



School District 8
Kootenay Lake

Financial Discussion & Analysis

For the Year Ended June 30, 2022



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FINANCIAL DISCUSSION & ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022

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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

Academic Success

Each student will possess the knowledge, skills and attitudes required for academic success, and be effectively prepared for life, work and further learning

Creativity & Imagination

Each student will identify and actively develop individual gifts, talents and interests in order to be actively and meaningfully engaged in learning

Each learner will be guided by the 4 Board of Education developed Student Expectations.

Citizenship

Each student will be a responsible citizen by being an informed and involved member in his or her local, national and global community.

Resiliency

Each student will learn responsible and effective means of self-advocacy

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 for 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, 2022. This Financial Discussion is prepared based on known facts and conditions as of September 13, 2022 and should be read in conjunction with the District’s Audited Financial Statements for the year ended June 30, 2022 (the “**Financial Statements**”).

The financial results presented herein are discussed and compared to both the prior year ended June 30, 2021, and to the Amended Budget for the year ended June 20, 2022 that was adopted by the Board of Education on February 15, 2022.

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)

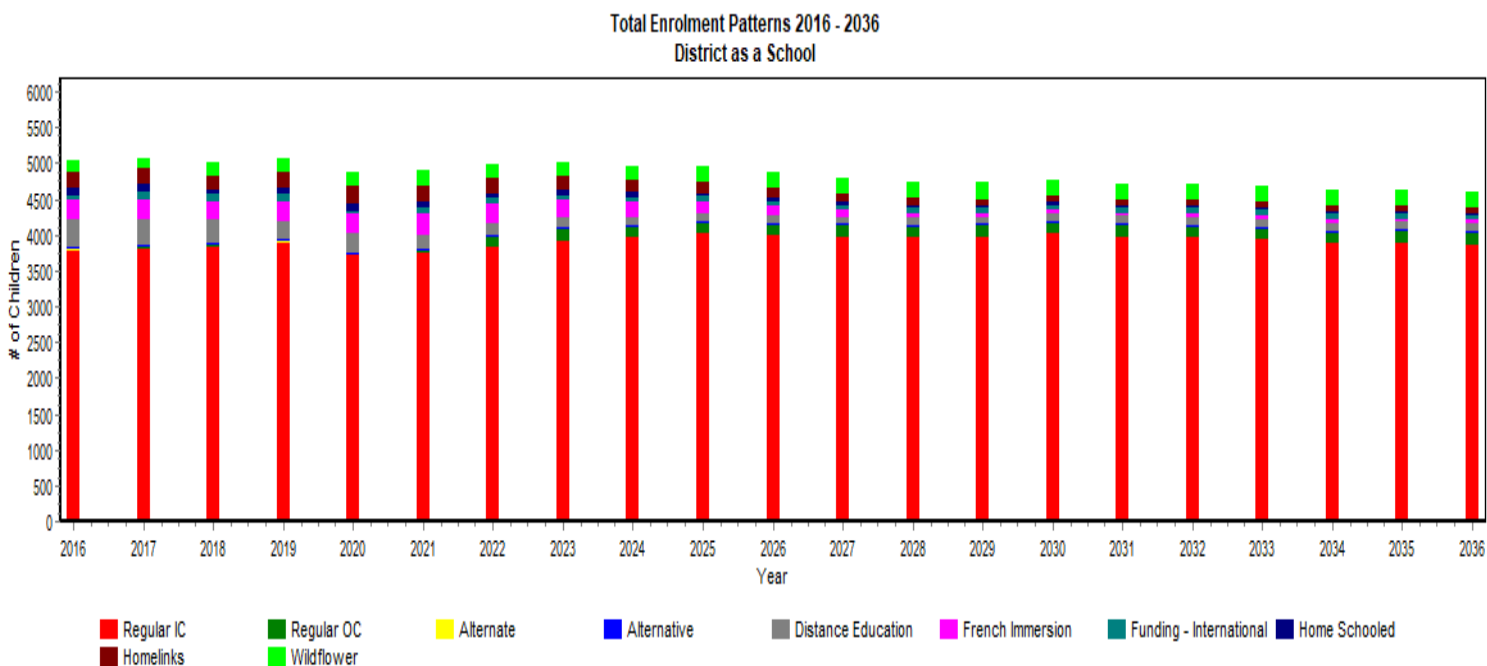
The following table compares student FTE enrolment against the previous year, as well as the budget:

	2021-2022 Actual	2020-2021 Actual	Variance to 2020-2021 Actual	2021-2022 Amended Budget	Variance to 2021-2022 Amended Budget
School age	4,784.8500	4,743.1875	41.6625	4,719.5700	65.2800
Adult	5.7500	8.5000	(2.7500)	3.6200	2.1300
Total FTE	4,790.6000	4,751.6875	38.9125	4,723.1900	67.4100

As can be seen in this table, overall, 2021-2022 enrolment increased by 38.9125 FTE students when compared to the prior year and also increased compared to budget due to higher than forecast 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 year, the range of expectations as to most enrolment categories has widened. The District expects greater fluctuations in the number of 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 lifestyle possibilities of areas like School District No. 8 (Kootenay Lake).

¹ 2021-2022 Baragar Projections (Jan, 2022)

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 each year, the District must submit to the Ministry of Education the expected student enrolment for the upcoming school year. Provincial operating grant funding estimates are based on these initial student enrolment projections, which are released each March. Throughout the spring, an internal and 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, 2022 by Operating, Special Purpose and Capital funds, as well showing fund surpluses and transfers between funds:

Year Ended June 30, 2022	Operating Fund	Special Purpose Funds	Capital Funds	All Funds Total
	\$	\$	\$	\$
Revenues				
Provincial Grants				
Ministry of Education	56,947,891	7,876,828	-	64,824,719
Other	528,484	-	-	528,484
Tuition	1,623,110	-	-	1,623,110
Other Revenue	548,816	1,485,050	-	2,033,866
Rentals & Leases	104,459	-	-	104,459
Investment Income	51,885	7,751	16,560	76,196
Gain on Disposal of Tangible Capital Assets	-	-	133,710	133,710
Amortization of Deferred Capital Revenue	-	-	2,759,845	2,759,845
Total Revenues	59,804,645	9,369,629	2,910,115	72,084,389
Expenses				
Instruction	44,404,074	8,762,051	-	53,166,125
District Administration	3,902,755	70,715	-	3,973,470
Operations & Maintenance	8,498,083	508,464	-	9,006,550
Transportation & Housing	2,730,626	28,399	-	2,759,021
Amortization of Tangible Capital Assets	-	-	3,738,844	3,738,844
Total Expenses	59,535,538	9,369,629	3,738,844	72,644,011
Surplus (Deficit)	269,107	-	(828,729)	(559,622)
Net Transfers to/from other Funds				
Tangible Capital Assets Purchased	(98,994)	-	98,994	-
Total Net Transfers	(98,994)	-	98,994	-
Total Surplus (Deficit) for the year	170,113	-	(729,735)	(559,622)
Surplus (Deficit) beginning of the year	1,308,703	-	24,230,818	25,539,521
Accumulated Surplus (Deficit) end of the year	1,478,816	-	23,501,083	24,979,899

Operating Fund Revenues of \$59,804,645 represent 83% of the District's total \$72,084,389 Revenues. A small portion of Operating Fund Revenues, \$98,994 was used to invest in Capital Projects during the year.

Overall, in all funds, the District ran a deficit of \$559,622 during the year. Even after factoring in capital spending, the District ran a net surplus of \$107,113 in its Operating Fund, increasing its Accumulated Operating Surplus to \$1,478,816.

