



**School District 19**  
(Revelstoke)



# Financial Statement Discussion & Analysis for the year ended June 30, 2023



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## Introduction

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

## The School District

Revelstoke is located on the Trans-Canada Highway adjacent to the Okanagan and Kootenay regions. The Revelstoke area offers year-round recreation opportunities with some of the best downhill skiing in North America, first rate cross country skiing, back country skiing, snowmobiling, hiking, fishing, and mountain biking. In addition to outdoor pursuits, Revelstoke is a hub for artistic and cultural activities. It is a family friendly community with excellent services and programs for children. Our school district serves approximately 1,069 students and offers an outstanding education program in its three elementary schools and one secondary school. The District acknowledges that it is located on the Sinixt, the Ktunaxa, the Secwepemc, and the Syilx nations traditional territories.

The governing body of the School District is a Board of Education made up of five trustees who are each elected for a four-year term. The day-to-day matters are managed by the administrative staff of the School District, headed by the Superintendent of schools.

## Our Mission

Create a dynamic and safe environment for students to

- approach learning today and tomorrow with passion and joy
- acquire knowledge and skills according to individual potential; and
- develop personal and social values that prepare students to become global citizens.

## Composition of Financial Statements

School district financial statements are prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This Section requires that the financial statements be prepared in accordance with Canadian public sector accounting standards except in regard to the accounting for government transfers.

School districts present detail of the Financial Statements in the form of three Funds: Operating, Special Purpose, and Capital. This separation into 'funds' in the detailed schedules of the Financial Statements provides increased transparency and accountability of all funding provided by Government to school districts. This level of detail also serves to assist Boards of Education budget for sustainable operating and infrastructure projects.



Financial performance is difficult to ascertain in the audited Financial Statements as the three funds are combined. Financial details of each fund are reported in the supplementary schedules that follow the Notes to the Financial Statements.

### **Key Audited Statements**

1. Statement of Financial Position (Statement 1) summarizes all financial assets, liabilities and accumulated surplus as at June 30, 2023.
2. Schedule of Operating Operations (Schedule 2) summarizes revenues received and expenses incurred between July 1, 2022 and June 30, 2023 for Operations.

### **Schedule 2 – Operating Fund**

Annual program revenues and expenses are reported in the operating fund and special purpose fund (see below). School districts are not permitted to budget for or incur an accumulated deficit position. This means when a school district has an accumulated operating surplus available it can be used to budget for future expenditures. Unlike other government agencies, a school district can effectively “carry over” surplus funds to the next fiscal year, to balance its budget.

The Operating Fund accounts for the district’s daily operating transactions. Annual and accumulated surplus within the operating fund is an important indication of financial health. Those surplus funds are available to use for future expenses and to reduce the financial risk of unforeseen circumstances.

The operating fund is where most of the district’s operations are reported therefore considerable focus and analysis of the operating fund has been provided.

### **Schedule 3 – Special Purpose Funds**

The special purpose fund includes grants and district generated funds that are restricted for a specific purpose. Annual and accumulated surplus is always zero because revenues are recognized only as related expenditures occur (deferral method of accounting). Special purpose funds are most often provided by third parties such as the Ministry of Education and Child Care. If expenses for a program within a special purpose fund exceed the revenues received, the deficit must be transferred to the operating or capital fund depending on the nature of the expenditure.

### **Schedule 4 – Capital Fund**

Capital revenues offset amortization expense in the capital fund to the extent assets were funded by provincial capital grants. As some capital investments are funded by operating revenues (recorded as transfers of accumulated operating surplus to the capital fund), the capital fund can report an annual deficit. This is permitted through [Ministerial Order 033/09](#) which permits a deficit in the capital fund to the extent amortization of assets exceeds amortization of capital contributions.



There is no cash held in the Capital Fund. The school district may have MEd Restricted Capital, again no cash resides in the Capital Fund for this. The Minister of Education can direct how MEd Restricted Capital can be used. The district may have Local Capital, which they have full control over how it can be used.

