



School District 8
Kootenay Lake

Financial Statements Discussion & Analysis

For the year ended June 30, 2020



sd8.bc.ca

FINANCIAL DISCUSSION & ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

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BOARD OF EDUCATION'S STRATEGIC PLAN

Message from the Board of Education

The Board of Education believes every child should be supported to reach their fullest potential. We strive to prepare our students to succeed and find zest in a changing world.

We recognize that children learn in all environments, their homes, their communities, in addition to their classrooms. Because of this understanding, all Board committees: Education, Governance & Policy, Operations & Finance, include all trustees, district and school administrators, parents, teachers, and support staff.

Board Goals

Collaboratively we work towards the goals of: Learning, Organizational Excellence, Relationships and Engagement. We believe these goals will best provide the sustenance and direction for each student's success.



Student Expectations



Mission

"We focus on excellence for all learners in a nurturing environment." This mission captures the essence of what we do, giving the best, to facilitate the best, in every single one of our students, fostering a belonging as learners, in our schools and communities. This mission is the product of how we set forth to achieve the Board's Goals, in view of our values.

Our Values

The Board's Values are Educational Success, Creativity & Imagination, Engaged Citizenship and Resiliency. From these foundational values flow our Goals and Mission.

Focus-Learn-Excel

The District's Focus-Learn-Excel professional development program is a three-year commitment and investment in all staff, with the expectation of improving success of our students.

FINANCIAL DISCUSSION INTRODUCTION

This Financial Statements Discussion & Analysis (“**Financial Discussion**”) provides greater information about the financial results for School District No. 8 (Kootenay Lake) (the “**District**”) for the year ended June 30, 2020. This Financial Discussion is prepared based on known facts and conditions as of September 18, 2020 and should be read in conjunction with the District’s Audited Financial Statements for the year ended June 30, 2020 (the “**Financial Statements**”).

The financial results presented herein are discussed and compared to both the prior year ended June 30, 2019, and to the Amended Budget for 2019-2020 that was adopted by the Board of Education on January 28, 2020.

DISTRICT FUNDING & ENROLMENT

The School District is funded primarily through the Operating Grant received from the Provincial Ministry of Education. The Operating Grant is based on student enrolment, confirmed in a provincial process called 1701 in September, February, and May. The District receives a fixed amount per full-time enrolled student (FTE). For each identified student with unique needs, the District receives a supplementary grant on top of the basic per-pupil grant which provides additional financial resources required to ensure schools can respond to the needs of diverse learners.

Fluctuations in Student Enrolment

In grades Kindergarten through nine, one student equates to one FTE. At the secondary level, in grades ten through twelve, students are funded based on the percentage of full-time enrolment. As a result, there is variation in funding for secondary students, as often they will take less than a full course load or seek learning opportunities and experiences outside of school to meet their credit requirements. This funding model for secondary can pose a significant challenge for the School District, and management considers the impact throughout the financial planning process.



Each year, the impact of fluctuating student enrolment has the potential to influence decisions regarding course offerings, required staffing levels, and predictions of future capacity requirements of the District’s seven secondary and twenty-five elementary schools. In order to minimize uncertainty that accompanies estimates of student enrolment numbers, the District undertakes a comprehensive process to predict future trends. This process includes an analysis of population data, consideration of municipal development approvals and incorporates local knowledge to estimate elementary and secondary student enrolment for the coming budget year. The number of students enrolled directly impacts the number of staff needed. Staff salaries and benefits make up over 80% of the District’s expenditures, thus, a reliable estimate of student enrolment is crucial to the integrity of the operating budget.

