tangible Capital Assets” on the line “Increase - Local Capital” except for work in progress which would be recorded on Schedule 4B “Tangible Capital Assets – Work in Progress”.

**SECTION F: CAPITAL SCHEDULES
(cont'd)**

Tangible Capital Assets, excluding sites and work in progress, purchased from Deferred Capital Revenue should be transferred from Schedule 4D “Changes in Unspent Deferred Capital Revenue” to Schedule 4C “Deferred Capital Revenue” on the line “Transferred to DCR – Capital Additions”. The asset should also be recorded on Schedule 4A on the appropriate line of the increase section.

Work in Progress (WIP) purchased from Deferred Capital Revenue should be recorded on Schedule 4D on the line “Transferred to DCR – Work in Progress” and on Schedule 4C as an increase to WIP (bottom section). The asset addition should also be recorded on Schedule 4B.

When work in progress is complete, the amounts should be transferred from Schedule 4B to 4A on the line “Transferred to Tangible Capital Assets” and from WIP to completed on Schedule 4C (bottom section to top section). **WIP should not be entered into the amortization tool until completed** (when transferred from Sch 4B to 4A and from the bottom to the top section of Sch 4C).

Site purchases from Deferred Capital Revenue should be reported as a decrease on Schedule 4D on the line “Transferred to Revenue – Site Purchases” and reported as revenue in Invested in Capital Assets on Schedule 4 on the appropriate line (MEd, other, etc).

7. Bylaw Project Surplus

Any unspent bylaw capital remaining after completion of a capital plan project must be transferred to MEd Restricted Capital per *School Act 156 (10)*. A project completion report should be submitted to the Ministry at the culmination of each bylaw project. This transfer should be reported on Schedule 4D. Please report both the decrease to bylaw and increase to MEd Restricted Capital on the line “Transfer project surplus to MEd Restricted (from) Bylaw”. Any surplus reported in Bylaw on Schedule 4D must represent spending timing differences on projects still in progress.

8. Sale/Disposal of Capital Assets

Sample journal entries for the sale, disposal, write-down and write-off of land and buildings can be found on the District Financial Accountability website at:

<https://www2.gov.bc.ca/gov/content/education-training/administration/resource-management/school-district-financial-reporting> These samples generate journal entries and financial statement presentation.

Proceeds from the sale of furniture, equipment, vehicles, computer software and computer hardware should be recorded as “Other Revenue” in the Operating Fund on Schedule 2A. These assets are deemed to be written off at the end of their applicable useful life through the “deemed disposal” entries reported on Schedule 4A generated from the district’s amortization tool. Operating funds to be used for capital purchases can then be transferred from the Operating Fund to the Capital Fund.

**SECTION F: CAPITAL SCHEDULES
(cont'd)**

9. Capital Lease and Capital Loan Payments

Capital lease and capital loan payments made from operating, special purpose funds or local capital should be reported on Schedule 4 “Schedule of Capital Operations”.

Unless funded from prior year’s local capital, the payment, including principal and interest, should be reported on the line “Net Transfers (to) from other funds - Other” in the appropriate fund (Operating Schedule 2 or Special Purpose Schedule 3). On Schedule 4, the transfer into capital should be reported on the appropriate line (Capital Lease Payment or Capital Loan Payment) in the section “Net Transfers (to) from other funds” in the Local Capital Column.

In all cases, the principal should be reported as a transfer from Local Capital to Invested in Capital Assets on the line “Principal Payment – Capital Lease” or “Principal Payment – Capital Loan” in the section “Other Adjustments to Fund Balances”. The interest portion should be reported on the line “Debt services – Capital Lease Interest” or “Debt services – Capital Loan Interest” in the “Expenses” section of Schedule 4.