Examples of capital fund expenditures include additions to land, buildings, furniture, computers, vehicles, and equipment. Capital fund revenues reflected in the financial statements are not a reflection of actual funding received in a year.

### **Asset Retirement Obligation**

Legal liabilities exist for the removal and disposal of asbestos and other environmentally hazardous materials within some district owned buildings that will undergo major renovations or demolition in the future. A reasonable estimate of the fair value of the obligation has been recognized using the modified retroactive approach as at July 1, 2022. The obligation has been measured at current cost as the timing of future cash flows cannot be reasonably determined. These costs have been capitalized as part of the assets' carrying value and are amortized over the assets' estimated useful lives.

### **District Enrollment**

The district has fluctuated over the past 12 years with a low of 923.88 to a high of 1,072,063 in the current year. Revelstoke is still in the growth phase of its development as a resort city and housing prices have risen significantly during that time. This has resulted in movement of some families in and out of town due to the cost of living. The gradual growth in enrollment since 2017/18 is expected to continue in the next five years.

SD 93 (Conseil Scolaire Francophone De La Colombie-Britannique ("CSF")) offers an education program in Revelstoke and their program impacts the enrolment in the District.

This is a summary of the enrolment over the past twelve years:

2011/12	1,017.250
2012/13	1,014.750
2013/14	954.000
2014/15	927.250
2015/16	923.880
2016/17	954.880
2017/18	969.250
2018/19	1,032.625



2019/20	1,007.563
2020/21	1,022.313
2021/22	1,045.125
2022/23	1,072.063
2023/24	1,062.860 Projected

## Employees

Salaries and employee benefits are the highest operational expense of the school district accounting for 86.08 of Operating Costs in the 2022/2023 fiscal year.

The district employed 136.30 staff in October of 2019, 136.54 in October of 2020, and 139.372 in October of 2021 changing to 142.134 in April 2022 and was approved at 145.9207 FTE in the 2022/23 Amended Budget. Staffing will often increase throughout the school year as student and school needs become known. Additional grants from the provincial and federal governments provide the funding for a number of the new positions. These grants may not be available in future years.

## Statement of Financial Position

A copy of the audited Statement of Financial Position as of June 30, 2023, is attached to this paper (Appendix A).

### Assets

Cash & Cash Equivalents has decreased due to the change in the current year's operating surplus, an increase in Portfolio Investments, and a closer alignment between capital expenditures and draw downs from Certificate of Approvals.

Accounts Receivable are amounts owed to the District and primarily consist of GST rebates, reimbursement for salaries for two seconded employees, and miscellaneous other costs owed to the District. The majority of the outstanding accounts were paid by August 31, 2023.

### Liabilities

Accounts Payable is comprised of amounts the district owes and primarily consist of salaries and benefits payable, accrued vacation pay, teacher twelve month pay, and invoices related to ongoing capital projects. It decreased this year mainly due to benefit expenditures being paid by June 30, 2023 and due to there being minimal major capital project invoices outstanding as of year end.

Unearned revenue increased from the prior year due to grants received later in 2022/2023 with a plan for them to be used in the 2023/2024 fiscal year. Deferred revenue refers to unused funds from outside agencies in the form of targeted grants that were not expended in the year in which they were received.



Special Purpose Funds primarily consists of Strong Start, Grants from Columbia Basin Trust, unspent funding for Mental Health in Schools, ministry funding under the Classroom Enhancement Fund, The Affordability Fund, Early Learning Administration Support, Changing Results for Young Children, and the Annual Facilities Grant.

Accrued future employee benefits (liabilities) is actuarial calculated and includes vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance, vacation, overtime, and death benefits.

### **Non-Financial Assets**

Tangible capital assets reflect the unamortized cost of land, buildings, furniture, vehicle, computers, and equipment. There were no Prepaid expenses recorded for 2022/2023.

### **Operating Fund – Schedule 2**

Schedule 2, Schedule of Operating Operations from the 2022/2023 Financial Statements is attached to this report (Appendix B).