STUDENT ENROLMENT (FTE)

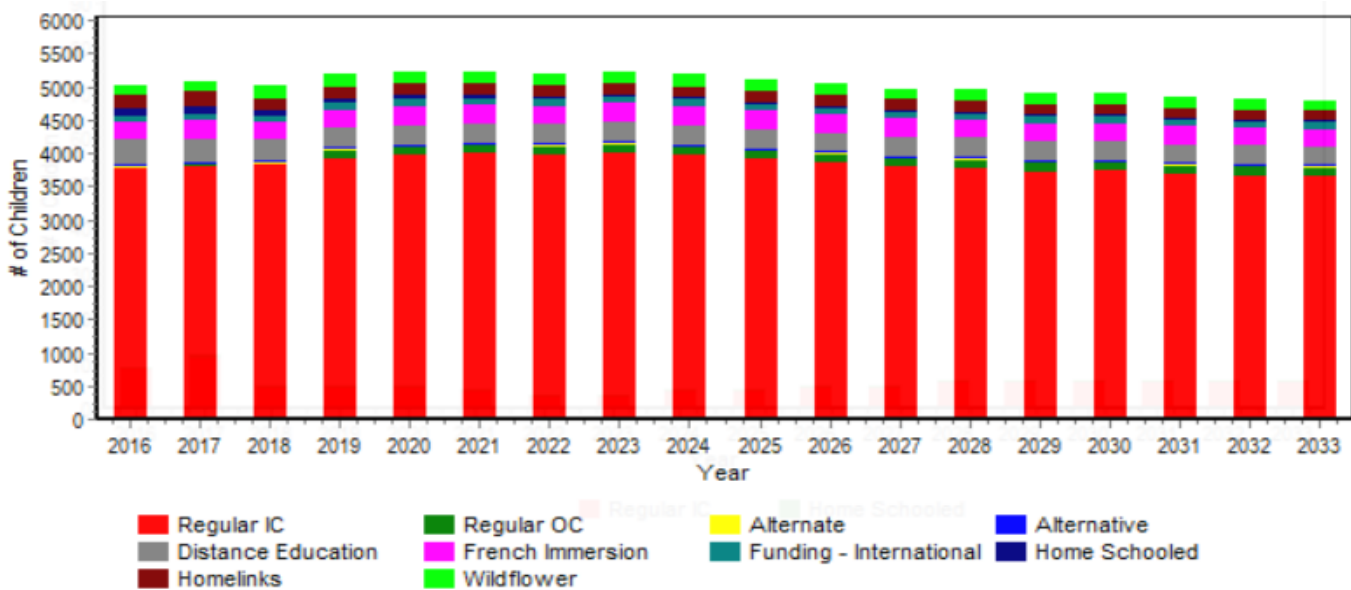
The following table compares student FTE enrolment for the past two years, and compared with budget:

	2019-2020 Actual	2018-2019 Actual	Variance to 2018-2019	2019-2020 Budget	Variance to Budget
School age	4,837.187	4,771.440	65.747	4,874.875	(37.688)
Adult	3.688	6.250	(2.562)	3.000	0.688
Total FTE	4,840.875	4,777.690	63.185	4,877.875	(37.000)

As can be seen in this table, overall, 2019-2020 enrolment increased by 63.185 FTE students when compared to the prior year but decreased compared to budget due to lower May enrolment.

HISTORIC & FUTURE ENROLMENT PROJECTIONS (HEADCOUNT)¹

Compared with many school districts throughout British Columbia, School District No. 8 (Kootenay Lake) enrolment has been, and is expected to remain, relatively stable for the next decade.