STATEMENTS OF FINANCIAL POSITION

As at	June 30, 2022 Actual \$	June 30, 2021 Actual \$	Increase (Decrease) \$	Increase (Decrease) %
Financial Assets				
Cash & Cash Equivalents	11,449,610	10,478,024	971,586	9.3%
Accounts Receivable – Due from MoE & CC	515,154	254,410	260,744	102.5%
Accounts Receivable – Due from Prov. Other	160,700	158,931	1,769	1.1%
Accounts Receivable – Other	465,732	476,159	(10,427)	(2.2%)
Accounts Receivable – First Nations	-	12,139	(12,139)	(100.0%)
Portfolio Investments	416,768	447,231	(30,463)	(6.8%)
Total Financial Assets	13,007,964	11,826,894	1,181,070	3.9%
Liabilities				
Accounts Payable & Accrued Liabilities	5,456,587	5,194,031	262,556	5.1%
Accounts Payable – Due to MoE	-	7,740	(7,740)	-100.0%
Unearned Revenue	966,194	772,143	194,051	25.1%
Deferred Revenue	2,754,297	2,444,676	309,621	12.7%
Deferred Capital Revenue	49,268,821	48,591,784	677,037	1.4%
Employee Future Benefits	1,488,524	1,011,453	477,071	47.2%
Total Liabilities	59,934,423	58,021,827	1,912,596	8.6%
Net Debt	(46,926,459)	(46,194,933)	(731,526)	1.6%
Non-Financial Assets				
Tangible Capital Assets	71,690,094	71,522,352	167,742	0.2%
Prepaid Expenses	212,264	212,102	4,162	2.0%
Total Non-Financial Assets	71,906,358	71,734,454	171,904	2.2%
Accumulated Surplus (Deficit)	25,979,899	25,539,521	(559,622)	(2.2%)

Current Ratio

The District's current ratio was 2.31 (June 30, 2021 - 2.19) (representing the currently available financial assets of \$12,591,196 (June 30, 2021 -11,379,663) divided by financial obligations currently due of \$5,456,787 (June 30, 2021 - 5,201,771)). The District invests its excess cash in the B.C. provincial government's Central Depository Program, where the funds earn a safe return, and which helps reduce the amount of required provincial borrowing.

Financial Assets

Total Financial Assets have increased compared to the prior year. The increase in cash and cash equivalents on June 30, 2022, is based is mainly a result of effective cash-flow management and carry-forwards of unearned revenue.

The Accounts Receivable from the Ministry of Education and Child Care is mainly for Bylaw Capital projects, and for the new modular building at Winlaw Elementary. Other Accounts Receivable remained stable.

Liabilities

Total Liabilities have increased compared to the prior year.

The \$262,556 increase in Accounts Payable is largely due to timing of payroll as well as increases in teacher summer savings plan amounts.

Unearned revenues increased by \$194,051 for tuition fees received from students enrolled in the 2022-2023 International Program, reflecting a rebound in international student enrolment.

Deferred Revenues edged up in various Special Purpose Funds, increasing Deferred Revenues by \$309,621.

Deferred Capital Revenues increased by \$677,037 as a result of provincial funding for the capital projects in in the 2021-2022 school year.

Employee future benefits have increased by \$477,071 for expected future sick accrual payments per the actuarial estimates prepared in line with guidance from the Ministry of Education.

Non-Financial Assets

Non-Financial Assets have increased due to investments made to improve the Board's facilities – purchases of tangible capital assets.

OPERATING FUND RESULTS

The following table and compares the year ended June 30, 2022, to the prior year and to the amended budget for the year, summarizing key information from Schedules 2A and 2B in the Financial Statements.

	2021-2022 Actual	2020-2021 Actual	Variance to 2020-2021	2021-2022 Amended Budget	Variance to Amended Budget
	\$	\$	\$	\$	\$
Revenues					
Ministry of Education – Operating Block	56,947,891	57,285,139	(337,248)	57,014,988	(67,097)
Provincial Grants – Other	528,484	447,483	81,001	437,666	90,818
Tuition	1,623,110	685,219	937,891	1,660,250	(37,140)
Other Revenue	548,816	667,403	(118,587)	606,280	(57,464)
Rentals & Leases	104,459	71,315	33,144	72,000	32,459
Investment Income	51,885	27,620	24,265	30,000	21,885
Total Revenues	59,804,645	59,184,179	620,466	59,821,184	16,539
Expenses					
Teacher Salaries	21,653,633	21,718,300	(64,667)	21,813,499	(159,866)
Principal and Vice Principal Salaries	4,374,630	4,372,278	2,352	4,359,166	15,464
Educational Assistant Wages	3,115,981	3,730,209	(614,228)	3,532,482	(416,501)
Support Staff Wages	6,791,623	6,909,694	(118,071)	7,041,640	(250,017)
Other Professional Salaries	2,434,240	2,054,804	379,436	2,370,636	63,604
Substitute Salaries	2,452,889	1,932,800	520,089	2,109,299	343,590
Employee Benefits	10,392,717	10,084,414	308,303	10,007,302	385,415
Services	2,061,539	1,389,505	672,034	2,018,452	43,087
Student Transportation	252,183	189,010	63,173	240,309	11,874
Professional Development and Travel	759,015	843,931	(84,916)	834,800	(75,785)
Rentals and Leases	41,572	43,442	(1,870)	39,441	2,131
Dues and Fees	96,002	97,838	(1,836)	94,082	1,920
Insurance	136,799	148,846	(12,077)	177,539	(40,740)
Supplies	3,029,839	3,250,854	(221,015)	3,551,298	(521,459)
Utilities	1,942,876	1,526,809	416,067	1,537,739	405,137
Total Expenses	59,535,538	58,292,764	1,242,774	59,727,684	(192,146)
Tangible Capital Asset Purchases	(98,994)	1,115,874	1,016,880		458,184
Operating Fund Surplus (Deficit)	170,113	(224,459)	(54,346)	-	170,113

