

Audited Financial Statements of

**School District No. 23 (Central Okanagan)**

June 30, 2014

# School District No. 23 (Central Okanagan)

June 30, 2014

## Table of Contents

Management Report .....	1
Independent Auditor's Report .....	2-3
Statement of Financial Position - Statement 1 .....	4
Statement of Operations - Statement 2 .....	5
Statement of Remeasurement Gains and Losses - Statement 3 .....	6
Statement of Changes in Net Financial Assets (Debt) - Statement 4 .....	7
Statement of Cash Flows - Statement 5 .....	8
Notes to the Financial Statements .....	9-25
Schedule of Changes in Accumulated Surplus (Deficit) by Fund - Schedule 1 .....	26
Schedule of Operating Operations - Schedule 2 .....	27
Schedule 2A - Schedule of Operating Revenue by Source .....	28
Schedule 2B - Schedule of Operating Expense by Object .....	29
Schedule 2C - Operating Expense by Function, Program and Object .....	30
Schedule of Special Purpose Operations - Schedule 3 .....	32
Schedule 3A - Changes in Special Purpose Funds and Expense by Object .....	33
Schedule of Capital Operations - Schedule 4 .....	35
Schedule 4A - Tangible Capital Assets .....	36
Schedule 4B - Tangible Capital Assets - Work in Progress .....	37
Schedule 4C - Deferred Capital Revenue .....	38
Schedule 4D - Changes in Unspent Deferred Capital Revenue .....	39

# School District No. 23 (Central Okanagan)

## MANAGEMENT REPORT

Version: 2069-1324-8341

### Management's Responsibility for the Financial Statements.

The accompanying financial statements of School District No. 23 (Central Okanagan) have been prepared by management in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of British Columbia, supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.


The preparation of financial statements necessarily involves the use of estimates based on management's judgment particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

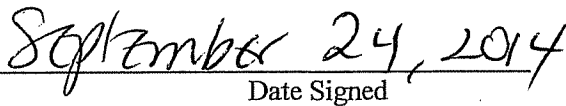
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and reliable financial information is produced.

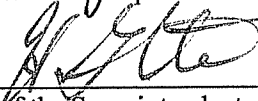
The Board of Education of School District No. 23 (Central Okanagan) (called the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and externally audited financial statements yearly.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of School District No. 23 (Central Okanagan) and meet when required. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the School District's financial statements.

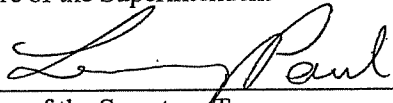
On behalf of School District No. 23 (Central Okanagan)


  
\_\_\_\_\_  
Signature of the Chairperson of the Board of Education

  
\_\_\_\_\_  
Date Signed

  
\_\_\_\_\_  
Signature of the Superintendent

  
\_\_\_\_\_  
Date Signed

  
\_\_\_\_\_  
Signature of the Secretary Treasurer

  
\_\_\_\_\_  
Date Signed



Grant Thornton

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## Independent auditors' report

To the Board of Education of  
School District No. 23 (Central Okanagan) and the Ministry of Education

We have audited the accompanying financial statements of School District No. 23 (Central Okanagan), which comprise the statement of financial position as at June 30, 2014 and the statement of operations, statement of remeasurement gains and losses, statement of changes in net financial assets (debt) and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements of School District No. 23 (Central Okanagan) for the year ended June 30, 2014 are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

**Emphasis of matter**

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

**Other matters**

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional information and is not a required part of the financial statements. Such information has been subject to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

