

School District 67 (Okanagan Skaha)
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 AUTHORITY

The school district operates under authority of the School Act of British Columbia as a corporation under the name of “The Board of School Trustees of School District No. 67 (Okanagan Skaha)”. A board of school trustees (Board) elected for a three-year term governs the school district. The school district provides educational programs to students enrolled in schools in the district, and is principally funded by the Province of British Columbia through the Ministry of Education.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared in accordance with sections 156 and 157 of the School Act using significant accounting policies as set out below to comply with the accounting requirements prescribed or permitted by the Ministry of Education. These principles are consistent with those used in prior years except as disclosed as a change in accounting policy.

The deferral method of accounting for contributions, which includes government grants, is used. Results are reported in the operating fund, special purpose fund and capital fund. Revenues and expenses are recorded on a gross and accrual basis, except as noted.

The Statement of Revenue and Expense, Statement of Changes in Fund Balances and the Statement of Cash Flows present the annual results of each fund, the change in fund balances and the cash flows for the year. The Statement of Financial Position presents the assets, liabilities and fund balances. Interfund transfers and loans are recognized in each fund and eliminated in the consolidated totals.

a) Fund Accounting

Fund accounting procedures recognize external restrictions on the use of resources by governments or other granting agencies, and appropriations or other internal restrictions by the Board. While separate accounts are maintained for each fund, for financial reporting purposes, funds with similar characteristics are grouped together:

- Operating fund reports assets, liabilities, revenues and expenses for general operations.
- Special purpose fund reports assets, liabilities, revenue and expense for:
 - Trust funds with contributions restricted in use by the School Act or Ministry of Education.
 - Trust funds with contributions restricted in use by other external bodies.
- Capital fund reports assets, liabilities, revenues and expenses for capital. Resources of other funds used for capital purposes are transferred to the capital fund. This fund also includes amounts designated as capital reserves and restricted in use by the School Act or Ministry of Education.

b) Fund Balances

Fund Balances are classified as Invested in Capital Assets, Reserves, Internally Restricted (by the Board), and Unrestricted (for use at Board discretion).

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c) Capital Assets

Capital assets acquired or constructed are recorded at cost.

Disposals of sites or buildings are recorded and gains/losses calculated. Proceeds from the sale of other assets are recorded as a gain on disposal.

d) Capital Leases

Leases that, from the point of view of the lessee, transfer substantially all the benefits and risks incident to ownership of property to the Board are considered capital leases. These are accounted for as an asset and an obligation.

e) Revenue Recognition

Operating government grants not restricted in use are recognized as revenue when received or receivable. Such grants, if contributed for a future period, are deferred and reported as deferred contributions until that future period. Other unrestricted revenue, including tuition fees and sales of services/products are reported as revenue when services are provided or products delivered.

Externally restricted contributions - grants and donations - are reported as revenue depending on the nature of restrictions imposed on the use of the funds by the contributors:

- Non-capital contributions for specific purposes are recorded as deferred contributions and recognized as revenue in the year related expenses are incurred.
- Funds advanced by the Province for approved capital projects (bylaw capital) are recorded as outlined in note 6.
- Capital contributions that by the School Act must be recorded as a reserve are recorded as revenue when received.
- Other contributions restricted for capital purposes are recorded as deferred contributions until the amount is invested in capital assets.
 - If the capital asset is a site, the amount invested is recorded as a direct increase to net assets invested in capital assets.
 - If the capital asset is not a site, the amount invested is recorded as a deferred capital contribution and amortized over the useful life of the asset to capital fund equity (Investment in Capital Assets). Amortization commences in the year following acquisition.
 - Donated capital assets are recorded at fair market value and treated as a deferred capital contribution.

f) Expenditures

- Categories of salaries
 - Principals, Vice Principals, and Directors of Instruction employed under an administrative officer contract are categorized as Principals and Vice Principals.
 - Superintendents, Assistant Superintendents, Secretary Treasurers, Trustees and other employees excluded from union contract are categorized as Other Professionals.

