School District No. 84 (Vancouver Island West)

Financial Statement
Management Discussion and Analysis

Year Ended June 30, 2024

Contents

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, 2024. 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 programing.

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, 2024. 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, 2023 and June 30, 2024. 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 a decrease in financial assets mainly due to local capital funds that had previously been set aside for specific purposes being spent as intended on new capital additions.

In Thousands	2024	2023	Change
Cash	$5,504	$6,877	($1,374)
Due from Others	226	196	30
Total	$5,730	$7,073	($1,343)

Included in Cash is a Certificate of Deposit (COD) held by the Ministry of Finance which previously had higher rates of return than the bank. Recently, bank rates have become more competitive. The Ministry rate in June was 4.95% (5.45% last year) and the COD balance was approximately $84k. The bank rate in June was 5.2% and total cash held by the bank was approximately $4.5M.

Accounts receivable increased slightly due to the timing of payments received for invoices after the year end.

Liabilities

Liabilities represent obligations that have been incurred by the district. Total liabilities increased from the prior year by $1.5M.

In Thousands	2024	2023	Change
AP and Accrued Liabilities	$1,367	$715	$652
Employee Future Benefits	53	47	5
Unearned Tuition Revenue	50	187	(138)
Deferred Revenue	374	594	(219)
Deferred Capital Revenue	17,971	16,815	1,156
Asset Retirement Obligation	773	773	0
Total	$20,588	$19,131	$1,457

Accounts Payable and Accrued Liabilities is comprised of trade payables, payroll deductions outstanding, accumulated employee vacation and accrued wages payable. The change to this figure is due to timing differences in settling payroll liabilities and an increase in trade payables outstanding in June paid in July.

Employee future benefits is a provision made for liabilities that continue to accrue for employee retirement benefits including 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. This figure is dependent on the timing of when students are registered and payments are received. The decrease represents fewer enrollments for the next year than at the same time last year. Last year there were 7 partial year and 6 full year students registered and paid for the following year at June 30th, whereas this year there were 0 partial year and 2 full year students registered and paid for the following year at June 30th. Enrollment for the program was exceptionally high during the current year and is expected to drop slightly next year. Global economic conditions, political instability, and geographical conflict are all factors that can impact enrollment, as well as difficulties the district faces finding homestay accommodations in small communities.

Deferred revenue are the monies left unspent in the Special Purpose funds, which are restricted for specific uses. This includes programs such as Community Link, Strong Start, and Ready Set Learn, and various targeted funds such as the Learning Improvement Fund, Early Care and Learning funds, targeted COVID funds, Mental Health in Schools funds, the Classroom Enhancement Fund, and the Annual Facilities Grant. Also included are school generated funds, scholarships and bursaries, the CUPE pro-d fund, and the employee housing fund. Funds received are recognized as deferred revenue when received. Revenue is recognized only when related expenses are incurred. Deferred revenue decreased this year as the district was able to utilize targeted funds that were unspent from previous years and a new teacherage was purchased in Tahsis from the employee housing fund.

Deferred capital revenue is revenue to be amortized over the life of the related capital assets. During the year, deferred capital revenue increased by $1.16M ($903k last year), attributed mainly to the many capital projects undertaken in the past year. Deferred capital revenue is recognized when funds are spent on capital purchases and amortized over the life of the asset. The most significant spend in this category was renovations at Captain Meares Elementary Secondary School totalling approximately $688k during the year.

Asset Retirement Obligation is the cost the district must expend in the future to retire capital assets. This liability represents future remediation costs for asbestos, which requires special disposal, in some of the district's buildings. There was no change to this liability in the current year as no significant work was done to remediate asbestos during the year.

Non-Financial Assets

Non-financial assets increased by $3.1M due to the robust capital program including Ministry-funded projects, as well as significant purchases funded through local capital.

In Thousands	2024	2023	Change
Tangible Capital Assets	$25,508	$22,356	$3,153
Prepaid Expenses	6	22	(17)
Total	$25,514	$22,378	$3,136

Capital assets include land, buildings, furniture, vehicles and computer hardware. The assets purchased during the year totaled $4.3M ($2.5M last year).

$2M was spent on building upgrades and equipment purchases funded by the Ministry of Education and Childcare. For buildings, spending included $688k on renovations and $297k on energy efficiency upgrades at Captain Meares Elementary Secondary School, $270k on upgrades and renovations at Kyuquot Elementary Secondary School, and $397k on various facilities upgrades throughout the district as part of the Annual Facility Grant. $31k was spent on playground and food infrastructure equipment.