10. Schedule 4 “Schedule of Capital Operations” Overview

a) Invested in Capital Assets Revenue must include:

- Amortization of all Deferred Capital Revenues that will link from the amount entered on Schedule 4C (bylaw, other provincial and non-provincial funds) – please refer to your amortization tool
- Gains (losses) on the disposal of Tangible Capital Assets
- Deferred Capital Revenues spent on **sites** (bylaw, municipal funds (linked from Sch 4D), MEd restricted capital, other provincial and non-provincial capital)
- Deferred Capital Revenues (AFG-bylaw, MEd restricted capital) spent on non-capital items (if applicable) with an equal amount reported as an expense (see b) below).

b) Invested in Capital Assets Expense must include:

- Amortization of Tangible Capital Assets allocated amongst the functions “Operations and Maintenance” and “Transportation and Housing”. Please refer to your amortization tool (districts may want to allocate amortization of busses to the Transportation and Housing function). The amount on Schedule 4 must agree to the amount reported on Schedule 4A.
- Write off/down of Buildings and Sites
- The related expense for the Deferred Capital Revenues spent on non-capital items recognized as revenue (if applicable)

**SECTION F: CAPITAL SCHEDULES
(cont'd)**

c) Local Capital Revenue must include:

- Interest earned on Local Capital Balances
- Locally earned capital revenue (if applicable)

d) Local Capital Expense must include:

- Interest paid on capital leases and loans
- Expenses relating to locally earned capital revenue (if applicable)

e) Net Transfers (to) from Other Funds

Transfers from operating and special purpose funds for tangible capital assets purchased, tangible capital asset WIP purchased and local capital are linked from the amounts reported on Schedule 2 (Operating) and Schedule 3 (Special Purpose Funds). Transfers reported as “Other” transfers on Schedules 2 and 3 to fund capital lease and loan payments should also be reported here (they are not linked). There should not be any transfers to other funds except in special circumstances (ex: a board “un-restricts” local capital). Transfers (to) from all funds should net to zero. A verification rule is included in the verification error summary to ensure that all interfund transfers reported in the various funds net to zero.

f) Other Adjustments to Fund Balances

Report transfers between invested in capital assets and local capital here. These adjustments should net to zero. This will include reclassifying the district’s portion of proceeds on disposal of assets, tangible capital assets purchased from local capital and the principal portion of capital lease and loan payments.

SECTION G: SCHEDULE 1 AND FINANCIAL STATEMENTS 1 TO 5

1. Schedule 1 – Schedule of Changes in Accumulated Surplus (Deficit) by Fund

This schedule is used to present the interfund transfers between funds, the net revenue (expense) for each fund and the resulting closing accumulated surplus (deficit) by fund that cannot be presented on Statements 1 and 2 per PSAS. Districts must not report an accumulated deficit in any fund unless prior permission from the Minister has been received. The opening accumulated surplus (deficit), or fund balance, for each fund will populate through links to Schedules 2, 3 and 4 and should agree to the district's June 30, 2017 audited financial statements.

The net revenue (expense) for the year and interfund transfers between funds will populate through links to Schedules 2, 3 and 4.

Total accumulated surplus (deficit) includes accumulated remeasurement gains (losses) reported on Statement 3 that should be allocated amongst funds on Schedule 1 on the line provided.

2. Statement 1 – Statement of Financial Position

Financial Assets – Liabilities = Net Financial Assets (Debt)

Net Financial Assets (Debt) + Non-Financial Assets = Accumulated Surplus (Deficit)

PSAS reporting focuses on the changes in net financial assets (debt) (see Statement 4 “Statement of Changes in Net Financial Assets (Debt)”).