Kelowna, Canada  
September 22, 2014

*Grant Thornton LLP*

Chartered Accountants

**School District No. 23 (Central Okanagan)**

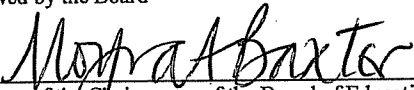
Statement of Financial Position

As at June 30, 2014


	2014 Actual	2013 Actual (Restated - Note 22)
	\$	\$
<b>Financial Assets</b>		
Cash and Cash Equivalents (Note 3)	32,048,672	30,368,201
Accounts Receivable		
Due from Province - Ministry of Education	3,218,497	96,958
Due from Province - Other (Note 4)	484,769	711,898
Portfolio Investments	11,254,604	12,418,217
<b>Total Financial Assets</b>	<b>47,006,542</b>	<b>43,595,274</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities		
Other (Note 5)	19,325,560	10,658,135
Unearned Revenue (Note 7)	1,355,289	1,168,116
Deferred Revenue (Note 8)	4,164,494	4,053,159
Deferred Capital Revenue (Note 9)	177,797,202	164,192,739
Employee Future Benefits (Note 10)	8,233,266	7,636,138
Other Liabilities (Note 11)	5,935,937	7,740,283
<b>Total Liabilities</b>	<b>216,811,748</b>	<b>195,448,570</b>
<b>Net Financial Assets (Debt)</b>	<b>(169,805,206)</b>	<b>(151,853,296)</b>
<b>Non-Financial Assets</b>		
Tangible Capital Assets (Note 12)	276,245,122	255,199,973
Prepaid Expenses (Note 13)	196,015	853,774
Supplies Inventory	259,789	227,568
<b>Total Non-Financial Assets</b>	<b>276,700,926</b>	<b>256,281,315</b>
<b>Accumulated Surplus (Deficit)</b>	<b>106,895,720</b>	<b>104,428,019</b>
<b>Accumulated Surplus (Deficit) is comprised of:</b>		
Accumulated Surplus (Deficit) from Operations	105,361,088	102,935,881
Accumulated Remeasurement Gains (Losses)	1,534,632	1,492,138
	<b>106,895,720</b>	<b>104,428,019</b>

Contractual Obligations and Contingencies (Note 20 & 21)


Approved by the Board

  
Signature of the Chairperson of the Board of Education

September 24, 2014  
Date Signed

  
Signature of the Superintendent

September 24, 2014  
Date Signed

  
Signature of the Secretary Treasurer

September 24, 2014  
Date Signed

# School District No. 23 (Central Okanagan)

Statement of Operations  
Year Ended June 30, 2014

Statement 2

	2014 Budget	2014 Actual	2013 Actual (Restated - Note 22)
	\$	\$	\$
<b>Revenues</b>			
Provincial Grants			
Ministry of Education	179,956,703	180,035,891	181,825,724
Other	746,148	687,525	757,750
Tuition	3,172,500	2,861,484	3,032,772
Other Revenue	10,672,691	9,932,827	10,137,265
Rentals and Leases	460,000	463,307	476,221
Investment Income	700,000	764,009	425,687
Amortization of Deferred Capital Revenue	6,750,000	7,166,315	7,017,825
<b>Total Revenue</b>	<b>202,458,042</b>	<b>201,911,358</b>	<b>203,673,244</b>
<b>Expenses</b>			
Instruction	167,346,827	159,891,442	164,740,992
District Administration	5,058,302	4,902,952	4,549,956
Operations and Maintenance	31,555,796	30,984,310	30,917,585
Transportation and Housing	3,713,548	3,707,447	3,517,262
<b>Total Expense</b>	<b>207,674,473</b>	<b>199,486,151</b>	<b>203,725,795</b>
<b>Surplus (Deficit) for the year</b>	<b>(5,216,431)</b>	<b>2,425,207</b>	<b>(52,551)</b>
<b>Accumulated Surplus (Deficit) from Operations, beginning of year</b>		<b>102,935,881</b>	104,574,860
<b>Reclassify Accumulated other Comprehensive (Income) Loss to Statement of Remeasurement Gains and Losses</b>			<b>(1,586,428)</b>
<b>Accumulated Surplus (Deficit) from Operations, end of year</b>		<b>105,361,088</b>	<b>102,935,881</b>

**School District No. 23 (Central Okanagan)**Statement of Remeasurement Gains and Losses  
Year Ended June 30, 2014

Statement 3

	2014 Actual	2013 Actual (Restated - Note 22)
	\$	\$
Accumulated Remeasurement Gains (Losses) at beginning of year	<u>1,492,138</u>	
Accumulated Other Comprehensive Income (Loss) July 1, 2012		<u>1,586,428</u>
Unrealized Gains (Losses) attributable to: Portfolio Investments	(415,789)	(201,291)
Amounts Reclassified to the Statement of Operations: Realized Gains Attributable to Portfolio Investments	458,283	107,001
Net Remeasurement Gains (Losses) for the year	<u>42,494</u>	<u>(94,290)</u>
Accumulated Remeasurement Gains (Losses) at end of year	<u>1,534,632</u>	<u>1,492,138</u>



