



FINANCIAL STATEMENTS DISCUSSION and ANALYSIS

Year ended June 30, 2022

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School District No. 70 (Pacific Rim)
Financial Statements Discussion and Analysis
For the Year Ended June 30, 2022

INTRODUCTION

The following is a discussion and analysis of the financial performance of School District 70 (Pacific Rim) (the "District") for the fiscal year ended June 30, 2022. This report should be read in conjunction with the District's consolidated financial statements of the same period and is meant to assist the reader.

The purpose of the Financial Statement Discussion and Analysis is to highlight information and provide explanations which enhance the reader's understanding of the school district's financial statements as well as the factors that influence the financial results presented in these statements. This report is a summary of the district's financial activities, based on currently known facts, decisions and conditions. The statements illustrate, in financial terms, how resources have been allocated and consumed during the fiscal year.

The preparation of this financial statement discussion and analysis is management's responsibility. All dollar amounts are reported to the nearest thousand.

OVERVIEW OF THE SCHOOL DISTRICT

Located on Vancouver Island, the District serves the communities of Bamfield, Port Alberni, Tofino and Ucluelet. The district provides educational services to approximately 4,000 students. These services include: an Indigenous Education Program, an International Program, late French Immersion, Distributed Learning and Alternative Programming. School District 70 Pacific Rim is situated on the ha-houlthees of the *cišaaʔaṭh*, *hupačasath*, *tla-o-qui-aht*, *Yuuʔuʔiʔaṭh*, and *Huu-ay-aht* First Nations and acknowledges that we work alongside all Nuu-chah-nulth nations as well as the Métis Nation of British Columbia to serve the children and youth of the Alberni-Clayoquot region. The district strives to increase awareness, understanding and integration of Nuu-chah-nulth culture, history and language in all SD70 schools. It is part of our ongoing commitment to Truth and Reconciliation.

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

Our Strategic Plan

- Goal 1 - Improve Numeracy Skills for all Students;
- Goal 2 - Increase Literacy Skills for all Students; and
- Goal 3 - Improve Student Social and Emotional Wellbeing.

Our Mission

- To educate students in safe, inclusive and engaging learning environments where every student develops the knowledge, skills and abilities to be a lifelong learner and productive member of our global society.

Our Vision

- To be a professional learning community that celebrates diversity, engages learners and fosters achievement.

Our Core Values

- Inclusion
- Engagement
- Achievement
- Integrity
- Collaboration

Our Schools

Elementary Schools

- École Alberni Elementary School
- E J Dunn Elementary School
- John Howitt Elementary School
- Maquinna Elementary School
- Tsuma-as Elementary School
- Ucluelet Elementary School
- Wood Elementary School

Secondary Schools

- Alberni District Secondary School
- Ucluelet Secondary School

Community Schools

- Bamfield Community School
- Wickaninnish Community School

Alternate Programs

- Eight Avenue Learning Centre
- Pacific Rim International Student Program

COMPOSITION OF THE 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.

The two key audited statements are:

- The **Statement of Financial Position** summarizes the districts assets and liabilities at June 30, 2022. This provides an indication of the financial health of the school district.
- **The Statement of Operations** summarizes the revenues received and expenses incurred between July 1, 2021 and June 30, 2022. This statement provides an indication of the funding received by the school district and how that funding was spent.
- The **Statement of Changes in Net Financial Assets (Debt)**, the **Statement of Cash Flows** and the **Notes to the Financial Statements** are also audited and provide further analysis of the District's finances.

Financial performance is difficult to ascertain in the audited Financial Statements, as they are a consolidation of three distinct areas:

- The Operating Fund (Schedule 2);
- Special Purpose Funds (Schedule 3); and the
- Capital Fund (Schedule 4).

The schedules are included at the end of the financial statements, following the Notes to the Financial Statements, in a format prescribed by the Ministry. The schedules include more details specific to each of the three areas, providing increased transparency and accountability. The balances reported in the schedules, when consolidated, are consistent with the balances reported in the statements.

