

# 2010/11 FINANCIAL STATEMENT INSTRUCTIONS

For British Columbia School Districts

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**SECTION A: SUMMARY OF INFORMATION REQUIRED BY THE MINISTRY**

**1. Submission of Financial Statements**

**DUE DATE: September 30, 2011**

Pursuant to sections 156 (Accounting Practices) and 157 (Financial Statements) of the *School Act* and Ministerial Order M177/10, *Boards of Education* (Boards) are required to use forms prescribed by the Ministry for preparation and submission of the financial statements.

**One electronic submission of:**

Financial statements must be submitted electronically to the School District Financial Reporting Branch at [sdfr@gov.bc.ca](mailto:sdfr@gov.bc.ca) using the Excel Template provided by the Ministry (please refer to Appendix 3). Please submit using v7.0 of this template only. The Notes to Financial Statements and Auditors' Report must also be submitted electronically in either word or PDF format.

- The Excel template will be available to districts by June 2011 and can be downloaded from the School District Financial Reporting Branch website at <http://www.bced.gov.bc.ca/accountability/district/>
  - 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.**

**Two (2) unbound hard copies of:**

- **Audited Financial Statements** - 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 (including 1 original)
  - Certification Cover Page
  - Table of Contents
  - Auditor's Report
  - Statements 1 to 4
  - Notes to Financial Statements
  - A Schedules – Operating Fund
  - B Schedules – Special Purpose Funds
  - C Schedules – Capital Fund

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

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

**COURIER**

School District Financial Reporting Branch  
Resource Management Division  
Ministry of Education  
4<sup>th</sup> floor, 777 Broughton St  
Victoria BC V8W 1E3  
Phone (250) 356-2606

**MAIL**

School District Financial Reporting Branch  
Resource Management Division  
Ministry of Education  
PO Box 9151 Stn Prov Govt  
Victoria BC V8W 9H1

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

**2. Auditor Reports**

**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.

If you have changed your Auditor, please advise the Ministry of the new Auditor's name and contact information.

Ministry Contact: Linda Seabrook

Telephone: 250-356-5088

**3. Local Education Agreement (LEA) / Direct-Funded Accounts  
Receivable**

**DUE DATE: September 30, 2011**

Please e-mail the electronic form (available from <http://www.bced.gov.bc.ca/accountability/district/>) to [Richard.Raloff@gov.bc.ca](mailto:Richard.Raloff@gov.bc.ca) to provide information on:

- Receivables owed by Bands to the school district as at June 30, 2011 (Appendix 2)

Ministry Contact: Richard Raloff

Telephone: 250-387-2429

**4. Statement of Financial Information (SOFI)**

**DUE DATE: December 31, 2011**

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

Ministry Contact: Mike Poplawski ([Mike.Poplawski@gov.bc.ca](mailto:Mike.Poplawski@gov.bc.ca))

Telephone: 250-356-6980

**5. Report on Administration Cost Reductions**

As indicated in Government's Budget and Fiscal Plan for 2009/10, school districts were required to collectively achieve administrative savings of \$12 million per year. It is expected that these savings will be redirected to classroom activities. For these purposes, "administrative savings" has not been narrowly defined. For 2010/11, this requirement continues. This is not a year-over-year cumulative savings. Reductions achieved in 2009/10 should be maintained for 2010/11.

The Ministry of Education will calculate, based on your audited financial statements, actual administrative savings achieved.

The Ministry may ask you to provide additional information to support the calculation of the school district's administrative savings.

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

Telephone: 250-356-2585

**SECTION B: DISTRICT FINANCIAL ACCOUNTABILITY WEBSITE**

The School District Financial Reporting Branch in the Ministry's Resource Management Division maintains, on the Ministry of Education website, material pertinent to school district financial reporting. This information can be viewed or downloaded at your convenience from <http://www.bced.gov.bc.ca/accountability/district/>. This material is updated as required during the year.

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

School District Reporting TimelinesSchool District Financial Statement Reporting

- 2010/11 Financial Statement Instructions
- 2010/11 Sample Notes to Financial Statements
- Financial Statement Format (2010/11) version 7.0 - blank
- Financial Statement Format (2010/11) version 7.0 - sample figures
- 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

Employee Future Benefits

- Liabilities for Employee Future Benefits (May 2011)

Reports

- Revenue and Expenditure Tables (provides financial information over a multi-year period)

Accounting and Reporting Guidelines

- Operating Fund Account Descriptions
- Canadian Institute of Chartered Accountants (CICA)

Committees (links)

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

School District Budget Reporting

- 2011/12 Annual Budget Instructions
- 2011/12 Annual Budget Bylaw
- 2011/12 School Referendum Bylaw
- 2011/12 Annual Budget Excel Template

