



School District 8
Kootenay Lake

Financial Discussion & Analysis

For the Year Ended June 30, 2023





ACKNOWLEDGEMENT

We acknowledge, respect and honour the First Nations in whose traditional territories the Kootenay Lake School District operates and all Aboriginal people residing within the boundaries of School District No. 8.



CONTENTS

ACKNOWLEDGEMENT	i
ABOUT THE DISTRICT	1
STRATEGIC PLAN 2024-2029	1
FINANCIAL DISCUSSION and ANALYSIS	3
Introduction	3
District Funding and Enrolment	3
Student Enrolment	3
Future Enrolment Projections	4
Financial Planning Process	5
Financial Statements – Accounting Policies and Funds	6
Statement of Operations – By Fund	7
Statement of Operations – All Funds	8
Operating Fund Results	10
Special Purpose Fund Results	12
Capital Fund Results	14
Statement of Financial Position	16
Accumulated Surplus Discussion	18

ABOUT THE DISTRICT

Located in the Central Kootenays in BC, School District No. 8 (SD8) operates six families of schools in the communities of Nelson, Salmo, Creston, Crawford Bay, Kaslo and the Slocan Valley with the majority of the students living in Nelson and Creston. The school district serves approximately 4,800 students and their families in over 15 rural communities. Employing 900 staff in full- and part-time positions, SD8 has annual operating, special purpose, and capital budgets totaling approximately \$74.5 million.

STRATEGIC PLAN 2024–2029

On May 16, 2023, School District No. 8 (Kootenay Lake) completed and approved its new strategic plan for 2024 to 2029, a high-level roadmap for the district for the next five years. Over 700 people in the district attended community meetings and participate online in the development of the plan. Over 1,882 ideas were received from trustees, staff, students, families, Indigenous partners, and education partners as well as from the broader community which formed the basis for the vision, mission and values and the five strategic priorities.

The school district's mission, vision, and values are outlined below.

Mission

We inspire and support each learner to thrive in a caring learning environment.

Vision

Our learners grow as global citizens in an innovative and inclusive community.

Values

Our values help shape the culture of our schools and workplaces. By upholding these beliefs and attitudes, we can build learning communities that will lead to the fulfilment of our mission.

The financial statements outlined in this discussion report align with the vision, mission and values of SD8 and support the five priorities set out in the district's strategic plan, which are as follows:

Strategic Priorities

Lifelong Learners

We improve student learning through interest-based, competency-based, flexible and innovative approaches.



Connected Learners

We inspire learners to become curious, critical, and creative stewards of the natural world and the local and global community.



Caring and Inclusive Learning Culture

We promote physical and mental well-being through social-emotional learning to foster compassionate learners.



Cultural and Identity Development

We promote a positive sense of identity in culturally safe and responsive communities of learning.



Career Development

We prepare students to graduate with options for their future life and career goals.



FINANCIAL DISCUSSION AND ANALYSIS

Introduction

This document will discuss and analyze the financial performance of School District No. 8 (Kootenay Lake) for the fiscal year that ended on June 30, 2023 and will provide information in relation to the prior year and the amended annual budget. The district's financial statements represent the consolidation of three separate funds: operating, special purpose and capital. This is only an introduction and should be read in conjunction with the district's audited financial statements and accompanying notes.

District Funding and Enrolment

SD8 is funded through the Operating Grant received from the B.C. Ministry of Education and Child Care. The Operating Grant is based on student enrolment, confirmed through a process called the 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 respond to the needs of the diverse learners.

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 if enrolments change significantly between years, and the district considers the potential impact of this throughout the financial planning process.