- **Schedule 1** illustrates a breakdown of the accumulated surplus (deficit) on Statement 1 into the three reporting areas.
- **Schedule 2** provides detail on the Operating Fund, which accounts for the operating grants and other operating revenues. Legislation requires that the District present a balanced budget for the Operating Fund, whereby budgeted expenditure does not exceed budgeted revenue, and any surplus used to balance the budget is appropriated from surpluses carried forward in previous years.
- **Schedule 3** provides detail on the Special Purpose Funds, which are grants and contributions that are directed towards specific activities. As these are targeted grants, any unspent funding is accounted for as deferred revenue, not as accumulated surplus.
- **Schedule 4** provides detail on the Capital Fund, which accounts for the capital assets and capital revenues.

STATEMENT OF FINANCIAL POSITION

Financial Assets are assets available to discharge existing liabilities or finance future operations. Overall, there was no significant change from the prior year's overall balances.

In Thousands	2022	2021	Change
Cash and Cash Equivalents	\$ 10,295	\$ 8,471	\$ 1,824
Accounts Receivable - Due from Ministry of Education and Child Care	1,261	2,207	(946)
Accounts Receivable - Due from First Nations	1,346	1,446	(100)
Accounts Receivable - Due from Other	567	360	207
Total	\$ 15,491	\$ 14,505	\$ 985

Cash and cash equivalents increased by \$1.8 million during the year, largely comprised of a capital grant received and not yet spent on Child Care space. Accounts Receivable from the Ministry of Education and Child Care decreased by \$0.9 million reflecting timing of year-end funding on capital projects. Accounts Receivable from First Nations decreased by \$0.1 million. Accounts Receivable - Other, increased by \$0.2 million.

Liabilities represent obligations that have been incurred by the District. Total liabilities increased from the prior year by \$20.2 million.

In Thousands	2022	2021	Change
Accounts Payable and Accrued Liabilities	\$ 5,793	\$ 6,061	\$ (268)
Unearned Revenue	298	318	(20)
Deferred Revenue	2,512	2,126	386
Deferred Capital Revenue	102,023	81,743	20,280
Employee Future Benefits	563	570	(7)
Debt	316	362	(46)
Other Liabilities	-	109	(109)
Total	\$ 111,505	\$ 91,289	\$ 20,216

Accounts Payable and Accrued Liabilities is mainly comprised of employee remittances for payroll deductions, accumulated employee vacation, accrued wages and trades payable, which includes a significant amount for capital projects.

Unearned Revenue represents revenues received for future periods in the areas of rental revenue and international student tuition.

Deferred Revenue is externally restricted revenue for specific programs such as Community Link, StrongStart, Ready Set Learn, After School Sport and Arts and includes School Generated Funds. Deferred revenue is not recognized until related expenses are incurred.

Deferred Capital Revenue is revenue to be amortized over the life of the related capital assets.

Non-Financial Assets have increased by \$18.9 million.

In Thousands	2022	2021	Change
Tangible Capital Assets	\$ 112,529	\$ 93,594	\$ 18,935
Restricted Assets (Endowments)	30	30	-
Prepaid Expenses	278	285	(7)
Total	\$ 112,837	\$ 93,909	\$ 18,928

Capital Assets include land, buildings, construction projects in progress, furniture, equipment, vehicles and computers. The increase of \$18.9 million is a result of new additions of \$12.7 million, less amortization expense and deemed disposals, plus additional Work in Progress of \$14.5 million. The largest capital asset addition is the completion of the Ucluelet Elementary School project. Ucluelet Secondary School remains a work in progress, currently valued at \$26.7 million, and will not be amortized until substantial completion.

Restricted Assets represent the principal portion of the endowment fund received for scholarships. They are considered non-financial assets because they cannot be used to meet the liabilities of the District as they become due.

Prepaid Expenses represent costs that have been paid in advance of the next fiscal year and will become expenses in a future period.

Accumulated Surplus has decreased by \$ 0.3 million.

In Thousands	2022	2021	Change
Operating Fund	\$ 2,592	\$ 2,492	\$ 100
Special Purpose Funds	30	30	-
Capital Fund	12,181	12,581	(400)
Total	\$ 14,803	\$ 15,103	\$ (300)

Accumulated surplus represents the Board's residual interest in its assets after deducting liabilities. Most of this balance is unavailable to fund operations as it is either restricted or has already been used to invest in buildings, equipment and other capital assets.