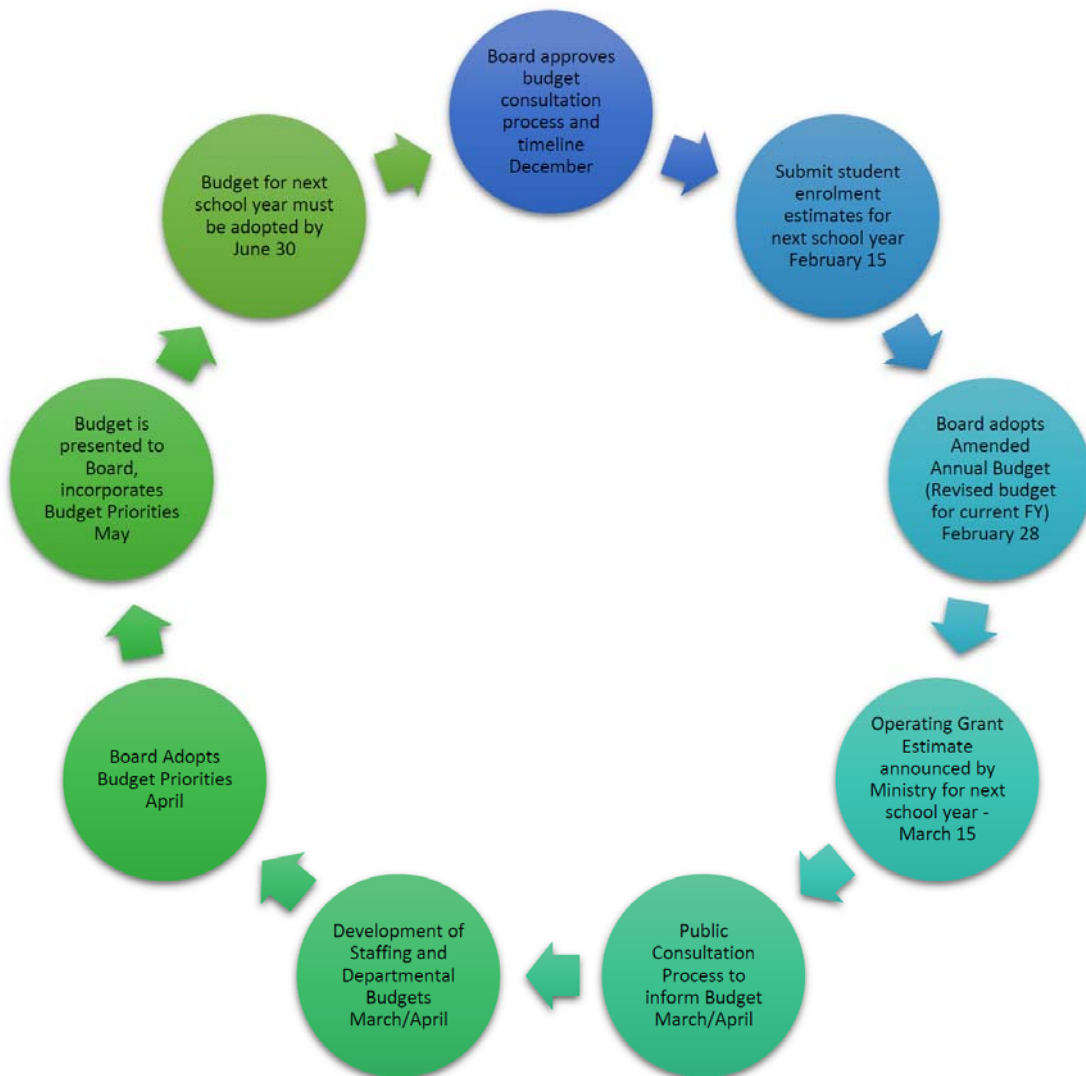


In the past six months, many of the assumptions and data that underlie these projections have changed. Namely, in the short-term, the District can expect fewer international students. The District might also expect changes in net migration that may impact positively on enrolment, as people have discovered both the beauty and refuge possibilities of areas like School District No. 8 (Kootenay Lake).

¹ 2019-2020 Baragar Projections (Feb, 2020)

THE FINANCIAL PLANNING PROCESS

The annual budget cycle begins with the Board’s endorsement of a process and timeline for budget adoption, which is confirmed by the Board in December of each year. By February 15th, the District must submit to the Ministry the expected student enrolment for the upcoming school year. Provincial operating grant funding estimates will be based on these initial student enrolment projections, which are released each March. Throughout the spring, a public consultation process is undertaken to identify budget priorities. The District incorporates those priorities into the preliminary operating budget as directed by the Board. By June 30th each year, the Board must adopt a budget for the upcoming school year. Additionally, the Board is required to approve an Amended Budget that the District submits in February, based on actual confirmed enrolment counts and Operating Grant revenues to the Ministry of Education.