Student Enrolment

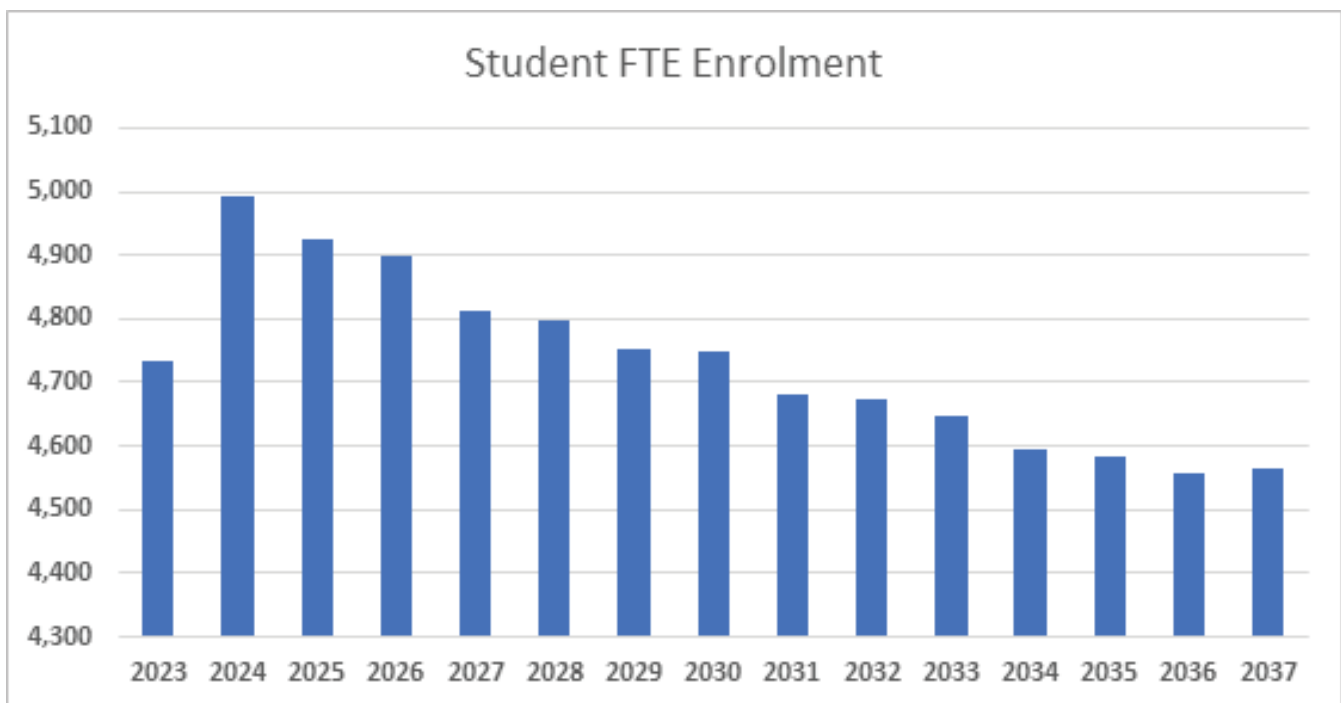
The following table compares the student FTE enrolment against the previous year:

February 2023 Enrolment Figures		February 2022 Enrolment Figures	Change
School Age	4,732.563	4,719.570	12.993
Adult	2.125	3.620	(1.495)
Total FTEs	4,734.688	4,723.190	11.498

As can be seen in this table, 2022-2023 enrolment increased by 11.498 student FTE (less than 1%) when compared to the prior year.



Future Enrolment Projections



The trending for student enrolments in the district shows an overall projected decline of 169 student FTEs (3.5%) between 2023 and 2037. The district might also expect changes in net migration that may positively impact enrolment.

Financial Planning Process

The annual budget cycle begins with the Board’s endorsement of a process and timeline for budget adoption, which was confirmed by the Board in December 2022. By February 15th each year, the district must submit the expected student enrolment for the upcoming school year to the Ministry of Education and Child Care.

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 based on actual confirmed enrolment counts and Operating Grant revenues and submit that to the ministry in February.



Financial Statements – Accounting Policies and Funds

The financial statements of School District No. 8 (Kootenay Lake) have been prepared in accordance with the Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the British Columbia Treasury Board.

Significant accounting and reporting practices are summarized in Note 2 of the financial statements. These include the following:

- Operating expenses are recorded in the year the good or service is received.
- Operating grants are not restricted in use and are recorded as revenue when received or receivable.
- Restricted contributions are recorded as deferred contributions until the funds are expended.
- Contributions for capital projects are recorded as deferred capital contributions once they are invested in capital assets.
- Capital assets and deferred capital contributions are amortized over the estimated useful life of the assets.