### **Revenues**

Total operating revenues for the district were \$15,198,553 for the 2022/2023 school year. The Ministry of Education and Child Care (MOECC) funding makes up 91.4% of total operating revenue for the school district. This means the district is heavily reliant on the Base Operating Grant which is calculated mainly on student enrollments.

The MOECC Grant increased by 4.1% from the amended budget and by 6.1% from the annual budget. The majority of the increase is due to funding for the employee contract settlements. While the actual dollar funding from the MOECC increased this year, their percentage of funding decreased over past years due to a return to normal in other revenues such as International Student Tuition.

The balances for Other Revenue and Rentals/Leases should be combined for budget comparative purposes. This is due to the classification of revenue from other government agencies such as (School District No 6 (Rocky Mountain)) and School District No 93 (CSF) as required by the ministry. When combined, the balances increased over last year, mainly due to a return a small increase in offshore student enrolment, a return to normal for school generated revenues, and an increase in CSF student enrollment at the secondary level. This district has a higher than normal percentage of lease/rental revenue due to various partnerships with outside agencies.

Investment income increased given the current increases in interest rates.

Revenue increased as compared to the prior year mainly due to increases in government grants for enrollment increases, collective agreement wage increases and geographical factors.



## Expenses

86.1% of the School District's expenses are related to salaries and benefits for the various employee groups in the district. They include teachers, principals/vice-principals, support staff and exempt staff. The remaining 13.9% of operating expenses are related to supplies and services including professional development, student transportation, utilities, vehicle maintenance, and insurance.

The COVID-19 pandemic had a significant impact on operations but the impact on the Operating Budget was mitigated due to specific grants received from the provincial and federal governments. While those grants were reduced this year, the additional costs related to COVID-19 have also decreased so the impact is more of a return to normal, with some modified enhancements. .

Overall operating expenses are up 8.9% as compared to last year. This is mainly due to increases in staff salaries reflecting the provincial union contract settlements, some staffing to support students, and cost increases.

## Expenses by Function

The district expenses can be reviewed by function, the four functions are described below.

- **Instruction** function includes expenses related to the instruction of students.
- **District Administration** function included expenses related to district governance and district administration of education, business and human resources.
- **Operations and Maintenance** function includes expenses related to the operation, maintenance and safety of buildings and equipment.
- **Transportation** function included expenses involved with the transportation of students.

The percentages per function have remained steady over the last eight years.

## Surplus

The school district ended the 2022/2023 fiscal year with a Total Operating Surplus of \$1,513,893. This includes Internally Restricted and Unrestricted surpluses. The amended 2022/2023 budget provided for the use of \$477,525 from Unrestricted operating Surplus. This was a planned reduction of reserves to support board approved initiatives. Not all of the planned reduction was required to cover operating costs due to additional funding being received. This resulted in the Unrestricted Operating Surplus decreasing by \$112,974 as a result of the district's operations in 2022/2023.

## Accumulated Operating Reserves

The Board of Education is in the process of developing a policy to set an expectation for Accumulated Surplus. This policy will ensure the district is protected financially from financial forecasting risk and unforeseen circumstances which could negatively impact the education of students. The accumulated operating surplus serves as a contingency reserve for the risk's associated with unexpected increases in





expenses and /or decreases in revenues related to major emergent operating issues, one-time costs, and intermittent projects. Part of the Accumulated Operating Surplus is targeted by the Board for various priorities so may impact the availability of the entire Accumulation to serve as a contingency reserve. Additional information is provided on this below.

As at June 30, 2022 the district had \$1,513,893 in operating surplus, of which \$765,792 is restricted for specific purposes and \$748,101 is unrestricted. Restricted reserve funds are held for a specifically intended purpose. The Board has some discretion on the use of these reserves, but most have a third party restriction or commitment of some type against them.

