



School District No. 84 (Vancouver Island West)

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended June 30, 2023

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Introduction

This is a discussion and analysis of the financial performance of School District 84 (Vancouver Island West) (the 'District') for the fiscal year ended June 30, 2023. It is based on currently known facts, decisions, and conditions. This report should be read in conjunction with the District's financial statements for the same period.

The preparation of this financial statement discussion and analysis is management's responsibility. All dollar amounts are reported to the nearest thousand.

Located in the Western part of Vancouver Island – directly west of Campbell River, the District serves the communities of Gold River, Zeballos, Tahsis, and Kyuquot. The district provides educational services to approximately 300 students. These services include: a robust international program, outdoor education, and continuing education programming.

The statements illustrate in financial terms, how resources have been allocated and consumed during the fiscal year.

Composition of the Financial Statements

The two key audited statements are:

- The **statement of financial position**, which summarizes the districts assets and liabilities at June 30, 2023. This provides an indication of the financial health of the school district.
- The **statement of operations**, which summarizes the revenues received and expenses incurred between July 1, 2022 and June 30, 2023. This statement provides a breakdown of the funding received by the school district and how that funding was expended.

The **Statement of Changes in Net Financial Assets** (Debt), the **Statement of Cash Flows** and the Notes to the Financial Statements are also audited and provide further analysis of the District's finances. The District manages its financial activities in three distinct areas;

- The Operating fund – not restricted by the Ministry of Education (Schedule 2);
- Special Purpose Funds- certain parameters placed on spending (Schedule 3); and the
- Capital Fund (Schedule 4).

These schedules are included at the end of the financial statements and are in a format prescribed by the Ministry of Education and Child Care. These schedules provide additional details specific to each of these areas. The balances reported in the schedules, are combined with the operating information to provide a complete financial statement picture.

Schedule 1 illustrates the sum of the funds in all three of these areas.

Schedule 2 provides detail on the **Operating Fund**.

The Operating Fund accounts for the District's operating grants and other operating revenues. Legislation requires that the District present a balanced budget for the Operating Fund, whereby budgeted expenditures do not exceed the total of budgeted revenue and any surplus in the operating fund is carried forward from previous years. Legislation does not permit school districts to budget for a deficit.

Schedule 3 provides detail on the **Special Purpose Funds**.

The Special Purpose Funds account for grants and contributions that are directed towards specific activities. As these are targeted grants, any unspent funding is accounted for as deferred revenue, not as accumulated surplus.

Schedule 4 provides detail on the **Capital Fund**.

The capital fund accounts for the capital assets of the District including land, buildings, furniture, computers and equipment.

Statement of Financial Position

Financial Assets

Financial assets are assets available to discharge existing liabilities or finance future operations. Overall, there was an increase in cash due to an operating surplus of \$1.8 M a portion of which (\$1.5M) was then transferred to local capital for a specific purpose. The surplus will be discussed later in the report.

In Thousands	2023	2022	Change
Cash	\$ 6,878	\$ 5,571	\$1,307
Accounts Receivable -LEA	\$ 0	\$ 0	\$0
Due from Others	\$ 196	\$ 160	\$3 6
Total	\$7,074	\$5,731	\$ 1,343

The accounts receivable main difference was the accrual for an additional six month of GST which had not been applied for amounting to approximately \$60,000.

Portfolio investments which are held by the Ministry as the rates of return are equal to or better than the bank is able to offer. The rates in June were 5.45% (2.2% last year) and 793,552.00 was deposited with the Ministry. The District plans to increase this amount as the cash on hand is not required at the current levels.

Liabilities

Liabilities represent obligations that have been incurred by the district. Total liabilities increased from the prior year by \$1.0 M. \$800,000 has been added to the liabilities as a result of a change in accounting policy requiring the accrual of the obligation to accrue the cost of retiring assets. This means in the District's case the cost of remediation for asbestos, which requires special disposal. The main change in the District liabilities is the \$ 902,000 in the deferred capital revenue due to the many capital projects undertaken in the past year. The biggest spending in capital this current year was at Gold River Secondary School with updates totaling approximately \$556,000. The balance of the changes is not significant with the "unearned" portion related to an uptick in the International Student program enrolment for next year.