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- Allocation of costs
 - Operating expenses are reported by function, program, and object. Whenever possible, expenditures are determined by actual identification. Additional costs pertaining to specific instructional programs such as special and aboriginal education are allocated to these programs. All other costs are allocated to regular programs.
 - Actual salaries of personnel assigned to two or more functions or programs are allocated based on the time spent in each function and program. School based clerical salaries are allocated to school administration and partially to other programs to which they may be assigned. Principals and Vice Principals salaries are allocated to school administration and may be partially allocated to other programs to recognize their other responsibilities.
 - Employee benefits and allowances are allocated to the same programs, and in the same proportions, as the individual's salary.
 - Supplies and services are allocated based on actual identification of program.

NOTE 3 CHANGE IN ACCOUNTING POLICY

Reporting for deferred capital contributions and deferred contributions was revised (note 6).

Externally restricted trust funds are included with other special purpose funds.

NOTE 4 EMPLOYEE FUTURE BENEFITS

Employee future benefits include benefits that may be paid to employees retiring or terminating. These costs are for benefits such as vested sick leave payouts and retiring allowances. The estimated liability for these benefits, based on October 2003 school district employee data was determined by an actuarial study conducted by Mercer Human Resources Consulting Limited in accordance with section 3461 of the Canadian Institute of Chartered Accountant's handbook.

Employee future benefits are recorded as an expense in the year payments are made. The amount of employee future benefits actuarially estimated at June 30, 2004 was \$ 1,751,258. Of this amount, \$ 439,769 has been accrued in the financial statements. In addition to the accrual, a contribution by the Province of BC of \$397,570 was received during the 2003/04 fiscal year and will be used to further reduce the unfunded liability for employee future benefits in 2004/05.

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NOTE 5 UNFUNDED PENSION LIABILITY

The school district and its employees contribute to the Teachers' Pension Plan and Municipal Pension Plan, jointly trustee pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The Teachers' Pension Plan has about 47,000 active contributors from school districts and the Municipal Plan has about 123,000 active contributors, of which approximately 20,000 are from school districts.

Every three years an actuarial valuation is performed to assess the financial position of the plans and the adequacy of plan funding. The most recent valuation of the Teachers' Plan as at December 31, 2002 indicated a \$382 million unfunded liability for basic pension benefits. The next valuation will be as at December 2005. The most recent valuation for the Municipal Pension Plan as at December 31, 2000 indicated a funding surplus of \$436 million for basic pension benefits. The next valuation calculated at December 31, 2003 with results available in 2004. The Joint Trust Agreements specify how surplus assets can be used. The actuary does not attribute portions of the surplus/unfunded liability to individual employers. Employer contributions to the plans in the fiscal year ended June 30, 2004 were \$3,347,786.

NOTE 6 DEFERRED CAPITAL CONTRIBUTIONS

Prior to July 1, 2003 funds advanced by the Province for approved capital projects were recorded as deferred capital contributions. These funds included a portion for site purchases. Deferred Capital Contributions – Province of British Columbia was recognized by amortizing to capital fund equity (Investment in Capital Assets). The amortization period was 32 years.

Effective July 1, 2003, an adjustment was made to remove the portion for site purchases and revise the 32 year amortization period to the capital asset rates.

	Deferred Capital Contributions	Accumulated Amortization	Unamortized Deferred Capital Contributions
Balance June 30, 2003	74,069,632	16,590,931	57,478,701
Adjustment	9,741,867	10,876,139	(1,134,272)
Balance July 1, 2003	83,811,500	27,467,070	56,344,429

For the 2003/04 fiscal year, funds advanced by the Province for approved capital projects were recorded as deferred contributions until the amount is invested in capital assets.

- If the capital asset is a site, the amount invested is recorded as a direct increase to net assets invested in capital assets.
- If the capital asset is not a site, the amount invested is recorded as a deferred capital contribution and amortized over the useful life of the asset to capital fund equity (Investment in Capital Assets).

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- Amortization commences in the year following acquisition, thus the amortization amount is based on assets acquired prior to July 1, 2003.

NOTE 7 OPERATING FUND BALANCE, END OF YEAR

Internally Restricted (appropriated) by Board for:	
Decentralized school budget surpluses	\$238,858
Unrestricted Operating Surplus (Deficit)	<u>5,404</u>
Total Available for Future Operations	<u>\$244,262</u>
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NOTE 8 SCHOOL-GENERATED FUNDS

Funds collected and used at the school level are not included in these statements.

NOTE 9 USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that impact reported amounts for assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

NOTE 10 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation. Comparative figures do not include school-generated funds or controlled and/or related entities.