To meet reporting requirements, the following funds are utilized:

Operating Fund	<ul style="list-style-type: none"> • Transactions include operating grants and other revenues used to fund instructional programs, school and district administration, facilities operations, maintenance, and transportation. • Boards of Education are required by the School Act to prepare a balanced budget for the Operating Fund (i.e. no deficit).
Special Purpose Funds	<ul style="list-style-type: none"> • Special Purpose Funds consist of targeted funding and related funding provided to the school district for a specific purpose and related expenditures. • Pursuant to Sections 156(4) and (5) of the School Act, each special purpose fund must be accounted for in accordance with the terms of that special purpose fund. • Unspent special purpose funds are carried forward to be used in future year(s) for their specified purpose.
Capital Fund	<ul style="list-style-type: none"> • Transactions include capital expenditures related to equipment and facility purchases as well as equipment and facility enhancements. • The funding source of these purchases and enhancements determines to which capital fund the expenditures will be charged. • Funding sources include Ministry of Education and Child Care Bylaw Capital, Ministry of Education and Child Care Restricted Capital, Other Provincially Restricted Capital, Land Capital as well as Local Capital. • The Capital Fund is not part of a Board's operating balanced budget and may be in deficit. As such a board may incur an annual deficit for the portion of amortization expense that exceeds amortization of deferred capital contributions.

Statement of Operations – By Fund

The following table breaks out district operations for the year ended June 30, 2023 by Operating, Special Purpose and Capital funds, as well showing fund surpluses and transfers between funds.

Year Ended June 30, 2023	Operating Fund	Special Purpose Funds	Capital Funds	All Funds Total
Revenues	\$	\$	\$	\$
Provincial Grants				
Ministry of Education & Child Care	59,588,322	10,898,042	-	70,486,364
Other	291,137	42,366	-	333,503
Tuition	1,721,799	-	-	1,721,799
Other Revenue	592,451	1,771,667	-	2,364,118
Rentals & Leases	112,997	-	-	112,997
Investment Income	274,554	(2,274)	7,547	279,827
Amortization of Deferred Capital Revenue	-	-	2,859,351	2,859,351
Total Revenue	62,581,260	12,709,801	2,866,898	78,157,959
Expenses				
Instruction	42,904,269	12,058,695	-	53,962,964
District Administration	4,373,441	81,968	-	4,455,409
Operations & Maintenance	8,326,630	441,593	-	8,768,223
Transportation & Housing	2,906,660	24,760	-	2,931,420
Amortization of Tangible Capital Assets	-	-	3,864,779	3,864,779
Total Expenses	58,511,000	12,607,016	3,864,779	74,982,795
Surplus (Deficit)	4,070,260	102,785	(997,881)	3,175,164
Net Transfers from/(to) Other Funds				
Inter-fund Transfers for Tangible Capital Assets	(389,373)	(102,785)	492,158	-
Total Net Transfers	(389,373)	(102,785)	492,158	-
Total Surplus (Deficit) for the year	3,680,887	-	(505,723)	3,175,164
Surplus beginning of the year	1,478,816	-	21,270,534	22,749,350
Accumulated Surplus end of the year	5,159,703	-	20,764,811	29,924,514

Operating Fund revenues of \$62.6 million represent 80% of the district's total revenue of \$78.2 million. A small portion of the Operating Fund revenues (\$0.4 million) were used to invest in capital projects during the year, resulting in an ending Accumulated Surplus in the Operating Fund of \$5.2 million.

Statement of Operations – All Funds

The following table compares the year ended June 30, 2023 to the prior year and to the amended budget for the Operating, Fund, Special Purpose Fund and Capital Fund combined, summarizing key information in Statement 2 of the financial statements.

Year Ended June 30, 2023	2022-2023 Actual	2021-2022 Actual	Variance to 2021- 2022 Actual	2022-2023 Amended Budget	Variance to Amended Budget
Revenues	\$	\$	\$	\$	\$
Provincial Grants					
Ministry of Education & Child Care	70,486,364	64,824,719	5,661,645	66,614,880	3,871,484
Other	333,503	528,484	(194,981)	409,576	(76,073)
Tuition	1,721,799	1,623,110	98,689	1,770,150	(48,351)
Other Revenue	2,364,118	2,033,866	330,252	1,857,010	507,108
Rentals & Leases	112,997	104,459	8,538	72,000	40,997
Investment Income	279,827	76,196	203,631	116,000	163,827
Gain on Disposal of Tangible Capital Assets	-	133,710	(133,710)	-	-
Amortization of Deferred Capital Revenue	2,859,351	2,759,845	99,506	2,859,112	239
Total Revenue	78,157,959	72,084,389	6,073,570	73,698,728	4,459,231
Expenses					
Salaries	47,681,145	46,244,573	1,436,572	47,356,638	324,507
Employee Benefits	11,988,788	11,735,592	253,196	11,786,060	202,728
Total Salaries and Benefits	59,669,933	57,980,165	1,689,768	59,142,698	527,235
Supplies and Services	11,448,083	10,925,002	523,081	11,494,278	(46,195)
Amortization of Tangible Capital Assets	3,864,779	3,753,521	111,258	3,855,396	9383
Total Expenses	74,982,795	72,658,688	2,324,107	74,492,372	490,423
Surplus (Deficit) for the Year	3,175,164	(574,299)	3,749,463	(793,644)	3,968,808