The breakdown of the internally restricted operating surplus in areas where the Board has limited ability to reallocate to other areas is as follows:

	<u>2023</u>
Literacy Planning	\$ 4,261
Therapies Grant	29,566
Farwell Building Reserve	82,136
Screen Smart	13,699
Additional Support for Community Links	27,701
Additional Support for Ready Set Learn	11,116
Additional Support for Strong Start	11,089
Additional Support for Mental Health programs	31,189
Scholarships and Bursaries	8,346
CPR Technology	23,025
School Generated Funds	197,171
Support for Education Plan	7,810
Professional Development – Per Contracts	132,823
Health and Wellness – Breakfast Program	45,992
Aboriginal Targeted Surplus	14,155
School and Department Surpluses	<u>125,713</u>
<b>Total of Internally Restricted Surplus</b>	<b>\$765,792</b>
<b>Unrestricted Operating Surplus</b>	<b><u>748,101</u></b>
<b>Total Accumulated Operating</b>	<b><u>\$1,513,893</u></b>

The unrestricted accumulated operating surplus of \$748,101 is 5.1 % of the 2022/2023 annual operating expenses and 5.0% of the amended operating budget.



### Special Purpose Fund

The Special Purpose funds are utilized to track funding for designated purposes. The balances can often be deferred to subsequent years for the intended purpose. Some of the funds require ministry approval to carry forward and other funds that carry a surplus at the end of the year reduce the funding received in the next fiscal year.

The following table summarizes the transactions for the year.

	Opening Balance	Revenue	Expenses	Closing Balance
Annual Facility Grant	\$29,746	\$65,380	\$61,637	\$33,489
Learning Improvement Fund	0	44,934	44,934	0
Strong Start	69,368	32,000	42,417	58,951
Ready, Set, Learn	11,134	7,350	9,177	9,307
OLEP	0	9,283	9,283	0
Community Link	30,210	105,498	86,619	49,089
Classroom Enhancement – Overhead	0	69,231	69,231	0
Classroom Enhancement – Staffing	0	516,462	516,462	0
Classroom Enhancement – Remedy	0	4,108	4,108	0
Mental Health in Schools	56,619	57,000	77,445	36,174
Changing Results for Young Children	26,477	11,250	4,372	33,355
Student and Family Affordability	0	250,000	150,282	99,718
Federal Safe Return/Ventilation Grant	21,296	0	21,296	0
Early Care and Learning	0	175,000	175,000	0
Early Learning	8,996	0	0	8,996
Columbia Basin Trust	54,540	18,000	1,118	71,422
<b>Total</b>	<b><u>\$308,386</u></b>	<b><u>\$1365,496</u></b>	<b><u>\$ 1,273,381</u></b>	<b><u>\$400,501</u></b>

Due to the COVID-19 pandemic for part of the year, projects planned for Community Link, Ready Set Learn, Mental Health in Schools, Strong Start, and Changing Results for Young Children could not be completed. It is planned for these projects to be implemented in 2023/2024.

The balance in Columbia Basin Trust is due to the timing of when grants for targeted projects are received. In this case, a number of grants were received in the last quarter so the funds could not be spent. These projects will be carried out in 2023/2024.

### Capital Fund

The school district invested \$1,223,400 in capital additions. These projects included the continuation of the LED lighting replacement projects at Begbie View Elementary School and Revelstoke Secondary School, a diesel bus being replaced with an electric bus, and continuing the ever greening of the district’s technology. Funding to make these additions came from the following sources: \$1,017,470 from the Ministry of Education, \$174,709 from the District Operating Fund and \$31,221 from Local Capital Funds.



Specific balances in the Capital Fund are as follows:

Bylaw Capital – Ministry of Education	\$ 650,620 (an increase of \$637,432 from 2022/2023)
Restricted Capital	8,870 (unchanged from 2021/2022)
Local Capital	2,383,663 (an increase of 10,384 from 2021/2022)

Bylaw Capital represents approved Ministry of Education funding, including the capital portion of the annual facilities grant, carbon neutral capital program, school enhancement program, playground equipment program and the bus replacement program.