Operating Fund Revenues – Ministry of Education & Provincial Grants

The \$337,248 decrease in grants from the Ministry of Education and Child Care this year as compared to last year, is due to several factors:

- An average 4.3% increase in the per pupil operating grant provided to the District,
- Loss of “Funding protection” of \$710,270 related to enrollment decline from 2019-2020 to 2020-2021;

Operating Fund Revenues – Tuition

Due to COVID-19 the District experienced a substantial decrease in International Student enrolment in 2020-2021. Since then, there has been an increase from 18.5 FTE (2020-2021) to 55.6 FTE (2021-2022) and tuition fees increased by \$937,891. The District is focused increasing the FTEs for this program for next school year and ongoing. However, growth of the program is limited to how many home stays parents we can recruit.

Operating Fund Expenses - Salaries & Benefits

Teacher salaries remained stable showing a slight decrease of \$64,667. This amount is in line based on the enrolment numbers for the 2021-2022 school year.

Education Assistant wages increased under the collective agreement, however, there was an overall decrease in Educational Assistants salaries in the Operating Fund, partially due to an inability to fill various positions and leaves. This was partially offset by an increase in Education Assistant salaries in Special Funds (see Special Purpose Fund discussion below on page 13 and Financial Statements Schedule 3A).

Principal and Vice-Principal salaries remained stable compared with the prior year.

There was an increase in Other Professional (Exempt) positions; the increase was a result of the following:

- Transition cost related to new hiring of Secretary-Treasurer position
- Hiring of Public Engagement Manager
- Recognition of restructuring cost for the IT Department



Operating Fund Expenses - Services

Operating Fund Services Expenses increased by \$672,034, to a large extent because there was a significant rebound in international program services expenses as well as expenses related to the finance and payroll software upgrade

Operating Fund Expenses – Transportation

The \$63,173 increase in Student Transportation expenses was due to COVID-19 restrictions being removed.

Operating Fund Expenses – Professional Development & Travel

Professional Development expenses decreased by \$84,916 as compared to the prior year and

\$75,785 as compared to Budget. This was mainly due to the reduction in travel to professional development events, due to COVID-19. Also, International Program travel for recruitment purposes remained curtailed. The District held numerous professional development events using online technologies with large turnouts, and it intends to continue an expanded use of online medium for its professional learning in the future.

Operating Fund Expenses – Rentals & Leases

Rentals and leases remained relatively stable compared to the prior year.

Operating Fund Expenses – Supplies

Supplies expenses decreased by 221,015 mainly due to reduced spending due to covid-19 with the majority of the expenses having been absorbed in the 2020-2021 school year.

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:

	2021-2022 Actual	2020-2021 Actual	Variance to 2020-2021	2021-2022 Budget	Variance to Budget
	\$	\$	\$	\$	\$
Provincial Grants - Ministry of Education					
Annual Facility Grant	273,690	279,588	(5,898)	273,690	-
Learning Improvement Fund	196,548	200,282	(3,734)	196,548	-
Strong Start	199,494	160,000	39,494	160,000	39,494
Ready, Set, Learn	163,194	49,000	114,194	49,000	114,194
OLEP	116,547	84,115	32,432	95,829	20,718
Community LINK	676,391	631,599	44,792	650,695	25,696
Classroom Enhancement Fund	5,863,734	5,419,681	444,053	5,900,000	(36,266)
First Nation Student Transportation	28,399	32,647	(4,248)	34,319	(5,920)
Mental Health in Schools	138,151	55,000	83,151	55,000	83,151