The following are PSAS reporting requirements:

- There is no distinction between current and long term for assets and liabilities. Loans and leases do not require disclosure of the current portion (this is disclosed in the notes).
- There is no presentation of “funds” or interfund loans.
- Inventories for resale are a financial asset whereas inventory for consumption (supplies inventory) are non-financial assets.
- Temporary and long-term investments are reported in one account called “portfolio investments” and are recorded at cost or amortized cost unless they are investments in “equity instruments that are quoted in an active market” in which case they would be recorded at fair value.
- “Cash and Cash Equivalents” include cash and highly liquid securities with original terms to maturity of three months or less **when purchased**.
- Deferred Revenue balances will link from Schedule 3A (SPF's).
- Unearned revenues represent deferred tuition, rentals, leases
- Deferred Capital Revenue will sum and link from the totals on Schedules 4C (spent) and 4D (unspent).
- Intangible assets cannot be reported on the Statement of Financial Position. They must be disclosed in the notes instead. Art collections may be considered an intangible.
- Government Business Enterprises (GBE's) must be reported using the modified equity basis of consolidation. Government not-for-profits must be consolidated line by line.

**SECTION G: SCHEDULE 1 AND FINANCIAL STATEMENTS 1 TO 5
(cont'd)**

3. Statement 2 – Statement of Operations

This statement sums and links from the information reported on Schedules 2 (operating), 3 (special purpose) and 4 (capital). Expenses are presented by function as required by PSAS rather than by object.

Endowment contributions are to be included in the calculation of surplus (deficit) for the year but can be presented after a subtotal of “surplus (deficit) excluding endowment contributions”.

The template’s functionality enables districts to include the appropriate references to the notes to financial statements.

4. Statement 3 – Statement of Remeasurement Gains and Losses

This statement is to accumulate any unrealized gains and losses relating to Financial Instruments that are not carried at cost. Portfolio investments should be recorded at cost or amortized cost unless they are investments in “equity instruments that are quoted in an active market” in which case they would be recorded at fair value. The change in valuation will be reported on this statement.

For those districts that only have investments carried at cost (term deposits, GIC’s, etc.), **this statement is not required and will not print or be included in the table of contents if left blank.**

5. Statement 4 – Statement of Changes in Net Financial Assets (Debt)

This statement presents the changes in net financial assets (debt) which can be defined as surplus (deficit) for the year plus the changes in “non-financial assets” (for a definition of non-financial assets, please refer to *PS 1000.41 - .43*). Non-Financial assets would include tangible capital assets, prepaid expenses and supplies inventory. The change in Endowments (contributions) is included as they are currently defined as a non-financial restricted asset.

Current year’s acquisition of tangible capital assets, including work in progress (WIP), from the various funding sources is linked to the amount of asset additions reported on Schedules 4A and 4B. Amortization of tangible capital assets is linked to the amount reported on Schedule 4.

The net book value (NBV) of any tangible capital asset disposed of should be reported on the line “Net carrying value of Tangible Capital Assets disposed of” and is linked to the amounts reported on Schedule 4A. The NBV of any asset write-downs should be reported on the line “Write-down carrying value of Tangible Capital Assets” and is linked to the amounts reported on Schedule 4A.

**SECTION G: SCHEDULE 1 AND FINANCIAL STATEMENTS 1 TO 5
(cont'd)**

6. Statement 5 – Statement of Cash Flows

Although PSAS “encourages” the direct method for disclosing cash flows, the Ministry has elected to use the indirect method since this was the method being used by districts under NFP GAAP and the method used in the Province’s Summary Financial Statements.

When using the indirect method, PSAS requires that cash flows relating to interest received or paid that are included in the determination of the operating surplus or deficit for the accounting period to be disclosed separately and, when a material difference exists between such cash flows and the related amounts recognized in the statement of operations, the amount of the difference and the reasons for it should be disclosed. For example, there may be financing situations where there are significant differences between interest paid and interest expense for the period because a School District has prepaid interest or is permitted to defer the payment of interest. The bottom of Statement 5 includes a line “Supplementary Cash Flow Information” for districts to add the appropriate note reference.