Local Education Agreement (LEA)/Indian & Northern Affairs Canada (INAC)

- Local Education Agreement (LEA) / Direct-Funded Receivable Form
- 2010/11 First Nation Billing Rates

Statement of Financial InformationAmortization Calculation ToolsSchool District PSAB Conversion Project (additions ongoing)Secretary Treasurers' Issues Mailing List

## SECTION C: LIABILITIES FOR EMPLOYEE FUTURE BENEFITS

### 1. Actuarial Calculation Tool

An actuarial calculation tool was provided to each district on May 3, 2011 to assist in the calculation of the employee future benefit liability to be reported on the 2010/11 audited financial statements. This tool included the amended actuarial figures based on the recent March 31, 2011 actuarial study results. The study results, including revised appendix C's and F's from the actuary, were also provided with the tool.

### 2. Plan to Retire Unfunded Liabilities

A plan to fully retire unfunded liabilities over a specified number of years is required and should be disclosed in the Notes to Financial Statements (see sample Note 13). The reduction of these unfunded amounts will be monitored by the Ministry.

### 3. Year-End Discount Rates

Rates used to discount the employee future benefits are covered in section 3461 of the *CICA Handbook*. This section prescribes that the discount rate should be determined by reference to market interest rates at the measurement date on high-quality corporate bonds (defined to be AA or better) with cash flows that match the timing and amount of the expected benefit payments. The appropriate annual discount rate is selected by the actuaries through an exact matching of expected benefit payments.

### 4. Early Measurement Date

The *CICA Handbook*, section 3461 allows for the measurement of a benefit obligation to occur prior to the date of the annual financial statements provided that the measurement date occurs no more than three months prior, and provided that the plan sponsor adopts this practice consistently from year to year.

Starting with the fiscal year ending June 30, 2005, the measurement date of March 31 was adopted. The accrued benefit obligation measured as at March 31 less the April to June cash payments will equal the obligation as at June 30. The Statement of Financial Position liability is then calculated by adding/subtracting any gain/loss (please refer to the "Actuarial Calculation Tool"). This allows school districts to receive information required to prepare their annual financial statements prior to fiscal year end. There is a further advantage in that the Province has a fiscal year end date of March 31. For purposes of the Government Reporting Entity (GRE), the CICA and PSAB benefit obligations are measured as at the same date.

## SECTION C: LIABILITIES FOR EMPLOYEE FUTURE BENEFITS (Continued)

### 5. Expected Average Remaining Service Lifetime (EARSL)

The EARSL, calculated by the actuaries for your school district, is provided on your Actuarial Appendix F. This figure is necessary to appropriately amortize future gains or losses that occur under the plan.

### 6. Actuarial Considerations for Financial Statement Preparation at June 30, 2011

School district figures at March 31, 2011 (for use at June 30, 2011) have been recalculated by Mercer based on data provided by school districts as at October 31, 2009 and by applying the applicable interest rates at March 31, 2011. The study results including revised actuarial appendices C and F specific to each school district were provided to each district in an e-mail "SDXX District March 2011 Actuarial Results & Actuarial Tool" on May 3, 2011.

For note disclosure in the June 30, 2011 financial statements, school districts will need to provide actual benefits paid (cash payments) for the periods April 1, 2010 to March 31, 2011 and April 1, 2011 to June 30, 2011 (after measurement date). This payment information includes all employees. Individual amounts for each employee group are not required.

### 7. Financial Statement Note Disclosure

Sample note disclosure has been provided to assist school districts with preparation of their financial statements. Employee future benefit disclosure is provided in sample notes 2(n), 11 and 13. Note 11 is generated by the Actuarial Calculation Tool Tab 2 (provided under separate cover May 3, 2011 – see paper titled "Liabilities for Employee Future Benefits" on the District Financial Accountability website at: <http://www.bced.gov.bc.ca/accountability/district/>).

The final version of the employee future benefit disclosure notes should be prepared by school districts in conjunction with their auditors.

The "2010/11 Sample Notes to Financial Statements" document is posted on the District Financial Accountability website at: <http://www.bced.gov.bc.ca/accountability/district/>.

### 8. Data Collection Considerations for the 2012/13 Actuarial Study

The next actuarial study will be prepared for March 31, 2013 based on data provided at October 31, 2012 and retiree experience data for the three years ended June 30, 2012. **In order to ease some of the data gathering requirements, it may be useful for Districts to collect their retiree experience data on an annual basis as at June 30, 2010 – 2012** in preparation for the 2012/13 actuarial study.