Revenues

Total Revenue were \$78.2 million and increased by \$6.1 million compared to the prior year due to:

- Additional grants from the Ministry of Education and Child Care of \$5.7 million (\$2.6 million in the Operating Fund and \$3.1 million in the Special Purpose Fund)
- Additional other revenue of \$0.3 million mainly coming from School Generated Funds
- Additional tuition revenue of \$0.1 million from the International Education programs
- Additional investment income of \$0.2 million from higher investment balances and interest rates

Approximately \$3.9 million of the Provincial Grants from the Ministry of Education and Child Care were not confirmed when finalizing the amended budget resulting in the positive variance to budget. Most of the school-generated revenues were also realized after the amended budget was finalized in the latter half of the school year.

Expenses

Total Expenses were \$75.0 million and increased by \$2.3 million with \$1.7 million relating to salaries and benefits, \$0.5 million relating to supplies and services and \$0.1 million related to amortization. Salaries and benefits increased as a result of contractual wage increases which were offset by staff reductions and some vacancies in the district office. Salaries and benefits were \$0.5 million above budget due to the contractual wage increases not being confirmed when finalizing the amended annual budget.

Supplies and services, which includes student transportation, professional development and travel, rentals and leases, dues and membership fees, insurance and utilities increased by \$0.5 million due to additional amounts spent on contracted services, collective bargaining, website and shared IT application development costs, emergency supplies, and board election costs. Overall, the supplies and services were \$46K under budget. More detail is provided in the Operating Fund Results and Special Purpose Fund Results section of this report.

Amortization of Tangible Capital Assets increased by \$0.1 million due to additional tangible capital assets constructed or purchased but was on budget.



Operating Fund Results

The following table compares the year ended June 30, 2023 to the prior year and to the amended budget for the Operating Fund, summarizing key information from Schedules 2, 2A, 2B and 2C in the financial statements.

Year Ended June 30, 2023	2022-2023 Actual	2021-2022 Actual	Variance to 2021-2022 Actual	2022-2023 Amended Budget	Variance to Amended Budget
Revenues	\$	\$	\$	\$	\$
Provincial Grants					
Ministry of Education & Child Care	59,588,322	56,947,891	2,640,431	57,268,706	2,319,616
Other	291,137	528,484	(237,347)	320,076	(28,939)
Tuition	1,721,799	1,623,110	98,689	1,770,150	(48,351)
Other Revenue	592,451	548,816	43,635	560,010	32,441
Rentals & Leases	112,997	104,459	8,538	72,000	40,997
Investment Income	274,554	51,885	222,669	100,000	174,554
Total Revenue	62,581,260	59,804,645	2,776,615	60,090,942	2,490,318
Expenses					
Salaries	39,702,318	40,822,996	(1,120,678)	41,068,994	(1,366,676)
Employee Benefits	10,076,100	10,392,717	(316,617)	10,236,669	(160,569)
Total Salaries and Benefits	49,778,418	51,215,713	(1,437,295)	51,305,663	(1,527,245)
Supplies and Services	8,732,582	8,319,825	412,757	8,761,779	(29,197)
Total Expenses	58,511,000	59,535,538	(1,024,538)	60,067,442	(1,556,442)
Surplus (Deficit) for the Year	4,070,260	269,107	3,801,153	23,500	4,046,760
Inter-fund Transfers for Tangible Capital Assets	(389,373)	(98,994)	(290,379)	(23,500)	(365,873)
Net Surplus (Deficit) for the Year	3,680,887	170,113	3,510,774	-	3,680,887

Revenues

Total Revenues in the Operating Fund were \$62.6 million and increased by \$2.8 million compared to the prior year due to additional grants from the Ministry of Education and Child Care. The Ministry provided \$2.2 million of additional funding related to the labour settlement and an additional \$0.4 million related to student enrolment and unique geographic factor funding. Confirmation of the labour settlement funding was received after finalization of the amended budget and accounts for the positive variance to budget of \$2.3 million.