STATEMENT OF OPERATIONS – ALL FUNDS RESULTS

The following table breaks out District operations for the year ended June 30, 2020 by Operating, Special Purpose and Capital funds, as well showing fund surpluses and transfers between funds:

Year Ended June 30, 2020	Operating Fund	Special Purpose Funds	Capital Funds	All Funds Total
	\$	\$	\$	\$
Revenues				
Provincial Grants				
Ministry of Education	54,882,309	7,390,124	-	62,272,433
Other	486,291	-	-	486,291
Tuition	1,567,940	-	-	1,567,940
Other Revenue	555,272	2,006,473	-	2,561,745
Rentals & Leases	116,129	-	-	116,129
Investment Income	74,951	28,044	38,550	141,545
Gain (Loss) on Disposal of Tangible Capital Assets	-	-	-	-
Amortization of Deferred Capital Revenue	-	-	2,733,453	2,733,453
Total Revenues	57,682,892	9,424,641	2,772,003	69,879,536
Expenses				
Instruction	43,894,545	9,022,237	-	52,916,782
District Administration	3,082,219	-	-	3,082,219
Operations & Maintenance	7,814,457	200,818	-	8,015,275
Transportation & Housing	2,454,991	-	-	2,454,991
Amortization of Tangible Capital Assets	-	-	3,490,757	3,490,757
Total Expenses	57,246,212	9,223,055	3,490,757	69,960,024
Surplus (Deficit)	436,680	201,586	(718,754)	(80,488)
Net Transfers to/from other Funds				
Tangible Capital Assets Purchased	(750,911)	(201,586)	952,497	-
Total Net Transfers	(750,911)	(201,586)	952,497	-
Total Surplus (Deficit) for the year	(314,231)	-	233,743	(80,488)
Surplus (Deficit) beginning of the year	1,847,393	-	23,385,304	25,232,697
Accumulated Surplus (Deficit) end of the year	1,533,162	-	23,619,047	25,152,209

Operating Fund Revenues of \$57,682,892 represent 83% of the District's total \$69,879,536 Revenues. A small proportion of Operating Fund Revenues, \$750,911, representing 1.3% of Operating Fund Revenues, were used to invest in Capital Projects during the year. Likewise, \$201,586 of the Annual Facilities Grant Special Purpose Fund was used to invest in Capital Projects during the year.

Overall, in all funds, the District operated with a deficit of \$80,488 during the year.

STATEMENTS OF FINANCIAL POSITION

As at	June 30, 2020 Actual \$	June 30, 2019 Actual \$	Increase (Decrease) \$	Increase (Decrease) %
Financial Assets				
Cash & Cash Equivalents	9,743,185	10,821,489	(1,078,304)	(10.0%)
Accounts Receivable – Due from MoE	76,364	26,863	49,501	184.3%
Accounts Receivable – Other	662,435	370,299	292,136	78.9%
Portfolio Investments	413,128	411,274	1,854	0.5%
Total Financial Assets	10,895,112	11,629,925	(734,813)	(6.3%)
Liabilities				
Accounts Payable & Accrued Liabilities	4,926,540	4,467,192	459,348	10.3%
Unearned Revenue	249,138	683,017	(433,879)	(63.5%)
Deferred Revenue	2,336,334	2,341,518	(5,184)	(0.2%)
Deferred Capital Revenue	48,985,793	49,450,686	(464,893)	(0.9%)
Employee Future Benefits	881,519	742,886	138,663	18.7%
Total Liabilities	57,379,324	57,685,299	(305,975)	(0.5%)
Net Financial Assets (Debt)	(46,484,212)	(46,055,374)	(428,838)	0.9%
Non-Financial Assets				
Tangible Capital Assets	71,129,778	71,054,116	75,662	0.1%
Prepaid Expenses	506,643	233,955	272,688	116.6%
Total Non-Financial Assets	71,636,421	71,288,071	348,350	0.5%
Accumulated Surplus (Deficit)	25,152,209	25,232,697	(80,488)	(0.3%)

Financial Assets

The decrease in cash on June 30, 2020, when compared to the prior year, is mainly due to additional Tangible Capital Assets investments of \$564,231 exceeding revenues during the year, comprised of \$250,000 of Local Capital and \$314,231 from the Operating Fund. The decrease in cash is also partly due to the increase in Accounts Receivable by \$341,637 when compared with the prior year, which includes \$107,830 of new employee loans under the District's new Go Green E-Bike program as at June 30, 2020.