## **SECTION C: LIABILITIES FOR EMPLOYEE FUTURE BENEFITS (Continued)**

### **9. Curtailment Gains/Losses**

The change in the Accrued Benefit Obligation for employee future benefits at March 31, 2011 may include curtailment gains/losses. These will be calculated and presented in the Appendix F provided to districts and will be preloaded into the actuarial tool. Depending on the balance of any unamortized gains/losses carried forward, districts may need to recognize all or part of these gains/losses in income/expense at June 30, 2011. The actuarial tool will automatically calculate the amounts and whether or not they should be recognized. Districts should ensure that the total amount recognized as revenue/expense for the year ended June 30, 2011 agree with the amount calculated by the actuarial tool's "Net Benefit Expense (Income)" line on tab 1 of the tool.

### **10. Transition to Public Sector Accounting Standards**

Currently, School districts follow CICA Handbook section 3461. Beginning with the year ended June 30, 2013, school districts will follow Public Sector Accounting Board (PSAB) standards section PS3250 & PS3255. These standards specify that non-vested benefits must be included in the calculation of EFB and specify the discount rates to be used. PSAB will require the restatement of the comparative June 30, 2012 balances as well as the presentation of an opening Statement of Financial Position as at July 1, 2011 (the date of transition to PSAB). The actuary, in conjunction with the Ministry, will provide an actuarial tool that will calculate the figures required for school districts' transition to PSAB.

## SECTION D: OPERATING FUND

### 1. Format Changes from 2009/10 Reports ("A" Schedules)

There were no changes to the 2010/11 formats.

### 2. 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: <http://www.bced.gov.bc.ca/accountability/district>. This is located in the "Reference and Resources" section under the "Accounting and Reporting Guidelines" heading.

#### Notes to Financial Statements

Please disclose methods used on Schedule A4 (Operating Fund – Expense by Function and Program) to allocate costs to programs, including special education and aboriginal education (see Note 2j) 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.

### 3. Internally Restricted Operating Fund Balance at Year-End

"Internally Restricted" reported on Schedule A1 must not cause "Unrestricted" to be less than zero. If there is an accumulated operating deficit, no amount should be reported as internally restricted.

### 4. 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.

For operating deficits, **total** accumulated operating deficits at the end of the year must be approved. This is reported on Schedule A1 (Operating Fund – Surplus (Deficit)).

Pursuant to Ministerial Order M177/10 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 FUND**  
(Continued)

**5. Targeted Funds – Aboriginal Education Program**

The minimum spending level for aboriginal education was established by the 2010/11 Operating Grant Recalculation funding amounts plus any applicable audit adjustments and under-expended target amounts from 2009/10. School districts are reminded to report only additional direct costs associated with providing this program. Please refer to applicable sections of the “Operating Fund Account Descriptions” document posted on the District Financial Accountability website at: <http://www.bced.gov.bc.ca/accountability/district>.

The table of final aboriginal education targets, originally provided as part of the 2010/11 Operating Grant Recalculation to school districts in December 2010, has been adjusted where necessary and provided as Appendix 1. Under section 106.4 of the *School Act*, the Minister must approve any variance from this target.

*Request to under spend should be received **no later than September 30, 2011.***

**6. Actuarial Considerations**

School district financial statements must take into consideration actuarial considerations. The Ministry provided an “Actuarial Calculation Tool” to each school district on May 3, 2011. This tool was preloaded with school district figures provided in the revised actuarial appendices C and F based on the most recent valuation at March 31, 2011. The amount of expense reported on the June 30, 2011 financial statements should agree to the “Net Benefit Expense (Income)” line on tab 1 of the actuarial tool.

**7. Sale of Furniture and Equipment, Vehicles, Computer Software and Computer Hardware**

Proceeds for the sale of furniture and equipment, vehicles, computer software and computer hardware should be recorded as “Other Revenue” in the operating fund. Operating funds to be used for capital purchases are transferred from the operating fund to the capital fund.

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

The Ministry is continuing our annual survey of receivables owed by Bands to school districts as at June 30, 2011. The collective results will be brought to the attention of Indian and Northern Affairs Canada (INAC) requesting their assistance to settle these outstanding receivables. Please e-mail the electronic form (Appendix 2) to [Richard.Ralloff@gov.bc.ca](mailto:Richard.Ralloff@gov.bc.ca) by **September 30, 2011**.

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

**SECTION D: OPERATING FUND**  
(Continued)

**9. OLEP, 1<sup>st</sup>, 2<sup>nd</sup>, and Minority Language Funding**

This language funding is a Ministry of Education grant and therefore should be reported in Other Ministry of Education Grants (Object 629) on one of the district entered lines and **NOT** in Federal Grants (Object 610).