Provincial Grants – Other decreased by \$0.2 million but were consistent with the amended budget. Increases in tuition from international students of \$0.1 million and an increase in investment income of \$0.2 million from higher investment balances and interest rates account for the other increases over the prior year and positive variances to budget.

Expenses

Total Expenses in the Operating Fund were \$58.5 million and decreased by \$1.0 million compared to the prior year. Salaries and benefits decreased by \$1.4 million compared to 2021-2022 and were \$1.5 million below budget, however, overall salaries and employee benefits increased, but were funded by Special Purpose Funds. (see further discussion in Special Purpose Funds Results in this report).

Services and Supplies increased by \$0.4 million compared to 2021-2022; however, the expenditures were close to budget (\$29K variance). Increases in contracted services, collective bargaining costs, website and shared IT application development costs, emergency services, board election costs resulted in higher service costs (\$0.3 million). Student transportation costs increased by \$48K due to higher fuel costs and more field trips. Professional Development and Travel costs increased by \$0.2 million but were fully budgeted. Higher supply costs for operations and maintenance were offset by lower supply costs for instruction. Utilities were budgeted at a similar level to 2021-2022; however, savings of \$0.1 million were realized due to lower than budgeted electricity, natural gas and propane costs.



Special Purpose Fund Results

The following table compares the year ended June 30, 2023 to the prior year and to the amended budget for the Special Purpose Fund, summarizing key information from Schedule 3 of the financial statements.

Year Ended June 30, 2023	2022-2023 Actual	2021-2022 Actual	Variance to 2021- 2022 Actual	2022-2023 Amended Budget	Variance to Amended Budget
Revenues	\$	\$	\$	\$	\$
Provincial Grants					
Ministry of Education & Child Care	10,898,042	7,876,828	3,021,214	9,346,174	1,551,868
Other	42,366	-	42,366	89,500	(47,134)
Other Revenue	1,771,667	1,485,050	286,617	1,297,000	474,667
Investment Income	(2,274)	7,751	(10,025)	16,000	(18,274)
Total Revenue	12,709,801	9,369,629	3,340,172	10,748,674	1,961,127
Expenses					
Salaries	7,978,827	5,421,577	2,557,250	6,287,644	1,691,183
Employee Benefits	1,912,688	1,342,875	569,813	1,549,391	363,297
Total Salaries and Benefits	9,891,515	6,764,452	3,127,063	7,837,035	2,054,480
Supplies and Services	2,715,501	2,605,177	110,324	2,732,499	(16,998)
Total Expenses	12,607,016	9,369,629	3,237,387	10,569,534	2,037,482
Surplus (Deficit) for the Year	102,785	-	102,785	179,140	(76,355)
Inter-fund Transfers for Tangible Capital Assets	(102,785)	-	(102,785)	(179,140)	76,355
Net Surplus (Deficit) for the Year	-	-	-	-	-

Revenues

Special Purpose Fund revenues and expenses are \$3.3 million higher than 2021-2022 and \$2.0 million above budget. The increases in revenue and positive variances to budget related to Ministry funded programs (\$3.0 million) and School Generated Funds (\$0.3 million).

Expenses

For expenses, the salaries and benefits increased by \$3.1 million and were \$2.0 million above budget due to additional salaries and benefits in the Classroom Enhancement Fund, Early Childhood Dual Credit Program and the Early Care & Learning programs. Supplies and services were \$0.1 million higher than 2021-2022, however, only \$17K above budget.

Special Purpose Results by Program

The following table shows variances to prior year and to amended budget for the special purpose programs, summarizing key information from Schedule 3A of the financial statements.