Liabilities

The \$459,348 increase in Accounts Payable on June 30, 2020 when compared to the prior year was largely due to a \$384,850 increase in payroll clearing due to the timing of payroll. The remainder of the \$459,348 increase was due to increase in employee vacation accruals and summer savings plans.

The \$433,879 decrease in Unearned Revenues is entirely the result of a decrease in International Student enrolment due to COVID-19.

OPERATING FUND RESULTS

The following table compares the year ended June 30, 2020 to the prior year and to the 2019-2020 amended budget, summarizing Schedules 2A and 2B in the Financial Statements.

	2019-2020 Actual	2018-2019 Actual	Variance to 2018-2019	2019-2020 Budget	Variance to Budget
	\$	\$	\$	\$	\$
Revenues					
Ministry of Education – Operating Block	54,056,386	52,166,484	1,889,902	54,246,621	(190,235)
Ministry of Education – Labour Settlement	825,923		825,923	-	825,923
Provincial Grants – Other	486,291	457,866	28,425	452,126	34,165
Tuition	1,567,940	2,340,737	(772,797)	1,777,250	(209,310)
Other Revenue	555,272	245,989	309,283	363,263	192,009
Rentals & Leases	116,129	127,371	(11,242)	130,000	(13,871)
Investment Income	74,951	97,248	(22,297)	110,000	(35,049)
Total Revenues	57,682,892	55,435,695	2,247,197	57,079,260	603,632
Expenses					
Teacher Salaries	20,916,539	19,514,132	1,402,407	20,200,791	715,748
Principal and Vice Principal Salaries	3,903,818	3,809,854	93,964	4,166,768	(262,950)
Educational Assistant Wages	4,089,854	3,863,032	226,822	4,235,878	(146,024)
Support Staff Wages	6,934,504	6,478,893	455,611	6,275,946	658,558
Other Professional Salaries	1,890,859	1,555,282	335,577	1,887,073	3,786
Substitute Salaries	1,848,845	1,921,384	(72,539)	1,960,000	(111,155)
Employee Benefits	9,988,631	9,226,212	762,419	9,259,659	728,972
Services	1,519,389	1,494,406	24,983	1,424,960	94,429
Student Transportation	410,883	357,523	53,360	540,402	(129,519)
Professional Development and Travel	1,009,179	1,171,653	(162,474)	1,190,637	(181,458)
Rentals and Leases	53,494	157,646	(104,152)	83,021	(29,527)
Dues and Fees	74,885	83,298	(8,413)	81,226	(6,341)
Insurance	154,254	176,464	(22,210)	141,599	12,655
Supplies	2,916,607	3,334,797	(418,190)	3,759,610	(843,003)
Utilities	1,534,471	1,445,391	89,080	1,309,986	224,485
Total Expenses	57,246,212	54,589,967	2,656,245	56,517,556	728,656
Tangible Capital Asset Purchases	750,911	1,048,875	(297,964)	561,704	189,207
Operating Fund Surplus (Deficit)	(314,231)	(203,147)	(111,084)	-	(314,231)

Operating Fund Revenues – Ministry of Education

The significant increase in Operating Block Revenues compared to the prior year is, firstly, due to an enrolment increase of 63FTE students (shown on page 5), accounting for the majority of the \$1,889,902 increase in Operating Block funding, along with general increases in increased funding amounts per student. Secondly, additional Labour Settlement funding totalling \$825,923 was provided by the Ministry of Education following the conclusion of collective bargaining with BCTF and CUPE during the year, largely offsetting the costs of settlement that were paid out by the District during the year.

Operating Fund Revenues – Tuition

Due to COVID-19, the District experienced a substantial decrease in International Student enrolment in 2019-2020, resulting in a \$772,797 decrease in Tuition revenues compared with the prior year.

Operating Fund Expenses - Salaries & Benefits

Teacher salaries increased substantially by \$1,402,407 compared with the prior year, due to 9 full-time positions being added, but also due to a general 2% salary increase under the new collective agreement with KLTF, effective the beginning of the year, as at July 1, 2019.