Restricted Capital represents the Ministry of Education’s portion of the proceeds on disposals of property in which the district received ministry support to make the initial purchase. The district must receive ministry approval to spend these funds.

There are two capital fund surpluses:

The **Local Capital** fund of \$2,383,663 represents accumulated surpluses designated to fund the purchase of Tangible Capital Assets. This balance can increase if the board makes a motion to transfer operating surpluses to Local Capital or when the district receives the unrestricted portion on sales or property. All expenditures from this fund require prior board approval. Increases to local capital are due to interest income recorded for the year.

The **Investment in Tangible Capital Assets** fund of \$2,391,250 represents capital investments that are funded by operating funds (shows as a net transfer from other funds). As an asset is amortized, the surplus will decrease. The balance is used to fund future amortization costs and does not represent funds that are available for other purposes.

## Other Significant Matters

### COVID-19 Pandemic

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020 and has had a significant financial, market and social dislocating impact worldwide. The ongoing impact of the pandemic presents uncertainty over future cash flows, may have a significant impact on future operations including decreases in revenue, impairment of receivables, reduction in investment income and delays in completing capital project work. As the situation is dynamic and the ultimate duration and magnitude of the impact are not known, an estimate of the future financial effect on the School District is not practicable at this time.

The COVID-19 pandemic had less of an impact on this year’s operations and therefore the financial statements despite the changes made in operating protocols. The impact was less than in prior years as operations returned to a more normal level. It is still too early to assess the long-term financial impact

of the pandemic for future years, but the district has identified the following areas as being impacted by COVID and will need to be reviewed and adjusted during the budget cycle.

- Investment Income has returned to a more normal level but given interest rate changes, will have to continue to be monitored.
- International Student registration has returned to pre COVID-19 levels but again, will have to be monitored on an annual basis given the control that third parties such as the federal government have on student entry into Canada.
- Significant increase in replacement costs to cover sick leaves
- Increase in cleaning costs both in terms of labour and supplies
- Decrease in professional development travel and registration although this may no longer be an issue should the current COVID-19 rules remain.
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### Plan for Student Success

A new Plan for Student Success was developed during the 2020/2021 school year. This plan will guide the District's financial priorities and resources for the next four years.

### School Capacity

The district continues to have excess capacity in all schools based on ministry criteria. However, on an operational level, the number of programs being offered combined with the increase in enrolment is having an impact on all schools in the district such as some schools have no classrooms available for additional classes. A four classroom expansion for Begbie View Elementary School has been included in the district's major capital plan, although not requested until 2026 when enrolment is expected to support the expansion. A portion of the Local Capital Reserve Fund has been targeted to support this project once it gets ministry approval. The District leases part of Arrow Heights Elementary School to School District No 93. Enrolment in Arrow Heights School is increasing so the district has had to take back most of the in-school leased space. That has resulted in five portables being placed on the property which is the maximum number that the property can hold without impacting play areas and natural vegetation.

### Infrastructure

Given the age of schools in the district, they are in good condition due to the continued support of the ministry with the district's capital project requests. All HVAC systems, with the exception of the leased Farwell School, are less than ten years old. The two older schools have each had renovations totalling more than a \$2.0 million dollars over the past six years so are in good condition. The secondary school and one elementary school are now eleven years old and have been maintained with the support of the Annual Facility Grant.



Two of the elementary schools have been converted to LED lighting, as has the gymnasium in the third elementary school with the remainder of that school being converted this fall. The conversion of the high school lights will also start this fall.

### **Funding Model Review**

In 2018 the Ministry of Education began a review of the current funding formula which has been in place since 2002. The review ended with a list of 22 recommendations along three themes: equity, accountability, and financial management. While some of the recommendations have been implemented, districts do not currently know the outcome of the remaining recommendations.

### **Contact Management**

This financial report was completed with the purpose to provide a general overview of the School District's finances as at June 30, 2023 and to demonstrate the District's accountability for the funding it receives.

If you have any questions about the report, please contact the Secretary Treasurer's office at 250-837-2101.