Year Ended June 30, 2023	2022-2023 Actual	2021-2022 Actual	Variance to 2021-2022 Actual	2022-2023 Amended Budget	Variance to Amended Budget
Provincial Grants – Ministry of Education & Child Care Funding	\$	\$	\$	\$	\$
Annual Facility Grant	279,640	273,690	5,950	279,640	-
Learning Improvement Fund	195,556	196,548	(992)	188,506	7,050
Strong Start	99,451	199,494	(100,043)	170,000	(70,549)
Ready, Set, Learn	35,086	163,194	(128,108)	39,200	(4,114)
OLEP	97,202	116,547	(19,345)	112,788	(15,586)
CommunityLink	636,884	676,391	(39,507)	650,695	(13,811)
Classroom Enhancement Fund (CEF)	8,535,240	5,863,734	2,671,506	6,656,425	1,878,815
First Nation Student Transportation	24,760	28,399	(3,639)	23,755	1,005
Mental Health in Schools	62,126	138,151	(76,025)	62,126	-
Changing Results for Young Children	30,294	51,170	(20,876)	59,985	(29,691)
Safe Return to School	58,490	78,111	(19,621)	58,490	-
Federal Safe Return	71,564	61,318	10,246	71,564	-
Seamless Day Kindergarten	74,473	22,455	52,018	82,945	(8,472)
Early Childhood Education Dual Credit Program	193,780	7,626	186,154	161,501	32,279
Student & Family Affordability	309,496	-	309,496	553,554	(244,058)
Early Years to Kindergarten (SEY2KT)	19,000	-	19,000	-	19,000
Early Care and Learning (ECL)	175,000	-	175,000	175,000	-
After School Sports & Arts Grant	15,366	-	15,366	62,500	(47,134)
Health Promoting Schools	27,000	-	27,000	27,000	-
Other Internally Restricted Funding Revenue					
Scholarships and Bursaries	26,390	61,031	(34,641)	25,000	1,390
School Generated Funds	1,703,435	1,298,543	404,892	1,250,000	453,435
Donations	39,568	133,227	(93,659)	38,000	1,568
Total Revenue in Special Purpose Fund	12,709,801	9,369,629	3,340,172	10,748,674	1,961,127

Capital Fund Results

The following table compares the year ended June 30, 2023 to the prior year and to the amended budget for the Capital Fund, summarizing key information from Schedule 4 in the financial statements.

Year Ended June 30, 2023	2022-2023 Actual	2021-2022 Actual	Variance to 2021-2022 Actual	2022-2023 Amended Budget	Variance to Amended Budget
Revenues	\$	\$	\$	\$	\$
Investment Income	7,547	16,560	(9,013)	-	7,547
Gain on Disposal of Tangible Capital Asset	-	133,710	(133,710)	-	-
Amortization of Deferred Capital Revenue	2,859,351	2,759,845	99,506	2,859,112	239
Total Revenue	2,866,898	2,910,115	(43,217)	2,859,112	7,786
Expenses					
Amortization of Tangible Capital Assets	3,864,779	3,753,521	111,258	3,855,396	9,383
Total Expenses	3,864,779	3,753,521	111,258	3,855,396	12,683
Surplus (Deficit) for the Year	(997,881)	(843,406)	(154,475)	(996,284)	(1,597)
Inter-fund Transfers for Tangible Capital Assets	492,158	98,994	393,164	202,640	289,518
Net Surplus (Deficit) for the Year	(505,723)	(744,412)	238,689	(793,644)	287,921

Unlike the Operating Fund which cannot have a deficit, the Capital Fund will generally have a deficit each year which relates to amortization expense exceeding amortization revenue. The net deficit after inter-fund transfers is \$0.5 million which is lower than the 2021-2022 deficit of \$0.8 million and lower than the budgeted deficit of \$0.8 million.

Unspent Deferred Capital Revenue

Unspent Deferred Capital Revenue and Local Capital balances in the Capital Fund are available for spending on tangible capital assets in the future, subject to approval for the restricted capital balances. The balances increase when grants are received and investment income is earned and decrease when amount are spent on tangible capital assets.