**10. Provincial Grants – Other**

Grants to be included in Provincial Grants - Other on Sch A2 include grants from other Ministries and Government Reporting Entities (including Hospitals, Universities and Colleges) and should **NOT** include grants received from the Ministry of Education.

**11. Rentals, Leases and Tuition**

Rental, lease, and tuition revenues are not deferred contributions, they are deferred revenues. A deferred revenue line is provided on Statement 1 and Statement 4.1. Rentals and leases should not be reported on the B Schedules nor on Schedule A5.

**12. Allocation of Deferred Contributions (Schedule A5) on Statement 1**

Please ensure that the balance reported on Schedule A5 is allocated correctly on Statement 1 between Deferred Contributions–Ministry of Education, Deferred Contribution–Province–Other, and Deferred Contributions–Other. Deferred Contributions–Province–Other represents contributions from other **Ministries** and Government Reporting Entities (including Hospitals, Universities and Colleges).

## SECTION E: SPECIAL PURPOSE FUNDS

### 1. Format Changes from 2009/10 Reports ("B" Schedules)

There were no changes to the 2010/11 formats.

### 2. Ministry of Education Designated Special Purpose Funds ("B2" Schedule)

#### a) Special Purpose Funds in Effect at June 30, 2011

*Ministry Designated Special Purpose Funds* - Funds 207, 231, 250, 290, 301 & 302 (see descriptions below) are provided in the Excel template. School districts must report applicable funds using the standard name and number provided. Only one fund should be used for each Ministry of Education designated fund. School district staff should not set up "District Entered" Special Purpose Funds in the 200 series. **A school district may choose to record funds received from the Ministry, which are not designated funds (ex: pay equity, literacy, Community LINK, etc) or funds from other provincial ministries as a deferred contribution in a special purpose fund. These funds should be reported on Schedule B3 "Changes in Other Special Purpose Funds".**

The following special purpose fund balances, if any, at June 30, 2011 must continue to be reported on schedule B2 as special purpose funds externally restricted by the Ministry.

207 Annual Facility Grant	250 Special Education Equipment
231 Aboriginal Education Technology	290 Debt Services

**Note:** Other than those listed above, do not report additional "200 series" fund numbers. Other fund balances should have been nil at June 30, 2007 and balances remaining transferred to the operating fund.

#### Annual Facility Grant (207)

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 at:

[http://www.bced.gov.bc.ca/policy/policies/annual\\_fac\\_grant.htm](http://www.bced.gov.bc.ca/policy/policies/annual_fac_grant.htm)

Record funding received as a deferred contribution "Provincial Grant – Ministry of Education" in the special purpose fund. **Do not include amounts paid via a bylaw** – COA draw (these must be reported as bylaw contributions received on Schedule C4). As project expenditures are recorded, a corresponding amount should be transferred from deferred contributions to revenue. Year-end balances are carried forward as a deferred contribution in the special purpose fund and **should not be a Debit (overspent)**. Please refer to 2 c) "Deficits".

Expenditures for capital acquisitions should be reported on schedule B2 as "Interfund Transfers – Capital Assets Purchased". In the capital fund, this transfer is reported as an addition to capital assets.

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



**SECTION E: SPECIAL PURPOSE FUNDS**  
(Continued)

**2. Ministry of Education Designated Special Purpose Funds ("B2" Schedule) (Continued)**

**Debt Services (290)**

Debt service grants are only applicable to a few school districts with capital bank term loans approved by the Ministry for debt service funding. Pursuant to section 156(12) of the *School Act*, school districts must obtain prior approval from the Minister before incurring debt service deficits. Deficit approval requests must include information on the amount, the reasons for incurring the deficit and a plan showing how the deficit will be retired.

**Provincial Resource Programs (PRP)**

Fund numbers 301 (Transportation for Deaf and Hard of Hearing) and 302 (Special Education Technology) are provided in the Excel template and can only be revised by Ministry staff. School district staff must report other Ministry of Education approved PRP funds by assigning applicable fund names and numbers in the 300 series. In the Excel template, an add/delete column function is provided to add/delete funds.

PRP fund numbers are as follows:

- 301 Transportation for Deaf & Hard of Hearing
- 302 Special Education Technology (S.E.T. BC)
- 303 to 399 – assigned as required by the school district

**Other**

Funds received from provincial ministries other than the Ministry of Education or other sources should be reported on Schedule B3 "Changes in Other Special Purpose Funds" unless specifically relating to, and externally restricted for, Ministry of Education approved PRP funds.