Likewise, positions were added for educational assistants, youth and family workers, support staff and exempt positions, which, in addition to the general salary and wage increases provided under the new collective agreement with CUPE and general salary increases provided for exempt staff, explains the general increases in salaries in all categories. The exempt positions added were Manager of Safe Schools, Learning Innovator and Manager of IT, all of which played crucial roles, as did all District personnel, in COVID-19 preparedness during the year.

Employee benefits increased by \$762,419, commensurate to the categorical increases in salaries and wages.

Operating Fund Expenses - Services

Services Expenses increased by \$94,429 as compared to Budget as a result of additional services employed due to COVID-19, including \$51,405 in additional Information Technology Services (communications, zoom, internet), and \$25,287 additional Human Resources services (employee and family assistance program).

Operating Fund Expenses - Transportation

Student Transportation Expenses decreased significantly compared to budget due to COVID-19 and cancellation of school events requiring transportation.

Operating Fund Expenses – Professional Development

Professional Development expenses decreased \$162,474 as compared to the prior year and \$181,458 as compared to Budget, due to COVID-19 and the resulting change to the use of online media professional development events (as opposed to in person sessions). The District held numerous professional development events using online technologies with some of the largest historic turnouts for these types of events, and it intends to continue an expanded use of online medium for its professional learning in the future.



Operating Fund Expenses – Rentals & Leases

The \$104,152 decrease in rentals and leases is primarily due to a change in photocopier and printing agreements, under which the District no longer leases machines, and instead pays per printed page. Further, because of COVID-19, usage rates decreased substantially in the last four months of the year.

Operating Fund Expenses – Supplies

Supplies decreased by \$418,190 when compared to the prior year and by \$843,003 as compared to Budget, also due to impacts of COVID-19. Schools supplies expenses were \$491,905 less than budgeted, and international program supplies were \$174,968 less than budgeted due to cancellation of some of its programming. Bus repairs and fuel were also down \$76,157 and \$108,101, respectively, as compared to Budget.

SPECIAL PURPOSE FUNDS RESULTS

The following table shows variances to prior year and to the amended budget, with a discussion of the significant variances to the prior year results:

	2019-2020 Actual	2018-2019 Actual	Variance to 2018-2019	2019-2020 Budget	Variance to Budget
	\$	\$	\$	\$	\$
Provincial Grants - Ministry of Education					
Annual Facility Grant	279,588	280,180	(592)	279,588	-
Learning Improvement Fund	196,566	200,515	(3,949)	196,566	-
Strong Start	160,130	159,704	426	203,912	(43,782)
Ready, Set, Learn	27,325	38,158	(10,833)	127,855	(100,530)
Federal French Fund	80,593	80,522	71	99,915	(19,322)
CommunityLINK	649,056	619,381	29,675	666,534	(17,478)
Rural Education Enhancement Fund	449,954	404,624	45,330	449,954	-
Classroom Enhancement Fund	5,517,419	5,607,493	(90,074)	5,476,716	40,703
First Nation Student Transportation	6,639	-	6,639	7,172	(533)
Mental Health in Schools	17,472	-	17,472	30,500	(13,028)
Changing Results for Young Children	5,382	-	5,382	36,000	(30,618)
Other Revenue					
Scholarships & Bursaries	8,231	16,834	(8,603)	35,000	(26,769)
School Generated Funds	1,862,921	2,808,846	(945,925)	2,500,000	(637,079)
Donations	135,321	77,744	57,577	65,000	70,321
Investment Income	28,044	45,774	(17,730)	35,000	(6,956)
Total Revenues	9,424,641	10,339,775	(915,134)	10,209,712	(785,071)

Special Purpose Revenues

Special Purpose Fund Revenues in 2019-2020 were in line with the prior year and with budget, with one notable exception, School Generated Funds, which decreased by \$945,925 compared with the prior year. Due to COVID-19, field trips, grad activities, etc. were cancelled, and the school fees associated with these trips and activities were not collected. Similarly, Ready, Set, Learn Fund activities and associated costs were not incurred as budgeted.