	June 30, 2022 Balance	Increases	Decreases	June 30, 2023 Balance
	\$	\$	\$	\$
Bylaw Capital	-	4,148,072	(4,148,072)	-
Restricted Capital - Ministry of Education & Child Care	947,419	48,319	(232,124)	763,614
Local Capital	132,292	7,547	-	139,839
	1,079,711	4,203,938	(4,380,196)	903,453

Bylaw Capital

Bylaw Capital represents Ministry of Education and Child Care capital grants drawn on Certificates of Approval (COA) for capital projects and includes amounts for specific capital projects funded by the Ministry of Education and Child Care, capital portion of the Annual Facility Grant, carbon neutral capital project funding, playground equipment funding and other project funding paid through a COA. During the year, the school district received \$4.1 million in bylaw capital funding which was used for projects related to or purchases of:

- Buildings (\$2.8 million),
- Furniture and equipment (\$0.2 million)
- Vehicles (\$1.1 million)

Restricted Capital

Ministry of Education and Child Care restricted capital represents the ministry's portion (usually 75%) of the proceeds on disposal of land and buildings, and any bylaw project surpluses on completed projects. The ministry's permission must be received to spend these funds. The school district used \$0.2 million on building projects, resulting in an ending accumulated surplus balance of \$0.8 million at June 30, 2023.

Local Capital Reserve

The Board's Local Capital Reserve was generated in prior years from investment income and 25% of the proceeds received on excess real estate sold which are added to local capital. Local Capital Reserves were not utilized in 2022-2023 for tangible capital asset acquisitions and increased slightly due to investment income earned.



Statement of Financial Position

The following table shows the district's financial position as at June 30, 2023 compared to the prior year.

As at	June 30, 2023 Actual	June 30, 2022 Actual	Increase (Decrease)	Increase (Decrease)
Financial Assets	\$	\$	\$	%
Cash & Cash Equivalents				
Accounts Receivable	15,945,527	11,449,610	4,495,917	39%
Due from Province - MoECC	291,636	515,154	(223,518)	(43%)
Due from Province - Other	86,231	160,700	(74,469)	(46%)
Other	947,266	465,732	481,534	103%
Portfolio Investments	434,075	416,768	17,307	4%
Total Financial Assets	17,704,735	13,007,964	4,696,771	36%
Liabilities				
Accounts Payable				
Due to Province - Ministry of Education and Child Care	6,360	-	6,360	0.0%
Other	6,478,595	5,456,587	1,022,008	19%
Unearned Revenue	937,494	966,194	(28,700)	(3%)
Deferred Revenue	2,798,945	2,754,297	44,648	2%
Deferred Capital Revenue	50,605,861	49,268,821	1,337,040	3%
Employee Benefits	1,640,511	1,488,524	151,987	10%
Asset Retirement Obligation	2,240,535	2,240,535	-	0%
Total Liabilities	64,708,301	62,174,958	2,533,343	4%
Net Financial Assets (Debt)	(47,003,566)	(49,166,994)	2,163,428	(4%)
Non-Financial Assets				
Tangible Capital Assets	72,707,655	71,700,080	1,007,575	1%
Prepaid Expenses	282,533	216,264	66,269	31%
Total Non-Financial Assets	72,990,188	71,916,344	1,073,844	1%
Accumulated Surplus (Deficit)	25,986,622	22,749,350	3,237,272	14%

The financial position of the school district improved with net financial debt decreasing by \$2.1 million, non-financial assets increasing by \$1.1 million, and the resulting accumulated surplus increasing by \$3.2 million. The district's current ratio which is a measure of the district's ability to pay short-term obligations or those due within one year has also improved, increasing from 2.31 as at June 30, 2022 to 2.66 as at June 30, 2023. The district holds its excess cash in the B.C. provincial government's Central Depository Program, where the funds earn a safe return.

Financial Assets

Total Financial Assets have increased by \$4.7 million compared to the prior year mainly due to additional cash and cash equivalents. The Accounts Receivable from the Ministry of Education and Child Care is mainly for Bylaw Capital projects for building enhancements. The Other Receivables are amounts due from other school districts and third parties and have increased due to a greater number of invoices issued at June 30, 2023 compared to the prior year.

Liabilities

Total liabilities have increased by \$2.5 million compared to the prior year mainly due to higher Accounts Payable (\$1.0 million) and higher Deferred Capital Revenue (\$1.3 million). Accounts Payable balances increased due to a greater number of invoices related to the current year being paid in July 2023. Deferred Capital Revenue increased as a result of the provincial funding for capital projects of \$4.2 million exceeding the amortization of \$2.9 million for the 2022–2023 school year.

Non-Financial Assets

Non-Financial Assets increased by \$1.1 million compared to the prior year due to additional tangible capital assets constructed or purchased of \$4.9 million including improvement to the district's facilities (\$3.2 million), vehicles (\$1.3 million), furniture and equipment (\$0.3 million) and computer hardware (\$0.1 million) offset by amortization of \$3.8 million.