In Thousands	2023	2022	Change
AP and Accrued Liabilities	\$715	\$816	\$(101)
Employee Future Benefits	\$47	\$44	\$3
Unearned Tuition Benefits	\$ 187	\$ 72	\$115
Deferred Revenue	\$ 593	\$ 461	\$132
Deferred Capital Revenue	\$16,815	\$15,912	\$903
Asset Retirement Obligation	\$773	\$773	0
Total	\$19,130	\$18,078	\$1052

Accounts Payable and Accrued Liabilities is comprised of trade payables, payroll deductions outstanding, and accumulated employee vacation and accrued wages payable. The major change to this figure is simply due to timing differences and where capital projects happen to be at the year end.

Employee future benefits is a provision made for liabilities that continue to accrue for employee retirement benefits including vested sick leave; also sets up for accumulating non-vested sick leave, early retirement, severance, vacation, overtime and death benefits.

Unearned tuition fee revenue are payments received from international students in advance of attendance in the following year. Depending on when students register reflects the timing of payments received by year end; it represents fewer early enrolments of international students for next year. This last year the District had fourteen which is up from approximately nine students last year. The program could be quite a bit larger, but finding appropriate home stay situations is challenging in small communities.

Deferred revenue are the monies left unspent in the Special Purpose funds. The restricted revenue for specific programs includes such programs as Community Link, Strong Start, Ready Set Learn, Learning Improvement funds, BC Transportation funds, Mental Health Grant, Capacity Building, annual facility grants and the largest restricted fund Classroom Enhancement funds. Also included are restricted funds not from the Ministry of Education and Child Care including School Fund revenue, the housing (teacherage) program and donations when we have them. Deferred revenue is not recognized until related expenses

are incurred.

Deferred capital revenue is revenue to be amortized over the life of the related capital assets. During the year, deferred capital contributions increased by \$ 903,000 (\$633,000 last year).

Non-financial Assets

Non-financial assets increased by \$1,482,000 due to the robust capital program including CNCP, SEP projects at RWES, KESS and CMES and GRSS, many of which completed this year.

In Thousands	2023	2022	Change
Tangible Capital Assets	\$22,356	\$20,884	\$1472
Prepays	\$ 22	\$ 12	\$ 10
Total	\$22,378	\$20,896	\$ 1482

Capital assets include land, buildings, construction projects in progress, furniture, vehicles and computer hardware and software. The assets purchased totaled \$2.5 M (L/Y- \$1.7 Million) mostly spent on school enhancement work at various schools to upgrade the mechanical and electrical systems, an electric bus worth over \$400,000, a gym upgrade at Kyuquot Elementary Secondary School as well provide other renovations. The District also upgraded their copier equipment, bought equipment for the Deaf and Hard of Hearing, upgrades of new computers and other various equipment.

Accumulated surplus

Operating surplus totaled \$1,556,000 of which the district moved another \$1.5 M to local capital for a new gymnasium at Kyuquot and additional new teacherages in that community.

Accumulated surplus therefore increased by \$56,000. This brings the operating surplus to 2.156 Million.

In Thousands	2023	2022	Change
Operating	\$2,156	\$2,100	\$56
Capital	\$8,164	\$6,447	\$1,717
Total	\$10,320	\$8,547	\$1,773

Accumulated surplus represents the Board's residual interest in its assets after deducting liabilities. The operating balance is available to fund operations as it is carried over for future use. Some of these funds are restricted for professional development and school surpluses, but the majority is there to assist with new initiatives or provide a cushion for emergent needs. Local capital now totals \$2,682,180 (last year-\$1,819,256) which will be used for the Kyuquot

gymnasium, teacherages, new computer equipment, vehicles, capital projects required but not funded by the Ministry as well as other on-going expenses that need to be planned for.

This year, the District had another significant surplus. This surplus was due to a number of factors. The District received a significant amount of funds through special purpose grants which negated the need for spending out of operations. There was a notable reduction in spending on substitutes mainly due to hiring First call TTOC's on a full- time basis. We had still budgeted for this cost though. The District saw a return to travel and professional development to pre-Covid levels, but significant amounts were not spent from supplies. (\$550,000 left in supplies budget). Revenues were also up over budget by \$664,00 due mostly to not budgeting for the labour settlement grant amount totaling \$332,468 and the major increase in the amount of interest being earned. The District earned \$205,000 more in interest this year than in the prior year

The district was also provided with a substantial grant for food and school supplies for students called the Student Affordability Fund in the amount of \$250,000 which assisted heavily in providing additional supports to the system that otherwise would have had to have been paid out of the regular operating fund.

Statement of Operations

The statement of operations is a consolidation of revenues and expenditures of the operating, capital, and special purpose funds. Each of these funds is discussed separately below.