STATEMENT OF OPERATIONS

The Statement of Operations is a consolidation of revenues and expenditures in the operating, special purpose and capital funds. Each of these funds is discussed separately below.

Consolidated revenues from all sources increased from \$51.5 million in 2021 to \$52.9 million in 2022. 84% of total revenue is from the Ministry of Education and Child Care and the other 16% comes from several different sources, such as tuition from international students, rentals and leases of school district property, investment income and amortization of deferred revenue.

In Thousands	2022			2021		Change
Ministry Grants	\$	44,679	84%	\$ 44,018	85%	\$ 661
Grants from Other Ministries		236	0%	45	0%	191
Tuition		557	1%	91	0%	466
Other Revenue		4,722	9%	4,721	9%	1
Rentals and Leases		79	0%	110	0%	(31)
Investment Income		41	0%	23	0%	18
Gain (Loss) on Disposal of Tangible Capital Assets		-	0%	104	0%	(104)
Amortization of Deferred Capital Revenue		2,601	5%	2,425	5%	176
Total	\$	52,915	100%	\$ 51,537	100%	\$ 1,378

Operating Fund revenue

This District received \$39.1 million from the Ministry of Education and Child Care in the form of the operating grant, which is based on student enrolment and other student, staffing and geographical factors. The remaining funding totaled \$4.4 million.

In Thousands	2022	2021	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Ministry Grants	\$ 39,119	\$ 37,744	\$ 39,019	\$ 1,375	\$ 100
Grants from Other Ministries	64	45	-	19	64
Tuition	557	91	250	466	307
Other Revenue	3,694	3,865	3,422	(171)	272
Rentals and Leases	79	110	58	(31)	21
Investment Income	41	23	20	18	21
Total	\$ 43,554	\$ 41,878	\$ 42,769	\$ 1,676	\$ 785

Revenues increased by \$1.7 million from the prior year and \$0.8 million from the budget. Of note, the District's International Student program is growing rapidly and Investment income rates are beginning to return to pre-Covid-19 levels.

Operating Fund expenditures

Expenditures in the Operating Fund totaled \$43 million.

In Thousands	2022	2021	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Teachers	\$ 17,637	\$ 17,272	\$ 18,074	\$ 365	\$ (437)
Principals and Vice-Principals	3,191	3,138	3,336	53	(145)
Educational Assistants	2,577	2,220	2,867	357	(290)
Support Staff	4,245	4,141	4,328	104	(83)
Other Professionals	1,464	1,068	1,159	396	305
Substitutes	1,625	1,215	1,500	410	125
	30,739	29,054	31,264	1,685	(525)
Employee Benefits	6,816	6,710	6,866	106	(50)
Services and Supplies	5,509	4,159	4,867	1,350	642
Total	\$ 43,064	\$ 39,923	\$ 42,997	\$ 3,141	\$ 67

Salaries were underbudget in all areas other than substitutes, and consequently employee benefits were underbudget. Forecasted savings were redirected to other areas in Services and Supplies, in particular, the growing International Student Program.

Operating Surplus

The District ended the fiscal year with a total operating surplus of \$2,591,582. The Amended Annual Budget of that year planned to draw down the Operating Surplus by \$306,482. This was a planned reduction of reserves to support board approved initiatives, in compliance with Policy 340: Accumulated Operating Surplus, which provides for a Contingency Reserve of 1% to 3% of operating expenditures. As the surplus currently sits at 6%, the District will continue to plan on drawing down the surplus in future years until the surplus is in that range.