**SECTION E: SPECIAL PURPOSE FUNDS**  
(Continued)

**2. Ministry of Education Designated Special Purpose Funds ("B2" Schedule) (Continued)**

**b) Deficits**

Deferred Contribution balances should not be a Debit (overspent). This is overstating revenues in the SPF by recognizing revenue that has not been received nor announced. Also, it is not consistent with GAAP to report a "DR" (asset) in a liability account (deferred contributions). This shortfall is a **"fund balance deficit"**.

Special purpose fund deficits are unusual. Pursuant to section 156(12) of the *School Act*, school districts must not incur deficits without approval by 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.

*School Act* sections 156(1)(b)(ii), 157(2), 157.1 and *Ministerial Order M177/10* direct the use of Generally Accepted Accounting Principles (GAAP) in both the preparation of Financial Statements, the GRE and other financial reports.

Please refer to *CICA Handbook* sections 1000.41-47 and sections 4420.03 & 4410.02 for further information on recognition criteria and contributions.

**c) Allocation of Interest Income**

Allocation of interest income is required, except where interest income is not considered to be material. Terms of the special purpose fund should be considered. Applicable interest income must be allocated to the appropriate special purpose fund (eg. Annual Facility Grant). For further details, reference *CICA Handbook* sections 4410.10 to 4410.14, 4410.63 and 4410.70.

SECTION E: SPECIAL PURPOSE FUNDS  
(Continued)

3. Other Special Purpose Funds ("B3" Schedule)

This schedule is used to provide details of funds externally restricted by others such as other provincial ministries, federal government and scholarship contributors. This schedule can also be used to provide fund details of funds externally restricted by the Ministry of Education (Ready Set Learn, Community LINK, etc) that are not "designated" to be reported on Schedule B2 (alternatively, these funds could be reported in the operating fund on Schedule A5). These funds are reported by assigning applicable fund names and numbers in the 400 (Scholarships), 500 (Endowment Income) and 600 (Miscellaneous) series. In the Excel template, an add/delete column function is provided to add/delete funds.

School districts are encouraged to review their requirements for these funds 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 B3 reporting. In addition, the upcoming transition to PSAB may not permit school districts to continue the deferral of certain Special Purpose Funds that do not meet the definition of a liability per PSAB (pay equity, OLEP, literacy, Community LINK, etc).

a) Criteria

In order to be classified as externally restricted and reported as a Special Purpose Fund, the following criteria must be met:

- all contributions to the special purpose fund are made by an external party who has restricted the use of the funds
- the school district is **not** making a contribution from its funds, other than for contractual obligations
- the special purpose fund will continue after the current fiscal year.

b) Endowment Funds

Endowment funds (*CICA Handbook* Section 4410.02(b)(ii)) will require specific accounting treatment under not-for-profit GAAP, therefore they must be segregated from other externally restricted donated funds. The two components of these funds are:

- capital held by the school district in perpetuity – is **not** reported as part of the special purpose fund schedules but forms the special purpose fund balance and is reported on Statement 1 (Statement of Financial Position) in "Special Purpose Funds" column under "Fund Balances – Endowment" and the current year additions to the capital component on Statement 3 (Statement of Changes in Fund Balances).
- disbursements in accordance with terms of the endowment (usually from earnings on investment of the capital) - are reported in a special purpose fund where the income that may be disbursed is also recorded on B3 as "Deferred Contributions - Investment Income". Disbursements made are recorded as expense in the appropriate account and are transferred from deferred contributions to revenue to cover the cost of disbursements on B3.

In some cases, endowment funds for the school district are held and controlled by either the donor or their representative. This external party 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.

**SECTION E: SPECIAL PURPOSE FUNDS**  
(Continued)

**4. Accounting Requirements**

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. In compliance with GAAP, contributions received are recorded as deferred contributions on the statement of financial position (SFP). Recognition of revenue will occur when expenses are incurred and funds are transferred from deferred contributions to revenue. Related accounting entries are:

- As contributions are received, they should be credited to the deferred contribution accounts on the SFP.
- As expenses are incurred and/or interfund transfers made, revenue should be recognized by debiting the SFP account and crediting the appropriate revenue accounts.

Rentals, Leases, and Tuition revenues are not deferred contributions, they are deferred revenues.

**5. School-Generated Funds ("B1" Schedule)**

Every school district has numerous individual school-generated funds that will require ongoing review and identification. Based on their source and purpose these could be treated as externally or internally restricted funds. Consideration should be given to classifying all school-generated funds as externally restricted, with any unspent balances treated as deferred contributions.

Consultation with numerous audit firms indicated that it might be acceptable to consider all funds externally restricted unless this would materially misstate the reporting. This treatment will result in no impact on the fund balances. District staff is advised to discuss this treatment with their auditors.