Consolidated revenues from all sources decreased to \$13.181 Million from \$13.198 Million in 2021. 56% of total revenue is generated from the Ministry of Education and Child Care, 36% is from our First Nations LEA (up from 30% which shows a growing Indigenous population) and the balance 8% comes from several different sources such as from international students fees, investment revenues and amortization of deferred capital revenue.

In Thousands	2023		2022	
Ministry Grants	\$7,586	56%	\$7,420	56%
Gain on Sale	\$ 138	0%	\$138	0%
Tuition	\$241	2%	\$ 217	2%
Local Education Agreement Revenue	\$4,929	36%	\$4,677	36%
Investment Income	\$ 241	0%	\$ 36	0%
Amortization of Deferred Capital Revenue	\$718	6%	\$691	6%
Total	\$13,853	100%	\$13,179	100%

Operating fund revenue

The District received \$5.9 Million (l/y-\$5.8 Million) from the Ministry of Education in the form of the operating grant which is based on student enrollment and other student and geographical factors. Tuition was almost \$242,000 which is up by \$2 from the previous year which is now rebounding from the COVID 19 pandemic. Overall operating revenue increased \$375,000 over the previous year. This is mostly due to the funding required to meet the new labour settlements.

As can be seen, in terms of how funding is generated, there was an increase of \$275,000 from the prior year in the funds received for special purposes. The District received \$250,000 more in targeted funds for the Student and Family Affordability Fund. The District is receiving less in BCTEA funds as they are not required, which was one of the larger reductions in Special purpose funding.

After a loss of the Nanaimo programs two years ago- from 443 students to 270 funded students, the District has seen an increase in enrolment. The District went from 279 FTE students last year to 315 FTE students this year. As a result of the decline two years ago, the District is in funding protection which has assisted in maintaining appropriate funding for the remaining schools, even with the increase in the student body last year. This is why the District has continued to see an increase in the surplus.

Operating fund expenditure

Expenditure in the operating fund increased by \$377,000.

In Thousands	2023	2022	Amended Budget	Variance from Prior Year	Variance from Budget
Teachers	\$1,702	\$2,170	\$1,848	\$(468)	\$ (146)
Principals/Vice Principals	\$ 2,052	\$ 1,518	\$ 2,014	\$ 534	\$38
Education Assistants	\$150	\$298	\$ 312	\$ (148)	\$(162)
Support Staff	\$ 855	\$ 658	\$863	\$ 198	\$(8)
Excluded Staff	\$707	\$ 495	\$ 646	\$ 212	\$61
Substitutes	\$ 204	\$ 109	\$ 369	\$ 95	\$ (165)**
	\$5,671	\$5,248	\$6,055	\$423	\$(384)
Employee Benefits	\$1,307	\$1,169	\$ 1,481	\$138	\$(174)
Service and Supplies	\$2,108	\$2,292	\$ 2,730	\$(184)	\$(622)
Total Expenditures	\$3,415	\$3,461	\$4,211	\$(46)	\$(796)

- Substitute salaries are still underspent significantly. This was mainly due to hiring first

call TTOC's which are charged to regular teaching staff as they are full time. These staff members were available at each site and filled in when staff were away on short and long term leaves of absence. The system has been effective as it has meant staff have been available to cover when required. The plan is to continue with this model.

- Staff costs have increased due to labour settlements. Note the reduction in costs for teaching staff and increase in Principal salaries. This is due to the need to recruit for succession planning. The costs have been offset. Note that a portion of these salaries are offset by sharing staff costs with VIU for the teacher program being provided in the school District.
- Excluded staff costs have increased due to converting the contract position to Assistant Secretary Treasurer and hiring an excluded position for payroll and benefits administration, in addition to salary increases commensurate with the union increases.
- The supplies budget is quite a bit less than budget due to a cushion being added into this budget to account for the funding received. It allows the District to take care of any emergent issues that may arise.

Benefit costs increased from the prior year due to overall staff costs increasing due to wage settlements. Much of the benefits are wage sensitive meaning they go up with wage increases.

Services and supplies represent 2% of operating expenditure which is comparable to the prior year. Compared to prior year, there is a decrease of \$184,000 in spending. The budget is generally higher as the school surpluses are added back and are generally not all spent. The schools also had access to the Student Affordability fund which took the pressure off the operating budget.

Special Purpose Fund

Special purpose revenues are restricted grants designated for specific purposes or programs.

Overall revenues increased by \$57,000 over the prior year. Many of the same grants were provided. There was a slight decrease in funding for the Classroom Enhancement funds, no further COVID funding being provided. Instead the District received the Student and Family Affordability fund for \$250,000 and the Early Learning and Care grant for \$175,000 to pursue information on how to provide early learning in every community after community consultation and work on services already being provided.