SECTION H: NOTES TO FINANCIAL STATEMENTS

The Sample Notes to Financial Statements for the year ended June 30, 2018 can be found at: <https://www2.gov.bc.ca/gov/content/education-training/administration/resource-management/school-district-financial-reporting/financial-statement-reporting>

These “sample” notes have been provided to assist school districts with the preparation of their financial statements and to provide “sample” formats for applicable notes that are required under PSAS. Please revise, add or delete notes for circumstances particular to your district. References to the *CPA PSA Handbook* have been included in these sample notes for your convenience.

The final version of the notes should be prepared by school districts in conjunction with their auditors. Cells are provided on Financial Statements 1 – 5 to enter the appropriate note references.

Although the sample notes to financial statements are self-explanatory, the following additional information is provided:

Note 2 a) – Summary of Significant Accounting Policies - Basis of Accounting should outline the various Treasury Board directives affecting the basis of accounting and the impacts of the differences between these standards and PSAS.

Note 2 h & r) – Summary of Significant Accounting Policies – Deferred Revenue and Deferred Capital Revenue/Revenue Recognition These notes should describe the policies as provided in *Treasury Board Restricted Contribution Regulation 198/2011* relating to the recognition of restricted contributions.

Note 2 t) – Summary of Significant Accounting Policies – Endowment Contributions PSAS does not have a standard to address endowments. This note has been prepared from direction received from the Office of the Auditor General.

Note 4 – Portfolio Investments should disclose the market value and cost of equity investments (shares, etc) recorded at fair value and the cost of investments carried at cost (GIC’s, terms, etc).

Note 30 – Expense by Object should disclose the total expenses reported on Statement 2 “Statement of Operations” by object. Reference to this note should be provided on Statement 2. Operating and special purpose expenses by object are detailed on Schedules 2B and 3A but are not audited and do not include capital expenses.

Note 31 – Internally Restricted Surplus – Operating Fund should detail the specific categories of board (internally) restricted operating funds. Please refer to the *Financial Health Working Group Toolkit “Accumulated Operating Surplus”* for guidance relating to categorization of internally restricted operating surplus.

New sections **Related Party Disclosure** (PS 2200), **Contractual Rights** (PS 3380.11), **Unrecognized Assets** (PS 3210.31) and **Contingent Assets** (PS 3320.10) are effective June 30, 2018. See sample notes 20, 21, 23 and 25.

SECTION I: OTHER CONSIDERATIONS

1. Excel Financial Statement Template

The Excel financial statement template can be downloaded from the School District Financial Reporting website at <https://www2.gov.bc.ca/gov/content/education-training/administration/resource-management/school-district-financial-reporting/financial-statement-reporting>. Please refer to Appendix 3 for the Excel template functionality which is also included in this current template on the “Key Features” tab.

In order to facilitate the populating of the Statements and Schedules via links, it is suggested to first populate the Schedules before the various Statements (example: 4D, 4C, 4B, 4A, 4, 3A, 3, etc).

The template contains an option to mark the Schedules as “Audited” (“Unaudited” is the default setting) and an option to preface the titles with “Consolidated” for those districts having controlled and related entities. The table of contents will reflect the option chosen.

Ministry Contact: Richard Raloff (Richard.Raloff@gov.bc.ca)

Telephone: 778 676-3557

2. Comparative Amounts/District Entered Lines

Columns are provided for the comparative 2017 figures and 2018 budget figures. Please ensure that the note reference is provided for the budget figures on Statement 2 (sample note 23) which will populate the column headings on the remainder of the financial statements.

CPA PSA Handbook Section 1201.127-.133 requires the presentation of the “original budget” comparative amounts. Districts should discuss possible audit qualifications with their auditors if they wish to present Amended Annual Budget amounts instead of Annual Budget amounts.

Ensure that proper descriptions have been entered on any district entered (blank) lines of the template used. In order to facilitate the collection of like data amongst districts, please do not use a district entered line/column if there is already a line/column provided for a specific item.