$2.1M of local capital funds were spent on new capital assets, including $1.5M for a new gym, $517k for new teacherages, and $34k for a new truck box at Kyuquot Elementary Secondary School. From the employee housing fund, $111k was spent on a new teacherage in Tahsis. $87k worth of furniture, equipment, and computer hardware was purchased through operating funds.

Accumulated Surplus

Operating surplus net of capital assets purchased from operating funds totaled $545k, of which $450k was transferred to local capital to fund future teacherages in Kyuquot. Accumulated surplus therefore increased by $4k from operating funds. This brings the operating surplus to $2.16M.

In Thousands	2024	2023	Change
Operating	$2,161	$2,156	$4
Capital	8,495	8,164	331
Total	$10,656	$10,320	$336

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, future capital purchases, and school budgets, but the remainder is there to assist with new initiatives or provide a cushion for emergent needs. Local capital now totals $1.1M (last year $2.7M) which will be used for 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 a smaller surplus after some years of significant surpluses. Operating revenues were higher than expected, by $95k for Ministry of Education and Childcare grants and $201k for international tuition revenue. Overall operating expenses were $440k under budget but increased by $1.6M over last year due to new positions, new services, and increased costs for travel and existing services.

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 increased to $14.7M from $13.9M last year. 54% of total revenue is generated from the Ministry of Education and Child Care. 36% is from other sources which include our First Nations LEA, miscellaneous operating revenue, and recognition of deferred revenue in special purpose funds not funded by the Ministry of Education. The remaining 10% comes from international student fees, investment income, and amortization of deferred capital revenue.

In Thousands	2024		2023	
Ministry Grants	$7,996	54%	$7,420	56%
Tuition	401	3%	242	2%
Other Revenue	5,322	36%	4,932	36%
Investment Income	256	2%	241	2%
Gain on Sale	0	0%	138	1%
Amortization of Deferred Capital Revenue	751	5%	718	5%
Total	$14,726	100%	$13,856	100%

Operating Fund Revenue

In Thousands	2024	2023	Amended Budget	Variance from Prior Year	Variance from Budget
Ministry Grants	$5,624	$5,900	$6,017	($276)	$(393)
Tuition	401	242	200	159	201
LEA Revenue	4,804	4,316	4,316	488	488
Miscellaneous	162	188	166	(26)	(4)
Investment Income	213	241	200	(28)	13
Total Revenue	$11,204	$10,887	$10,900	$316	$304

The District received $5.6M ($5.9M last year) from the Ministry of Education and Childcare in the form of the operating grant which is based on student enrollment and other student and geographical factors. International tuition increased to $401k with the highest enrolment the program has ever seen. LEA Revenue increased due to a small increase in FTE and an increase in the per student rate. Miscellaneous Revenue decreased slightly due to one-time external wage recoveries in the prior year. Investment Income was allocated to capital and special purpose funds this year per direction from the Ministry of Education and Childcare whereas previously all investment income was recorded in the operating fund. Therefore, investment income in the operating fund has decreased by $28k this year, despite consolidated investment income increasing by $15k.

Operating Fund Expenditure

Overall expenditure in the operating fund increased by $1.58M.

In Thousands	2024	2023	Amended Budget	Variance from Prior Year	Variance from Budget
Teachers	$2,487	$1,702	$2,469	$785	$18
Principals/Vice Principals	1,891	2,052	2,039	(160)	(148)
Education Assistants	214	151	272	64	(58)
Support Staff	1,086	855	1,145	231	(59)
Excluded Staff	897	707	818	190	80
Substitutes	178	204	279	(26)	(101)
	6,754	5,671	7,022	1,083	(267)
Employee Benefits	1,539	1,307	1,711	232	(172)
Service and Supplies	2,369	2,108	2,370	260	(1)
Total Expenditures	$10,662	$9,087	$11,102	$1,575	($440)

Wages and Benefits

- Overall staff costs have increased due to the higher than usual general wage increase and cost of living adjustment totalling 6.75%.
- Teacher wages have increased significantly as new positions were added.
- Principal and Vice Principal wages have decreased due to a portion of administrative wages being allocated to CEF overhead under special purpose funds which was not budgeted for.
- EA and Support Staff wages have increased as new positions have been added.
- Excluded Staff wages have increased due to increasing the Assistant Secretary Treasurer FTE to 0.75 from 0.45 and costs for handover and vacation usage for the retirement of three excluded staff.
- Substitute salaries continue to be underspent, despite a $90k reduction to the budget. This is mainly due to continuing to hire first call TTOC's which are charged to regular teaching staff as they are full time. These staff members are available at each site and fill in when staff are 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.
- Employee Benefits have increased at a similar rate to overall wage costs. Most benefits costs are a function of wages.