# School District No. 23 (Central Okanagan)

Statement 4

Statement of Changes in Net Financial Assets (Debt)  
Year Ended June 30, 2014

	2014 Budget	2014 Actual	2013 Actual (Restated - Note 22)
	\$	\$	\$
<b>Surplus (Deficit) for the year</b>	<u>(5,216,431)</u>	<u>2,425,207</u>	<u>(52,551)</u>
<b>Effect of change in Tangible Capital Assets</b>			
Acquisition of Tangible Capital Assets	(11,031,781)	(32,977,831)	(12,299,497)
Amortization of Tangible Capital Assets	11,900,000	11,932,682	11,968,266
<b>Total Effect of change in Tangible Capital Assets</b>	<u>868,219</u>	<u>(21,045,149)</u>	<u>(331,231)</u>
Acquisition of Prepaid Expenses		(104,203)	(832,080)
Use of Prepaid Expenses		761,962	98,590
Acquisition of Supplies Inventory		(1,151,743)	(1,153,200)
Use of Supplies Inventory		1,119,522	1,179,286
<b>Total Effect of change in Other Non-Financial Assets</b>	<u>-</u>	<u>625,538</u>	<u>(707,404)</u>
<b>(Increase) Decrease in Net Financial Assets (Debt), before Net Remeasurement Gains (Losses)</b>	<u>(4,348,212)</u>	<u>(17,994,404)</u>	<u>(1,091,186)</u>
<b>Net Remeasurement Gains (Losses)</b>		<u>42,494</u>	<u>(94,290)</u>
<b>(Increase) Decrease in Net Financial Assets (Debt)</b>		<u>(17,951,910)</u>	<u>(1,185,476)</u>
<b>Net Financial Assets (Debt), beginning of year</b>		<u>(151,853,296)</u>	<u>(150,667,820)</u>
<b>Net Financial Assets (Debt), end of year</b>		<u>(169,805,206)</u>	<u>(151,853,296)</u>

# School District No. 23 (Central Okanagan)

Statement 5

Statement of Cash Flows  
Year Ended June 30, 2014

	2014 Actual	2013 Actual
		(Restated - Note 22)
	\$	\$
<b>Operating Transactions</b>		
Surplus (Deficit) for the year	2,425,207	(52,551)
Changes in Non-Cash Working Capital		
Decrease (Increase)		
Accounts Receivable	(2,894,410)	(116,143)
Supplies Inventories	(32,221)	26,086
Prepaid Expenses	657,759	(733,490)
Increase (Decrease)		
Accounts Payable and Accrued Liabilities	8,667,425	1,590,095
Unearned Revenue	187,173	114,634
Deferred Revenue	111,335	561,349
Employee Future Benefits	597,128	527,323
Other Liabilities	(1,804,346)	(399,363)
Amortization of Tangible Capital Assets	11,932,682	11,968,266
Amortization of Deferred Capital Revenue	(7,166,315)	(7,017,825)
Recognition of Deferred Capital Revenue Spent on Sites	(1,581,754)	(402,246)
Loss (Gain) on Disposal of Inventory Held for Resale	-	(17,153)
<b>Total Operating Transactions</b>	<u>11,099,663</u>	<u>6,048,982</u>
<b>Capital Transactions</b>		
Tangible Capital Assets Purchased	(15,673,810)	(9,380,810)
Tangible Capital Assets -WIP Purchased	(17,304,021)	(2,918,687)
<b>Total Capital Transactions</b>	<u>(32,977,831)</u>	<u>(12,299,497)</u>
<b>Financing Transactions</b>		
Capital Revenue Received	22,352,532	6,412,370
<b>Total Financing Transactions</b>	<u>22,352,532</u>	<u>6,412,370</u>
<b>Investing Transactions</b>		
Decrease in Portfolio Investments, Net	1,163,613	437,594
Decrease (Increase) in Remeasurement Gains (Losses)	42,494	(94,290)
Proceeds on Disposal of Inventory Held for Resale	-	235,000
<b>Total Investing Transactions</b>	<u>1,206,107</u>	<u>578,304</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,680,471	740,159
<b>Cash and Cash Equivalents, beginning of year</b>	30,368,201	29,628,042
<b>Cash and Cash Equivalents, end of year</b>	<u>32,048,672</u>	<u>30,368,201</u>
<b>Cash and Cash Equivalents, end of year, is made up of:</b>		
Cash	32,048,672	30,368,201
	<u>32,048,672</u>	<u>30,368,201</u>

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**School District No. 23 (Central Okanagan)**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**1. Authority and purpose**

The School District, established on April 12, 1946, operates under the authority of the School Act of British Columbia as a corporation under the name of "The Board of Education of School District No. 23 (Central Okanagan)", and operates as "School District No. 23 (Central Okanagan)". A Board of Education (the "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. School District No. 23 (Central Okanagan) is exempt from federal and provincial corporate income taxes.