3. Prior Period Adjustments and Opening Balances

The template contains an option to mark the prior year comparative column as “restated” or “recast” and lines are provided on the various schedules and statements for districts to restate opening balances for prior period adjustments (PPA’s). For Schedules 3A, 4A, 4B, 4C & 4D (that don’t disclose comparatives), please report the opening balances as reported on the 2016/17 financial statements and the PPA separately on the lines provided. The sum will then represent the “restated” opening balance as at July 1, 2017. For Schedules 2, 3 and 4, the comparative amounts should be restated for the portion of the PPA relating to 2016/17. The amount of the PPA relating to balances/transactions prior to July 1, 2016 would be entered on the PPA line in the comparative column to restate opening surplus as at July 1, 2016. Also, please ensure that proper note disclosure is provided for all PPAs and referenced in the comparative column heading.

Final Aboriginal Education Targeted Amount

		2017-18 Targeted	2016-17 Under Expended	2017-18 Audit Adjustments	2017-18 Revised Target
5	Southeast Kootenay	1,128,930	193,384	(4,840)	1,317,474
6	Rocky Mountain	761,090			761,090
8	Kootenay Lake	1,061,170	83,723		1,144,893
10	Arrow Lakes	77,440			77,440
19	Revelstoke	150,040	37,786		187,826
20	Kootenay-Columbia	513,040	83,342	(4,840)	591,542
22	Vernon	1,435,060	40,018	(18,150)	1,456,928
23	Central Okanagan	3,025,000			3,025,000
27	Cariboo-Chilcotin	1,704,890	130,784		1,835,674
28	Quesnel	1,063,590	50,555		1,114,145
33	Chilliwack	2,510,750	221,692		2,732,442
34	Abbotsford	2,445,410			2,445,410
35	Langley	2,291,740			2,291,740
36	Surrey	3,737,690	60,932		3,798,622
37	Delta	694,540			694,540
38	Richmond	269,830			269,830
39	Vancouver	2,568,830			2,568,830
40	New Westminster	355,740			355,740
41	Burnaby	853,050			853,050
42	Maple Ridge-Pitt Meadows	1,504,030	166,073		1,670,103
43	Coquitlam	1,553,640			1,553,640
44	North Vancouver	745,360			745,360
45	West Vancouver	104,060	4,582		108,642
46	Sunshine Coast	713,900		(1,210)	712,690
47	Powell River	300,080			300,080
48	Sea To Sky	693,330			693,330
49	Central Coast	166,980			166,980
50	Haida Gwaii	375,100			375,100
51	Boundary	412,610	26,197	(8,470)	430,337
52	Prince Rupert	1,517,340	106,427		1,623,767
53	Okanagan Similkameen	509,410	5,192		514,602
54	Bulkley Valley	600,160			600,160
57	Prince George	4,423,760			4,423,760
58	Nicola-Similkameen	1,000,670	136,599		1,137,269
59	Peace River South	1,401,180	15,883		1,417,063
60	Peace River North	1,392,710	55,441		1,448,151
61	Greater Victoria	1,759,340			1,759,340
62	Sooke	1,443,530	93,229		1,536,759
63	Saanich	655,820			655,820
64	Gulf Islands	170,610		(1,210)	169,400
67	Okanagan Skaha	968,000	92,407		1,060,407
68	Nanaimo-Ladysmith	2,756,380	469,137		3,225,517
69	Qualicum	579,590	-		579,590
70	Alberni	1,366,090			1,366,090
71	Comox Valley	1,545,170	124,081		1,669,251
72	Campbell River	1,431,430	238,310		1,669,740
73	Kamloops/Thompson	3,047,990	296,591		3,344,581
74	Gold Trail	820,380			820,380
75	Mission	1,349,150	50,288		1,399,438
78	Fraser-Cascade	730,840	96,461		827,301
79	Cowichan Valley	1,850,090	6,460		1,856,550
81	Fort Nelson	272,250			272,250
82	Coast Mountains	2,282,060			2,282,060
83	North Okanagan-Shuswap	1,363,670	100,150	(6,050)	1,457,770
84	Vancouver Island West	258,940			258,940
85	Vancouver Island North	730,840			730,840
87	Stikine	181,500			181,500
91	Nechako Lakes	1,571,790	100,881		1,672,671
92	Nisga'a	450,120			450,120
93	Conseil Scolaire Francophone	626,780			626,780
99	Provincial Total	72,274,510	3,086,605	(44,770)	75,316,345