Services and Supplies

- Services and supplies costs have increased by $260k which is mainly attributable to services, professional development, and travel.
- International program expenses were higher than expected but were offset by higher than expected revenues.
- There was a budgeted increase to special education health services such as physiotherapy, occupational therapy, teacher of the deaf services, and speech-language pathologist services.
- Costs for vehicle repairs and general maintenance contracts increased and were over budget.
- Costs also increased for the VIW teacher training program and the NTC IEW contract.
- Overall, services and supplies costs represent 22% of the total operating expenditures, similar to 23% last year.

Special Purpose Fund

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

Overall revenues increased by $625k over the prior year. Many of the same grants were provided. There was a $157k increase in overall funding for the Classroom Enhancement funds and the District received $100k for the second year of the Student and Family Affordability Fund. The Early Care & Learning grant of $175k was received again, which was used to further develop early learning programs and offset existing staffing and service costs focused on early learning. This year was the first year for the Feeding Futures Fund and the District received $350k to expand school food programs and increase access to nutritious food. District Housing and CUPE Pro-D funds revenues were similar to last year. $11k investment income initially recorded in the operating fund was allocated to special purpose funds per direction from the Ministry of Education and Childcare.

In Thousands	2024	2023	Amended Budget	Variance from Prior Year	Variance from Budget
Ministry of Education	$2,372	$1,686	$1,935	$686	$438
Other Revenue	356	428	170	(72)	186
Investment Income	11	-	-	11	11
Total Revenues	$2,739	$2,114	$2,105	$625	$634

The majority of expenditures in this fund are spent on instruction. The largest contribution is from Classroom Enhancement funds received including $907k for teacher staffing. This amount must 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. $350k was spent on school food programs and $117k was spent on capital assets including $113k on new district housing in Tahsis.

In Thousands	2024	2023	Amended Budget	Variance from Prior Year	Variance from Budget
Instruction	$2,409	$1,975	$1,900	$433	$508
Operations	213	129	89	84	124
Total Expenditures	$2,624	$2,107	$1,990	$517	$632

Capital Fund

During the year, the District spent $4.3M on new capital additions. The Ministry funded $2M of capital projects, including significant facilities upgrades and renovations at CMESS and KESS and other facilities upgrades across the District. $2M Local Capital funds were spent on the new gym, a teacherage, and vehicle upgrades at KESS. Special purpose funds and operating funds were used to purchase a new teacherage in Tahsis and $94k worth of furniture, equipment, and computer hardware.

Capital fund unspent balances at year end are as follows:

In Thousands	2024	2023	Change
Restricted Capital Balance	$113	$107	$6
Bylaw Capital	494	578	(84)
Local Capital	1,096	2,682	(1,586)
Total	$1,703	$3,368	($1,665)

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. The increase is a result of interest income allocated to capital funds.

Bylaw capital is funding approved and available for capital projects. The decrease 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, $1.5M was spent on a new gym, $517k on a new teacherage, and $34k on a new truck box in Kyuquot. $450k was transferred into Local Capital from the operating surplus to meet the future capital needs of the board.

Summary and Other Significant Matters

The District submitted a balanced budget to the Ministry of Education for the 2024-25 school year that will continue to deliver the mix of programs and services currently offered to students in our schools. Moving into 2024-25 and beyond, there are several factors that may impact the District's operations and financial position.

The Year Ahead:

- Funds have been set aside from surplus reserve to enhance programming to improve student results in support of the Framework for Enhancing Student Learning
- 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 TTOCs. Having full-time TTOCs at each site has been a successful initiative and will be continued. There is now a recruitment incentive being offered, if required, which hopefully will assist in this area.
- Last year the District partnered with VIU to train local and First Nations individuals to become teachers and teach in the District. This has supported retention of staff and helped provide the diversity and equity the District needs considering the large numbers of Indigenous students in the district. The program has expanded to other districts and now involves Nuu-chah-nulth-ath Tribal Council. The District continues to support the program and community members interested in applying.

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