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**2. Summary of significant accounting policies**

(a) Basis of accounting

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. This Section requires that the financial statements be prepared in accordance with Canadian public sector accounting standards except in regard to the accounting for government transfers as set out in the "*Deferred Revenue and Deferred Capital Revenue*" and "*Revenue Recognition*" notes below.

In November 2011, Treasury Board provided a directive through Restricted Contributions Regulation 198/2011 providing direction for the reporting of restricted contributions whether they are received or receivable by the School District before or after this regulation was in effect.

As noted in the "*Deferred Revenue and Deferred Capital Revenue*" and "*Revenue Recognition*" notes below, Section 23.1 of the Budget Transparency and Accountability Act and its related regulations require the School District to recognize government transfers for the acquisition of capital assets into revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be fully recognized into revenue. The impact of this difference on the financial statements of the School District is as follows:

Year ended June 30, 2013 - decrease in annual surplus by	<u>\$ (3,755,147)</u>
June 30, 2013 - increase in accumulated surplus & decrease in deferred contributions by	<u>\$ 160,582,447</u>
Year ended June 30, 2014 - decrease in annual surplus by	<u>\$ (1,808,088)</u>
June 30, 2014 - increase in accumulated surplus & decrease in deferred contributions by	<u>\$ 158,774,357</u>

(b) Cash and cash equivalents

Cash and cash equivalents include cash balances and bonds that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These cash equivalents generally have a maturity of three months or less when purchased and are held for the purpose of meeting short term cash commitments rather than for investing.

2. Summary of significant accounting policies (*continued*)

(c) Portfolio investments

The School District has investments in bonds which have original terms to maturity of greater than three months at the time of acquisition. Bonds not quoted in an active market are reported at cost or amortized cost.

Short term investments in bond instruments that are quoted in an active market are recorded at fair value and the associated transaction costs are expensed upon initial recognition. The change in the fair value is recognized in the Statement of Remeasurement Gains and Losses as a remeasurement gain or loss until the short term investments are realized on disposal. Upon disposal, any accumulated remeasurement gains or losses associated with the short term investments are reclassified to the Statement of Operations.

Impairment is defined as a loss in value of a short term investment that is other than a temporary decline and is included in the Statement of Operations. In the case of an item in the fair value category, a reversal of any net remeasurement gains recognized in previous reporting periods up to the amount of the write-down is reported in the Statement of Remeasurement Gains and Losses. The loss is not reversed if there is a subsequent increase in value.

(d) Accounts receivables

Accounts receivable are measured at amortized cost and shown net of an allowance for doubtful accounts.

(e) Prepaid expenses

Prepaid expenses include licenses and software maintenance contracts that are valued at acquisition cost. Prepaid expenses are charged to expense over the periods expected to benefit from it.

(f) Supplies inventory

Supplies inventory held for consumption or use include school supplies and are recorded at the lower of historical cost and replacement cost.

(g) Tangible capital assets

The following criteria apply:

- Tangible capital assets acquired and constructed are recorded at cost and include donated tangible capital assets which are recorded at their fair market value on the date of donation.
- Work-in-progress is recorded as an acquisition to the applicable asset class at substantial completion.
- Sites and buildings that no longer contribute to the ability of the School District to provide services are written-down to residual value.
- Tangible capital assets are written down to residual value when conditions indicate they no longer contribute to the ability of the School District to provide services or when the value of future economic benefits associated with the sites and buildings are less than their net book value. The write-downs are accounted for as expenses in the Statement of Operations.
- Buildings that are demolished or destroyed are written off.