CAPITAL FUNDS RESULTS

The following table and discussion shows revenues and accounting in the three types of capital funds in the District:

	2019-2020	2018-2019	Variance to
	Actual	Actual	2018-2019
	\$	\$	\$
Bylaw Capital			
Provincial Grants – Ministry of Education	2,268,560	2,773,826	(505,266)
Buildings purchases	(2,248,188)	(2,024,140)	(224,048)
Furniture & Equipment purchases	(20,358)	(87,985)	67,627
Vehicles purchases	(14)	(1,039,064)	1,039,050
Net Change for the Year	-	(377,363)	377,363
Opening Balance	-	377,363	(377,363)
Closing Balance	-	-	-
Ministry of Education Restricted Capital			
Restricted Portion of Proceeds on Disposals	-	412,500	(412,500)
Net Change for the Year	-	412,500	(412,500)
Opening Balance	481,500	69,000	412,000
Closing Balance	481,500	481,500	-
Other Provincial Capital			
Provincial Grants – Other	-	79,581	(79,581)
Furniture & Equipment purchases	(95,362)	(266,047)	170,685
Net Change for the Year	(95,362)	(186,466)	91,104
Opening Balance	95,362	281,828	(186,466)
Closing Balance	-	95,362	(95,362)
Local Capital			
Investment Income	38,550	42,394	(3,844)
District Portion of Proceeds on Disposal	-	137,500	(137,500)
Buildings purchases	(250,000)	(340,498)	90,498
Net Change for the Year	(211,450)	(160,604)	(50,846)
Opening Balance	1,205,013	1,365,617	(160,604)
Closing Balance	993,563	1,205,013	(211,450)

Bylaw Capital

Provincial grants from the Ministry of Education for bylaw capital projects decreased due to certain projects funded by bylaw capital during the year not being completed until after June 30, 2020.

Ministry of Education Restricted Capital & Other Provincial Capital

The Ministry of Education restricted portion of proceeds on disposals was unchanged, and Other Provincial capital grants, funding for the Youth Trade Capital Equipment Program, was fully spent during the year.

Local Capital

Local Capital funding decreased as there were no property disposals in 2019-2020. The Board approved \$250,000 local capital spending in the 2019-2020 Amended Budget adopted on January 28, 2020.

FUTURE CONSIDERATIONS – RISKS & OPPORTUNITIES

Recruitment & Retention

School Districts across the Province are continuing to face significant challenges in the recruitment and retention of qualified staff. School District No. 8 (Kootenay Lake) is the eighth largest employer in the Kootenays, with over 900 employees, and faces consistent shortages of personnel in various employee groups. The District uses various strategies to ensure it continues to attract and retain qualified, excellent personnel, to ensure it has adequate personnel to deliver on the Board Mission and Goals.



Funding Formula Review

School Districts have significant fixed costs. These include maintenance and operations of facilities, class size and composition staffing requirements and administrative functions to support School District operations. As a result, Districts are reliant on a stable, predictable funding stream, to ensure consistent delivery of services from year to year across the District.

The Ministry of Education is in process of considering the impacts of changes it may make to the funding model. Throughout this process, the Ministry has clearly articulated that the Funding Model Review will not result in any new injections of cash into BC's public education system. Changes, if any, will result in a reallocation of existing funds, which implies that some Boards may gain additional funding, while others may lose. The Provincial Government has not announced any decisions.



International Education

The District profits from International student enrolment, both financially and to provide global exposure and "inter-culturalization" opportunities right here in the Kootenays. The impacts of COVID-19 have included a significant decrease in international student enrolment, the tuition revenues it generates and the horizon-expanding benefits.

Technology Requirements

To provide education within a 21st century learning environment, the District is required to expend significant financial resources on technology. In the past three years, under the Board's 3-year technology modernization plan, the District has radically upgraded its network, technology hardware, software, student device ratios, device quality, technology curriculum, technology support, and system utilization continues to grow exponentially.

COVID-19 has demonstrated the major investments the Board made in technology were valuable to enhance student's technology capacities to their future benefit and deliver excellence in education during a pandemic. The District will continue to review and attempt to find the necessary resources to ensure it can both deliver the best educational services and to prepare our students for citizenship, success, creativity, and resiliency after they graduate.