Changing Results for Young Children	51,170	25,000	26,170	25,000	26,170
Safe Return to School Grant	78,111	437,667	(359,556)	136,601	(58,490)
Federal Safe Return Class	61,318	-	61,318		61,318
Safe Return to Class Grant	-	1,856,158	(1,795,812)	220,000	(220,000)
Seamless Day Kindergarten	22,455	-	22,455	50,000	(27,545)
Early Childhood Education Dual Credit	7,626	-	7,626	230,000	(222,374)
Other Revenue			-		-
Scholarships & Bursaries	61,031	18,331	42,700	33,000	28,031
School Generated Funds	1,298,543	1,053,287	293,252	1,315,038	(16,495)
Donations	125,476	39,084	86,392	23,962	101,514
Investment Income	7,751	44,372	(36,621)	16,000	(8,249)
Total Revenues	9,369,629	10,385,811	(907,840)	9,464,682	(95,053)

Special Purpose Funds

Special Purpose Fund Revenues/Expenses in 2021-2022 were, overall, lower than the prior year, due to the non-renewal “Safe Return to class” grant. Partially offsetting this decrease are increases in the Ready, Set Learn, Classroom Enhancement Fund and School Generated Funds.

Donations increased by \$86,392.

CAPITAL FUNDS RESULTS

The table and discussion below describe revenues and expenses for Bylaw Capital, Restricted Capital, Other Provincial Capital and Local Capital, which are four sub-types of capital funding that benefit the District, which are described in the Financial Statements Schedule 4D.

	2021-2022	2020-2021	Variance to
	Actual	Actual	2020-2021
	\$	\$	\$
Bylaw Capital			
Provincial Grants – Ministry of Education	2,998,931	2,721,054	277,877
Buildings purchases	(2,848,410)	(2,495,882)	(352,528)
Furniture & Equipment purchases	(10,895)	(84,642)	73,747
Vehicles purchases	(139,626)	(140,530)	904
Net Change for the Year	-	-	-
Opening Balance	-	-	-
Closing Balance	-	-	-
Ministry of Education Restricted Capital			
Furniture & Equipment purchases	(787,142)	-	(787,142)
Restricted Portion of Proceeds on Disposals	436,182	816,879	(380,697)
Net Change for the Year	(350,960)	816,879	(1,167,839)
Opening Balance	1,298,379	481,500	816,879
Closing Balance	947,419	1,298,379	(350,960)
Other Provincial Capital			
Provincial Grants – Other	1,769	266,065	(264,296)
Building purchases	(1,769)	(266,065)	264,296
Furniture & Equipment purchases	-	-	-
Net Change for the Year	-	-	-
Opening Balance	-	-	-
Closing Balance	-	-	-
Local Capital			
Investment Income	16,560	22,614	(6,054)
District Portion of Proceeds on Disposal	145,394	272,293	(126,899)
Buildings purchases	-	(1,241,995)	1,241,995
Furniture & Equipment purchases	(31,434)	(44,603)	13,169
Net Change for the Year	130,520	(991,691)	(861,171)
Opening Balance	1,872	993,563	(991,691)
Closing Balance	132,292	1,872	(130,420)

Bylaw Capital

Provincial grants from the Ministry of Education for bylaw capital projects increased by \$277,877.



\$31,434 on Furniture and Equipment. Offsetting these expenditures was investment income of \$16,560 on invested capital reserves, plus an amount of \$145,394, which was 25% unrestricted portion of the net proceeds of the sale of excess real estate.

Ministry of Education Restricted Capital

The Ministry of Education restricted portion of proceeds on disposals increased by \$436,182, which is 75% of the net proceeds from the sale of excess real estate assets held by the District. Use of these funds by the Board for future capital projects requires Ministry of Education approval.

Other Provincial Capital

Other Provincial Capital grants, were fully spent during the year.

Local Capital

There was a net \$130,520 increase in Local Capital during the year, made possible by reducing capital spending to

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 and Child Care 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. With the Covid-19 restrictions substantially removed we do expect continued growth opportunities in the International Education area.

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 few 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. These changes are now complete and there is a continuing effort on ensuring that the IT department remains focused on providing quality customer service despite a decreased footprint.

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.