System Requirements:

- Microsoft Excel 2010 or higher is required to run the 2017/2018 Financial Statement Excel package.
- Excel for Mac is **NOT** supported.

Key Features:

- 1.) Macros **MUST** be enabled and saved in either format (.xls or .xlsm)
Note: Once document is saved in the .xlsx format, it is no longer functional and cannot be converted back
(For Excel 2010, please click here to see how to enable Macros)
- 2.) A Finalized printed version must be given to your Board for approval. If the Board requires changes, please submit the package to the Ministry for **Override** (turn around is quick). Once changes are made, Finalize again and get the Board to sign the new package "**Statement 1**" and "**Management Report**".
- 3.) Please do not enter values with **decimals, links** or **formulas**.
 - ▶ May result in an ERROR
- 4.) Please do not copy cells from another workbook
 - ▶ May result in an ERROR or formatting issue
- 5.) Security and functionality
 - ▶ If another Excel document is open(ed) while this document is active, it may also take on the security features
- 6.) Cover page
 - ▶ School district dropdown menu
 - ▶ Consolidation Option
 - ▶ Print Package/Print Page (on each tab) *please use these buttons as opposed to the regular Excel buttons
 - Removes colour, unused rows/columns and updates TOC while printing
 - Checks to see if there are any verification error/warnings
 - Checks to see if you have selected your "School District"
 - ▶ PDF Package (Excel 2007 and Excel 2010)
 - ▶ Finalize Package
 - Removes DRAFT from the Signature block on the Management Report and Statement 1
 - Does a final check to see if there are any verification errors/warnings
 - Signifies that the package is ready for signoff and submission to Ministry of Education
 - Locks down entire workbook; allowing only printing
 - Removes "DRAFT" on the bottom of each page and replaces it with a version number and the date/time
 - ▶ Ministry Override
 - Allows ministry staff to unlock the workbook if districts are required to make changes
 - ▶ All Schedules Audited
 - Allows districts to remove the "Unaudited" heading on each page - this can also be done on each individual
 - ▶ Name of your current External Auditor
- 7.) Verification page
 - ▶ Shows all the verification rules and their status
- 8.) Notes
 - ▶ Entered on the far Left column
 - ▶ Statement 1 to 5, and Schedule 2
- 9.) Statement 1
 - ▶ Requires Signatures once Finalized
 - ▶ Restatement Options
- 10.) Statement 2
 - ▶ Budget Option
- 11.) Management Report page
 - ▶ Requires Signatures once Finalized
- 12.) Note Ref. (Statements 1 - 5 and Schedule 2)
 - ▶ Enter the note number you wish to use for the appropriate row
 - The value entered will be automatically attached to the heading
 - ▶ District Entered cells can be manually entered
- 13.) Schedule 3A
 - ▶ Add/Removed District Entered Columns
 - This will add or remove a unused/unpopulated District Entered columns
 - District Entered title headings are open for renaming
- 14.) All Schedules
 - ▶ Ability to choose if the Schedule is Audited (default is set to be "Unaudited")
- 15.) Table of Contents (TOC)
 - ▶ Ability to make small adjustments
 - Enter number of pages for Independent Auditor's Report
 - Enter number of pages for Notes to Financial Statements
 - Option to include Auditor's Comments on Supplementary Financial Information