Accumulated Surplus Discussion

The changes to and balances in the accumulated surplus accounts for the year are shown in the table below:

	June 30, 2022 Balance	Surplus (Deficit) for the Year	Transfers Between Funds	June 30, 2023 Balance
	\$	\$	\$	\$
Operating Fund	1,478,816	4,070,260	(389,373)	5,159,703
Special Purpose Funds	-	102,785	(102,785)	-
Capital Fund	21,270,534	(997,881)	492,158	20,764,811
Accumulated Surplus excluding Remeasurement Gains	22,749,350	3,175,164	-	25,924,514

The school district has \$26 million in Accumulated Surplus and Remeasurement Gains as at June 30, 2023 of which \$5.2 million is related to the Operating Fund and \$20.8 million is related to the Capital Fund.

Operating Fund Accumulated Surplus

An accumulated surplus balance in the Operating Fund indicates that a school district has net resources that can be used to provide future services or acquire assets.

The school district's accumulated operating surplus policy which is Policy 621: Accumulated Operating Surplus states that:

- The accumulated operating surplus will service as a contingency reserve for the risks associated with unexpected increases in expenses and/or decreases in revenues; one-time costs not included in the annual operating budget; and intermittent projects and initiatives.
- Achieving targeted surplus levels of 3% to 5% is important for achieving educational goals and addressing financial health, stability, and risk.
- Allocating surplus funds (i.e. internally restricting funds) supports long-term planning by mitigating changes in revenue and making provisions for unexpected events.

The Ministry of Education and Child Care also has policy related to operating surplus. It implemented the K-12 Public Education Accumulated Operating Policy on July 2021 to ensure consistency, transparency, and accountability for the use of educational operating funding that is not used in the year in which it was provided. The Policy establishes three categories of Internally Restricted Operating Surplus:

1. Restricted Due to the Nature of Constraints on the Funds – includes categories such as contractual obligations; funding required to meet the education spending targets; and school generated funds (not externally restricted).
2. Restricted for Anticipated Unusual Expenses Identified by the Board – includes short-term, variable needs; new initiatives; emerging events; and self-insurance on assets.
3. Restricted for Operations Spanning Multiple School Years – future years' operations/budget; school and department surplus/carry-forwards; operating projects in progress; technology, utilities, equipment and capital projects; purchase order commitments; and educational pilots spanning multiple years.

The following table provides the details on the portion of the district's Accumulated Operating Surplus that is internally restricted and unrestricted (subject to a motion being passed by the Board to appropriate additional amounts). The information is also contained in Note 20 of the financial statements.

	June 30, 2022 Balances	June 30, 2023 Balances	Change
	\$	\$	\$
Due to Nature of Constraints on Funds	149,173	195,382	(46,209)
For Unanticipated Unusual Expenses	100,000	-	100,000
For Operations Spanning Multiple School Years	2,434,633	454,776	1,979,857
Total Internally Restricted Operating Surplus	2,683,806	650,168	2,033,648
Unrestricted Operating Surplus	2,475,897	828,658	1,647,239
Total Operating Accumulated Surplus	5,159,703	1,478,816	3,680,887

The majority of the internally restricted balance is resitricted for Operations Spanning Multiple School Years and will be used for classroom furniture and equipment, vehicle, technology upgrade, school surplus carryforwards, and operating projects in progress.

The unrestricted surplus at \$2.5 million is approximately 4% of the budgeted 2023-2024 operating expenses which is within the 3% to 5% range outlined in [Policy 621: Accumulated Operating Surplus](#). This level of unrestricted operating surplus provides the district with financial stability over the long term.

Capital Fund Accumulated Surplus

There are two categories of accumulated surplus in the Capital Fund – Invested in Tangible Capital Assets and Local Capital, totalling \$20,764,811. The accumulated surplus for Invested in Tangible Capital Assets is \$20,624,872 and the accumulated surplus for Local Capital is \$139,939. Only the portion pertaining to the Local Capital is available for internally restricting by the Board. The remainder of the accumulated surplus relating to Invested in Tangible Capital Assets must be left unrestricted.

The entire amount of the Local Capital accumulated surplus balance of \$139,939 is appropriated for the purchase of facilities and equipment (subject to a motion being passed by the Board to appropriate this amount). This information is also contained in Note 20 of the financial statements.