If all funds are considered externally restricted, the income will be shown as "Deferred Contributions – Contributions Received" on the appropriate line of Schedule B1. Sufficient funds should be allocated from deferred contributions to revenue as an offset to the expenses and interfund transfers reported on B1. Unexpended funds will remain as a deferred contribution balance at the end of the year.

If funds are considered both externally and internally restricted, the reporting will be as follows:

- Externally restricted funds are reported as described above.
- Internally restricted funds are reported as revenue when received and expense appropriately classified. The difference between the revenue and expense plus interfund transfers will be added to the fund balance.
- On Statement 1 (Statement of Financial Position), the fund balance will be reported as internally restricted.

**SECTION E: SPECIAL PURPOSE FUNDS**  
(Continued)

**6. Controlled and/or Related Entities (“B1” Schedule)**

Controlled and/or related entities must be reported in the financial statements. Refer to section 4450.02 - 4450.13 of the *CICA Handbook* for the definition of “control”.

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

Please note that further to the *School Act* amendments relating to business companies, you will also be required to submit an annual report no later than September 30, 2011 relating to your business company which includes their **audited financial statements** (*School Act* section 95.53). This applies to all year ends for your business company whether or not there is any financial activity.

**7. Allocation of Special Purpose Fund Deferred Contributions on Statement 1**

Please ensure that the amounts reported on the B Schedules are allocated correctly on Statement 1 between Deferred Contributions–Ministry of Education, Deferred Contributions–Province–Other, and Deferred Contributions–Other. Deferred Contributions–Ministry of Education will include the ministry designated amounts reported on B2 plus any amounts reported on B3 that were received from the Ministry of Education. Deferred contributions reported on B3 received from other **Ministries** and Government Reporting Entities (including Hospitals, Universities and Colleges) will be reported as Deferred Contributions–Province–Other. The balance of deferred contributions will be reported as “Other”. For funds with multiple contributors, please classify them according to the source of the majority of the funds.

## SECTION F: CAPITAL FUND

### 1. Format changes from 2009/10 Reports ("C" Schedules)

There were no changes to the 2010/11 formats.

### 2. 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 M177/10, 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.

### 3. Allocation of Interest Income

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

### 4. Allocation of Deferred Contributions (Schedule C4) on Statement 1

Please ensure that the amounts reported on Schedule C4 are allocated correctly on Statement 1 between Deferred Contributions–Ministry of Education, Deferred Contributions–Province–Other, and Deferred Contributions–Other. Deferred Contributions–Ministry of Education will include bylaw capital and MEd restricted capital. Deferred Contributions–Province–Other will include unspent deferred capital contributions from **other Ministries** and Government Reporting Entities (including Hospitals, Universities and Colleges). Deferred Contributions–Other will include contributions from other sources (including municipalities and regional districts).

### 5. Land Capital (Deferred Contributions)

This account on Schedule C4 includes 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 appropriate capital accounts.

**SECTION F: CAPITAL FUND**  
(Continued)**6. Certificate of Approval (COA)**

Amounts drawn on Certificates of Approval (COA) for capital projects by school districts should be recorded as "Deferred Contributions - Bylaw Capital" on Schedule C4 (Changes in Deferred Contributions). **This will include amounts for Full Day Kindergarten implementation and AFG that are paid through a COA.**

**7. Sale of Furniture and Equipment, Vehicles, Computer Software and Computer 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. Operating funds to be used for capital purchases are transferred from the operating fund to the capital fund.

**8. Sale and Purchase of Capital Assets****Sale / Disposal of Land and Buildings**

Please refer to the District Financial Accountability website at: <http://www.bced.gov.bc.ca/accountability/district> for sample journal entry examples of sale or disposal of land and buildings. These samples provide journal entries and suggested financial statement presentation.

**Purchases of Capital Assets**

**Asset purchases from Local Capital** should be shown on Schedule C5 (Changes in Fund Balances) and Schedule C1 (Capital Assets), **not** on Schedule C3 (Deferred Capital Contributions) or Schedule C4 (Changes in Deferred Contributions).

**Purchases of amortizable assets (not Work in Progress) from Bylaw Capital or other Deferred Capital Contributions** should be transferred from Schedule C4 (Changes in Deferred Contributions) to Schedule C3 (Deferred Capital Contributions). The purchase should also be recorded on Schedule C1 (Capital Assets) as asset additions.

**Purchases of Work in Progress** from Bylaw Capital or other Deferred Capital Contributions would be recorded on Schedule C2 (Capital Assets – Work in Progress) and transferred from Schedule C4 (Changes in Deferred Contributions) to the bottom section of Schedule C3 (Deferred Capital Contributions).