For information, the breakdown is as follows:

Contingency Reserve - \$1,318,899

- elimination of any deficit arising at the end of a fiscal year of operation
- funding for new cost pressures not known at the time of budget development
- severance costs upon termination of employment
- legal action not covered by insurance
- coverage for unfunded disaster recovery costs
- extraordinary utilities cost pressures
- replacement of equipment essential to the continuation of educational programming
- assistance in balancing future years budgets

Board Approved Initiatives - \$1,272,683

- creation of new positions
 - o District Principal of Indigenous Programs
 - o District Secretary (Indigenous Programs, Early Learning Programs, Support Services)
 - o Payroll and Benefits Coordinator (Absence Management, Compliance, Wellness)
- enhancements to technology
 - o modernizing SDS financial/payroll software
 - o implementation of electronic timesheets
 - o implementation of electronic leaves
 - o implementation of bussing tracking system for student ridership
 - o implementation of electronic filing system
- unfunded increases
 - o early learning costs not covered by additional grants
 - o exempt employee increases

Some initiatives are one-time costs. Others are cost-saving measures

Special Purpose Funds

Special Purpose Funds revenues are restricted grants designated for specific purposes or programs. Revenue is recognized only when it is expended, not when it is received. Balances can often be deferred to subsequent years for the intended purpose. Some 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.

In Thousands	2022	2021	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Ministry of Education and Child Care	\$ 5,560	\$ 6,273	\$ 5,637	\$ (713)	\$ (77)
Grants from Other Ministries	172	-	-	172	172
Other Revenue	1,027	856	1,270	171	(243)
Total	\$ 6,759	\$ 7,129	\$ 6,907	\$ (370)	\$ (148)

The District expended \$6.76 million in Special Purpose Funds in the year.

In Thousands	2022	2021	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Instruction	\$ 6,246	\$ 6,202	\$ 6,576	\$ 44	\$ (330)
District Administration	80	120	-	(40)	80
Operations and Maintenance	311	433	207	(122)	104
Transportation and Housing	123	349	123	(226)	-
Total	\$ 6,760	\$ 7,104	\$ 6,906	\$ (344)	\$ (146)

Capital Fund

Revenues are represented through the amortization of deferred capital revenue.

In Thousands	2022	2021	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Gain (Loss) on Disposal of Tangible Capital Asset	-	104			
Amortization of Deferred Capital Revenue	2,601	2,425	2,445	176	156
Total	\$ 2,601	\$ 2,529	\$ 2,445	\$ 176	\$ 156

Expenditures include the amortization of tangible capital assets and interest payments on capital loans.

In Thousands	2022	2021	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Amortization of Tangible Capital Assets					
- Operations and Maintenance	\$ 2,526	\$ 2,400	\$ 2,454	\$ 126	\$ 72
- Transportation and Housing	856	814	818	42	38
Debt Services	10	7	10	3	-
Total	\$ 3,392	\$ 3,221	\$ 3,282	\$ 171	\$ 110

The District received \$22.8 million in capital grants in 2021/22. Of this amount, \$2.0 million remains in unspent deferred revenue, largely targeted for additional child care space.

The District invested \$12.3 million in capital building additions, which included \$7.9 million of costs related to the completion of the UES project. An additional \$14.5 million was added to work in progress for additions on USS.

Furniture and equipment assets of \$229 k, vehicles of 54 k and computers of 284 k were also purchased with Operating Funds, Special Purpose Funds and a small capital loan.

SUMMARY OF OTHER SIGNIFICANT MATTERS

The District submitted a balanced budget to the Ministry of Education for the 2021/22 Fiscal Year that will continue to deliver the mix of programs and services currently offered to students in our schools. Moving into 2022/23 and beyond, there are several factors that may impact the District's operations and financial position.

Bargaining

The District's unionized staff are currently in bargaining. Until an agreement is reached, potential job action is a possibility that could have significant impact on operations. In addition, while labour settlement funding is provided by the Ministry for unionized employees, there is no additional funding for exempt staff and any resulting increases must be absorbed internally.

Replacement Costs / Availability / Employee Wellness

While the impact of the COVID-19 pandemic on replacement costs has decreased, it is still too early to assess the long-term effect on employee wellness.

Amendments to the Employment Standards Act, that came into force in April 2022, will place an additional load on the District's finances and its capacity to provide adequate staffing levels in an already strained area.

CONTACTING MANAGEMENT

This financial report is designed to provide a general overview of the School District's finances and to demonstrate accountability for the public fund received by the school district.

If you have questions about the financial report, please contact the Office of the Secretary Treasurer at 250-723-3565.

You can also find additional information on the district, and its strategic vision, on our website: www.SD70.bc.ca.