2. Summary of significant accounting policies (*continued*)

(g) Tangible capital assets (*continued*)

- Amortization is recorded on a straight-line basis over the estimated useful life of the tangible capital asset. It is management's responsibility to determine the appropriate useful lives for capital assets. These useful lives are reviewed on a regular basis or if significant events initiate the need to revise. Estimated useful lives are as follows:

Buildings	40 years
Computer hardware	5 years
Computer software	5 years
Furniture and equipment	10 years
Vehicles	10 years

Disposals of sites or buildings are recorded and gains/losses calculated.

(h) Unearned revenue

Unearned revenue includes tuition fees received for courses to be delivered in future periods and receipt of proceeds for services to be delivered in a future period. Revenue will be recognized in that future period when the courses or services are provided.

(i) Deferred revenue and deferred capital revenue

Deferred revenue includes contributions received with stipulations that meet the description of restricted contributions in the Restricted Contributions Regulation 198/2011 issued by Treasury Board. When restrictions are met, deferred revenue is recognized as revenue in the fiscal year in a manner consistent with the circumstances and evidence used to support the initial recognition of the contributions received as a liability as detailed in the "Revenue Recognition" note below.

Funding received for the acquisition of depreciable tangible capital assets is recorded as deferred capital revenue and amortized over the life of the asset acquired as revenue in the Statement of Operations. This accounting treatment is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability in which case the transfer is recognized as revenue over the period that the liability is extinguished. See the "Basis of Accounting" note above for the impact of this policy on these financial statements.

(j) Employee future benefits

The School District provides certain post-employment benefits including retiring allowances for certain employees pursuant to certain contracts and union agreements.

2. Summary of significant accounting policies (*continued*)

(j) Employee future benefits (*continued*)

The School District accrues its obligations and related costs, including both vested and non-vested benefits, under employee future benefit plans. Benefits include vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance, vacation, overtime and death benefits. The benefits cost is actuarially determined using the projected unit credit method pro-rata on service and management's best estimate of expected salary escalation, termination and retirement rates and mortality. The discount rate used to measure obligations is based on the cost of borrowing.

The cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime (EARSL) of active employees covered under the plan.

The most recent valuation of the obligation was performed at March 31, 2013 and projected to June 30, 2016. The next valuation will be performed at March 31, 2016 for use at June 30, 2016. For the purposes of determining the financial position of the plans and the employee future benefit costs, a measurement date of March 31 was adopted for all periods subsequent to July 1, 2004.

The School District and its employees make contributions to the Teachers' Pension Plan and Municipal Pension Plan. The plans are multi-employer plans where assets and obligations are not separated. The costs are expensed as incurred.

(k) Asset retirement obligations

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Statement of Operations.

(l) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Contributions received or where eligibility criteria have been met are recognized as revenue except where the contribution meets the criteria for deferral as described below. Eligibility criteria are the criteria that the School District has to meet in order to receive the contributions including authorization by the transferring government.

2. Summary of significant accounting policies (*continued*)

(l) Revenue recognition (*continued*)

For contributions subject to a legislative or contractual stipulation or restriction as to their use, revenue is recognized as follows:

- Non-capital contributions for specific purposes are recorded as deferred revenue and recognized as revenue in the year related expenses are incurred,
- Contributions restricted for site acquisitions are recorded as revenue when the sites are purchased, and
- Contributions restricted for tangible capital assets acquisitions other than sites are recorded as deferred capital revenue and amortized over the useful life of the related assets.

Donated tangible capital assets other than sites are recorded at fair market value and amortized over the useful life of the assets. Donated sites are recorded as revenue at fair market value when received or receivable.

The accounting treatment for restricted contributions is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that meets the criteria for liability recognition in which case the transfer is recognized as revenue over the period that the liability is extinguished. See the "*Basis of Accounting*" note above for the impact of this policy on these financial statements.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Investment income is reported in the period earned. When required by the funding party or related Act, investment income earned on deferred revenue is added to the deferred revenue balance.

(m) Expenditures

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

- 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 any other employees excluded from union contract are categorized as Other Professionals.
- 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.

2. Summary of significant accounting policies (*continued*)

(m) Expenditures (*continued*)

- Actual salaries of personnel assigned by 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 are allocated to the same programs, and in the same proportions, as the individual's salary.
- Supplies and services are allocated based on actual program identification.

(n) Financial instruments

A contract establishing a financial instrument creates, at its inception, rights and obligations to receive or deliver economic benefits. The financial assets and financial liabilities portray these rights and obligations in the financial statements. The School District recognizes a financial instrument when it becomes a party to a financial instrument contract.