## SECTION G: FINANCIAL STATEMENTS 1 TO 4

### 1. Format changes from 2009/10 Reports

There were no changes to the 2010/11 formats.

### 2. Cash and Cash Equivalents

“Cash and Cash Equivalents” on Statement 1 and 4.2 should include cash and highly liquid securities with original terms to maturity of three months or less when purchased.

### 3. Transition to Public Sector Accounting Standards

School districts will be converting to Public Sector Accounting Board (PSAB) accounting policies without not-for-profit provisions beginning with the June 30, 2013 audited financial statements and 2012/13 budgets. The financial statements will also present restated figures for the 2012 comparative year as well as an opening balance sheet as at July 1, 2011 (date of transition) under PSAB. The adoption of PSAB is to be accounted for by retroactive application with restatement of prior periods unless an exemption is permitted. The Ministry has prepared Preliminary Draft PSAB versions of the June 30, 2013 Financial Statement and 2012/13 Budget templates. These have been posted on the Ministry website in the section “School District PSAB Conversion Project” <http://www.bced.gov.bc.ca/accountability/district/>. This website also contains useful links to various PSAB reference materials and will be continually updated as information becomes available.

### 4. Boards of Education

As of July 1, 2007 “The Board of School Trustees of School District No. 00 (Name)” has changed to “The Board of Education of School District No. 00 (Name)”. Ensure that all appropriate documents include the name change.

## SECTION H: CERTIFICATION COVER PAGE

A statement of “School District Management’s Responsibility for Financial Reporting” is included on the declaration and signatures cover page for the financial statements package. The purpose of this statement 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.

**SECTION I: OTHER CONSIDERATIONS**

**1. Excel Financial Statement Template**

Beginning with the 2009/10 Annual Budget submission, Excel based templates were provided by the Ministry for the Annual Budget, Amended Annual Budget and Financial Statement reporting (replacing FREDS). These templates can be downloaded from the School District Financial Reporting website at <http://www.bced.gov.bc.ca/accountability/district/>. Please refer to Appendix 3 for the Excel template functionality which is also included in this new template on the tab "Key Features".

For questions regarding the Excel template functionality, please contact Richard Ralloff at 250-387-2429 or [Richard.Ralloff@gov.bc.ca](mailto:Richard.Ralloff@gov.bc.ca).

**2. Comparative Amounts/District Entered Lines**

Comparative amounts and descriptions for 2009/10 should agree to the year ended June 30, 2010 audited financial statement (or 2010/11 AAB) figures where applicable.

If prior years' figures have been reclassified, please include the required note disclosure (see Sample Notes to Financial Statements Note 26).

**3. Prior Period Adjustments and Opening Balances**

Statement 3, Statement 4.2, A Schedules, B Schedules and C Schedules all provide lines for districts to restate opening balances for prior period adjustments (PPAs). Rather than changing opening balances on a given schedule for a prior period adjustment, the Ministry prefers that districts report the opening balances that agree with the 2009/10 financial statement closing balances and the PPA reported on the lines provided. The sum will then represent the "restated" opening balance. Also, please ensure that proper note disclosure is provided for all PPAs.



## SECTION J: NOTES TO FINANCIAL STATEMENTS

The sample Notes to Financial Statements for the year ended June 30, 2011 has been revised.

Please refer to the District Financial Accountability website at: <http://www.bced.gov.bc.ca/accountability/district>.

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 GAAP reporting. Please revise, add or delete notes for circumstances particular to your district. References to the *CICA 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.

The Notes to Financial Statements must be submitted electronically in either word or PDF format and must accompany the Audited Financial Statement submission.