The other revenue increase was due to greater spending out of the principal's trust account, adding the CUPE pro-d funds being put into the school district bank. District housing revenue

remained fairly neutral.

In Thousands	2023	2022	Amended Budget	Variance from Prior Year	Variance from Budget
Ministry of Education	\$1,686	\$1,630	1,846	\$56	\$ (160)
Other Revenue	\$427	\$208	\$170	\$219	\$ 257
Total Revenues	\$2,114	\$1,838	\$2,016	\$275	\$97

In Thousands	2023	2022	Amended Budget	Variance from Prior Year	Variance from Budget
Instruction	\$1,900	\$1,703	\$1,887	\$ 197	\$ 13
Operations	\$ 89	\$ 135	\$ 129	\$ (46)	\$ (40)
Total Expenditures	\$1,989	\$1,838	\$2,016	\$ 151	\$ (27)

Virtually all expenditures in this fund are spent on instruction. As you can see the revenue and expenses match as this is how targeted funds are accounted for. The largest contribution is from Classroom Enhancement funds received- \$766,000 for teacher staffing. This amount has to be spent otherwise it is clawed back by the Ministry. The district accounted for the total spending which was used to meet the class size and composition language

Capital Fund

During the year, the District spent \$2.5 Million to complete several capital projects, 1.5M to upgrade the facilities – mainly the upgrades at GRSS and the gymnasium in Kyuquot, \$474,000 on vehicles (mainly an electric bus and charging station totaling approximately \$453,000) and \$436,000 on furniture and equipment. The Ministry of Education funded \$1.34M of these projects.

Capital fund unspent balances at year end are as follows:

In Thousands	2023	2022	Change
Restricted Capital Balance	\$ 107	\$ 107	\$ 0
Other Provincial Capital	\$ 0	\$ 3	\$ (3)
Bylaw Capital	\$ 578	\$ 292	\$286
Local Capital	\$2,682	\$1,819	\$863

Total	\$2,326	\$744	\$1,582
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Restricted capital represents the Ministry of Education's portion (75%) of the proceeds on disposal of land and buildings. Spending of this money must be approved by the Ministry and used for capital projects or site purchases.

Bylaw capital is funding approved and available for capital projects to the end of March 2023. The increase from prior year is a timing difference of when funds were transferred from the Ministry to the District and when the funds were spent. This balance should be close to zero as funds should only be transferred as the money is spent.

Local capital is funds restricted by the Board for the purchase of capital assets. During the year, \$1,500,000 was transferred to meet the future capital needs of the board, including the building of a full size gym in Kyuquot Elementary Secondary School. The District purchased a truck and a paid for a portion of the electric bus from the fund this year. In addition a teacherage was purchased, photocopiers upgraded and various equipment for students purchased.

Summary and Other Significant Matters

The District submitted a balanced budget to the Ministry of Education for the 22/23 school year that will continue to deliver the mix of programs and services currently offered to students in our schools. Moving into 2023/24 and beyond, there are several factors that may impact the District's operations and financial position.

The Year Ahead:

- The Framework for Enhancing Student Learning was completed and money is set aside from surplus reserve to enhance programming to improve student results
- The International student program has rebounded as we hopefully see the end of the impacts of the pandemic.
- We are not anticipating any significant increases in enrolment in the Gold River catchment area in the near future so we anticipate being in funding protection for the foreseeable future.
- Staff recruitment is still one of our top priorities and is an on-going challenge to find qualified staff who are interested in working in remote locations particularly as TTOC's. In the past year we had full time TTOC's at each site which assisted in filling in teacher absences. It seems to be a successful initiative so will be continued. There is now a recruitment incentive being offered, if required, which hopefully will assist in this area.

- The First Nations Education Liaison Committee is committed to monthly meetings and a third EA through the Equity Scan process.
- The District is undertaking a novel approach to teacher staffing: the District is teaming with VIU to train local and First Nations individuals to become teachers and teach in the District. This will very likely support retention of staff and provide the diversity and equity the District needs considering the large numbers of Indigenous students in the district.

Contacting Management

This financial report is designed to provide a general overview of the School District's finances and to demonstrate accountability for the public funds received by the school district

If you have questions about the financial report, please contact the Office of the Superintendent/Secretary Treasurer at 250-283-2241

You can also find additional information on the district and its strategic vision on our web site:
www.SD84.bc.ca