The School District's financial instruments consist of cash and cash equivalents, accounts receivable, portfolio investments, accounts payable and accrued liabilities and other liabilities. Unless otherwise noted, it is management's opinion that the School District is not exposed to significant credit, liquidity or market risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Except for portfolio investments in equity instruments quoted in an active market that are recorded at fair value, all financial assets and liabilities are recorded at cost or amortized cost and the associated transaction costs are added to the carrying value of these investments upon initial recognition. Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a financial liability.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the Statement of Remeasurement Gains and Losses. Upon settlement, the cumulative gain or loss is reclassified from the Statement of Remeasurement Gains and Losses and recognized in the Statement of Operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations. A write-down of a short term investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.



2. Summary of significant accounting policies (continued)

(o) Measurement uncertainty

Preparation of financial statements in accordance with the "Basis of Accounting" note above 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. Significant areas requiring the use of management estimates relate to the potential impairment of assets, rates for amortization and estimated employee future benefits. Actual results could differ from those estimates.

(p) Funds and reserves

Certain amounts, as approved by the Board, are set aside in accumulated surplus for future operating and capital purposes. Transfers to and from funds and reserves are an adjustment to the respective fund when approved (see the "Internally Restricted Surplus - Operating Fund" and "Interfund Transfers" notes below).

3. Cash and cash equivalents

Included in cash and cash equivalents are funds in the amount of \$299,789 (2013 - \$308,806), restricted and paid out to staff who contribute and take part in the District's deferred self-funded leave plan.

Also included in cash and cash equivalents are funds in the amount of \$6,059,632 (2013 - \$6,679,496), restricted and paid out to teachers who contribute and take part in the District's self-funded summer saving plan.

4. Other receivable

	2014	2013
GST receivable	\$ 127,434	\$ 136,294
Invoices receivable	349,475	372,535
Long term receivable	11,000	-
Other receivable	36,467	242,676
Allowance for doubtful accounts	(39,607)	(39,607)
<b>Total other receivables</b>	<b>\$ 484,769</b>	<b>\$ 711,898</b>

**School District No. 23 (Central Okanagan)**  
**Notes to the Financial Statements**  
**June 30, 2014**

**5. Accounts payable and accrued liabilities - other**

	<u>2014</u>	<u>2013</u>
Trade	\$ 5,298,713	\$ 1,970,269
International Education	561,245	454,925
Summer Savings program	6,059,632	6,679,496
Deferred Salary Leave program	299,789	308,806
Ministry of Education strike savings recovery	4,709,863	-
Miscellaneous	<u>2,396,318</u>	<u>1,244,639</u>
<b>Total accounts payable and accrued liabilities</b>	<b><u>\$ 19,325,560</u></b>	<b><u>\$ 10,658,135</u></b>

**6. Bank loans**

The School District has a revolving demand operating credit facility with the Royal Bank of Canada in the amount of \$5,000,000. The facility is secured by a certified copy of a resolution permitting short term borrowings up to \$5,000,000 under Section 139 of the School Act approved by the Board of Education of the School District. The amounts are repayable on demand and bear interest at the bank's prime lending rate. At June 30, 2014 the balance outstanding under this credit facility was \$nil (2013 – \$nil).

**7. Unearned revenue**

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 1,168,116	\$ 1,053,482
Changes for the year; Increase:		
Transportation fees	151,725	160,867
Tuition fees	3,021,352	2,976,173
Other	<u>32,515</u>	<u>24,979</u>
	<u>3,205,592</u>	<u>3,162,019</u>
Decrease:		
Transportation fees	(160,867)	(138,092)
Tuition fees	(2,814,332)	(2,895,274)
Other	<u>(43,220)</u>	<u>(14,019)</u>
	<u>(3,018,419)</u>	<u>(3,047,385)</u>
<b>Balance, end of year</b>	<b><u>\$ 1,355,289</u></b>	<b><u>\$ 1,168,116</u></b>
	<u>2014</u>	<u>2013</u>
<b>Unearned revenue comprised of:</b>		
Transportation fees	\$ 151,725	\$ 160,867
Tuition fees	1,203,309	996,289
Other	255	10,960
	<u>\$ 1,355,289</u>	<u>\$ 1,168,116</u>