**Final Aboriginal Education Targeted Amount**

	2010-11 Targeted	2009-10 Under Expended	2010-11 Audit Adjustments	2010-11 Revised Target
5  Southeast Kootenay	766,760			766,760
6  Rocky Mountain	613,060			613,060
8  Kootenay Lake	763,280	77,970		841,250
10  Arrow Lakes	66,120	46,090		112,210
19  Revelstoke	116,000	7,836		123,836
20  Kootenay-Columbia	445,440	116,711		562,151
22  Vernon	1,191,320	554,883		1,746,203
23  Central Okanagan	2,433,680			2,433,680
27  Cariboo-Chilcotin	1,655,900			1,655,900
28  Quesnel	958,740			958,740
33  Chilliwack	2,046,240	184,718		2,230,958
34  Abbotsford	2,168,620			2,168,620
35  Langley	1,799,740	170,654		1,970,394
36  Surrey	3,455,640	142,906		3,598,546
37  Delta	582,900	34,267		617,167
38  Richmond	257,520			257,520
39  Vancouver	2,217,340			2,217,340
40  New Westminster	414,700			414,700
41  Burnaby	824,180			824,180
42  Maple Ridge-Pitt Meadows	1,161,160	146,646		1,307,806
43  Coquitlam	1,324,140	169,649		1,493,789
44  North Vancouver	661,200			661,200
45  West Vancouver	31,320	-		31,320
46  Sunshine Coast	518,520			518,520
47  Powell River	322,480			322,480
48  Sea To Sky	646,700			646,700
49  Central Coast	161,240			161,240
50  Haida Gwaii/Q. Charlotte	483,720			483,720
51  Boundary	392,660	25,105	Amounts	417,765
52  Prince Rupert	1,524,240		not yet	1,524,240
53  Okanagan Similkameen	371,200		Available	371,200
54  Bulkley Valley	672,220	4,792		677,012
57  Prince George	3,721,280	68,665		3,789,945
58  Nicola-Similkameen	1,120,560	309,288		1,429,848
59  Peace River South	1,495,820	5,609		1,501,429
60  Peace River North	1,212,780	48,773		1,261,553
61  Greater Victoria	1,615,300			1,615,300
62  Sooke	1,021,960			1,021,960
63  Saanich	432,680			432,680
64  Gulf Islands	118,900			118,900
67  Okanagan Skaha	753,420	62,164		815,584
68  Nanaimo-Ladysmith	2,339,140			2,339,140
69  Qualicum	446,020	13,417		459,437
70  Alberni	1,264,980			1,264,980
71  Comox Valley	1,104,900			1,104,900
72  Campbell River	1,236,560	100,389		1,336,949
73  Kamloops/Thompson	2,511,400	199,297		2,710,697
74  Gold Trail	838,680			838,680
75  Mission	1,056,180	26,043		1,082,223
78  Fraser-Cascade	688,460			688,460
79  Cowichan Valley	1,575,860	53,565		1,629,425
81  Fort Nelson	273,180			273,180
82  Coast Mountains	2,388,440	392,926		2,781,366
83  North Okanagan-Shuswap	1,064,880			1,064,880
84  Vancouver Island West	236,640			236,640
85  Vancouver Island North	607,840			607,840
87  Stikine	182,120			182,120
91  Nechako Lakes	1,636,760			1,636,760
92  Nisga'a	459,360			459,360
93  Conseil Scolaire Francophone	415,280			415,280
99  Provincial Total	62,867,360	2,962,363	0	65,829,723



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## Excel Financial Statement Template Functionality

- 1.) Macros **MUST** be enabled and saved in either format (.xls or .xlsm)  
(For Excel 2007, please click here to see how to enable Macros)  
(For Excel 2003, 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 (turnaround time is quick). Once changes are made, Finalize again and get the Board to sign the new package Certification page.
- 3.) Please do not enter values with decimals or formulas
  - ▶ May result in a \$0 ERROR
- 4.) Security and functionality
  - ▶ If another Excel document is open(ed) while this document is active, it may also take on the security features
- 5.) Certification page
  - ▶ School district dropdown menu
  - ▶ Print Package/Print Page (on each tab) \***please use these buttons as opposed to the regular Excel buttons**
    - Removes colour and unused rows/columns while printing
    - Checks to see if there are any verification error/warnings
    - Checks to see if "School District" has been selected
  - ▶ PDF Package
  - ▶ Consolidated
    - When checked, it adds the word "Consolidated" to all the necessary headings
  - ▶ Finalize Package
    - 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" and replaces it with a version number
  - ▶ Ministry Override
    - Allows ministry staff to unlock the workbook if districts require to make changes
  - ▶ GRE
    - For those Districts that use the Excel template for preparation of their GRE
    - Changes the dates for the "Period Ended"
- 6.) Verification page
  - ▶ Shows all the verification rules and their status
- 7.) Table of Contents page
  - ▶ "Check to use page numbers" button
    - When checked, this will allow you to enter page numbers
    - Only whole numbers (ie 18) will work, not ranges
    - Only the "NOTES TO FINANCIAL STATEMENTS" can have a range value (ie 7-12)
    - Only enter the first page number for B2 and B3
      - If B2 or B3 is larger than one page, it will automatically calculate the corresponding page numbers
- 8.) Note Ref. columns (statements 1 - 4.1)
  - ▶ Enter the note number you wish to use for the appropriate row heading
  - ▶ The value entered will be automatically attached to the heading
  - ▶ District Entered cells can be manually entered
- 9.) Schedule B2/B3
  - ▶ Add/Removed District Entered Columns
    - This will add or remove an unused/unpopulated District Entered column
    - District Entered title headings are open for renaming