



FINANCIAL STATEMENTS DISCUSSION and ANALYSIS

Year ended June 30, 2023

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School District No. 70 (Pacific Rim)

Financial Statements Discussion and Analysis

For the Year Ended June 30, 2023

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, 2023. This report should be read in conjunction with the district’s consolidated financial statements for 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

The Pacific Rim School District is situated on the ha-houlthees of the čišaa?ath, Hupačasath, Tla-o-qui-aht, Yuułuʔilʔath, and Huu-ay-aht First Nations and acknowledges that we work alongside these Nuu-chah-nulth nations as well as the Ditidaht, Uchucklesaht, Toquaht, Ahousaht, and Hesquiaht First Nations, the Métis Nation of British Columbia and the Alberni-Clayoquot Métis Society to serve the children and youth of the Alberni-Clayoquot region.

The Pacific Rim School District (the district) covers much of Central Vancouver Island’s rugged, picturesque West Coast and serves a regional population of approximately 31,000 residing in the communities of Port Alberni, Tofino, Ucluelet, Bamfield and other remote communities.

The district is home to 4,000 students, 36% of whom are of Indigenous Ancestry, in two neighbourhood secondary schools, eight elementary schools, and one K-12 school. The district has a successful alternate learning centre, a strong French Immersion program, a thriving international student program, and a busy continuing education program.

The district is committed to all student successes and has strong connections to early learning and community wellness and mental health support, as well as the region’s two major post-secondary institutions. The school district employs close to 500 employees.

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

Our Strategic Plan, as derived through extensive online and face-to-face consultation, places a strong emphasis on achievement for all. Our focus areas are:

- Indigenous Learner Success and Relationships with First Nations
- Student Achievement
- Mental Health and Social-Emotional Well-being
- Safe, Welcoming and Modern Learning Environments
- Environmental Stewardship and Global Citizenship

Within each of these focus areas, we have developed goals that have been integrated into a working Operational Plan that sets the direction that will allow our district to successfully carry out our mission and move us closer to reaching our vision.

Our Values, Mission, and Vision

The mandate of the Board of Education is to maintain a focus on student achievement and well-being, and to participate in decision making that benefits the entire district while representing the interests of the entire electorate.

The Board is responsible for setting the overall strategic direction for the school district. Trustees work together to establish the Board's Strategic Plan which sets the goals for the district and its budget priorities. The Board is committed to the Calls to Action of the Truth and Reconciliation Commission, BC's Declaration on the Rights of Indigenous Peoples Act, and ongoing support for Indigenous ways of knowing and being, as a framework for reconciliation and learning.

As co-governors with the Ministry of Education and Child Care, the Board shares the belief of seamless inclusive universal child care and before-and-after school care options for those families that require it within environments that incorporate the Early Learning Framework, thus fostering connections between the education and child care sectors.

Our vision is to be a safe, welcoming, and engaging learning community that is diverse, equitable, inclusive, accessible, and collaborative, and creates belonging and opportunities for all.

Our overall intent is to educate students in safe, inclusive, and engaging learning environments where every student develops the knowledge, skills, and abilities to be lifelong learners and responsible members of our global society.

Our Core Values

- Integrity
- Respect
- Responsibility
- Equity
- Compassion
- Honesty

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, 2023. 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, 2022 and June 30, 2023. 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	2023	2022	Change
Cash and Cash Equivalents	\$ 7,338	\$ 10,295	\$ (2,957)
Accounts Receivable - Due from Ministry of Education and Child Care	31	1,261	(1,230)
Accounts Receivable - Due from Province - Other	87		87
Accounts Receivable - Due from First Nations	3,550	1,346	2,204
Accounts Receivable - Due from Other	1,166	567	599
Total	\$ 12,172	\$ 13,469	\$ (1,297)

Cash and cash equivalents decreased by \$2.9 million during the year. Accounts Receivable from the Ministry of Education and Child Care decreased by \$1.2 million. Accounts Receivable from Province – Other, increased by \$.087 million. Accounts Receivable from First Nations increased by \$2.2 million. Accounts Receivable – Other, increased by \$0.6 million.

Liabilities represent obligations that have been incurred by the District. Total liabilities increased from the prior year by \$7.9 million.

In Thousands	2023	2022	Change
Accounts Payable and Accrued Liabilities	\$ 5,007	\$ 5,793	\$ (786)
Unearned Revenue	464	298	166
Deferred Revenue	2,690	2,512	178
Deferred Capital Revenue	110,285	102,023	8,262
Employee Future Benefits	451	563	(112)
Asset Retirement Obligations	3,796	3,796	-
Debt	248	316	(68)
Capital Lease Obligations	268		268
Other Liabilities	-	-	-
Total	\$ 123,209	\$ 115,301	\$ 7,908

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 \$8.3 million.

In Thousands	2023	2022	Change
Tangible Capital Assets	\$ 120,722	\$ 112,529	\$ 8,193
Restricted Assets (Endowments)	30	30	-
Prepaid Expenses	422	278	144
Total	\$ 121,174	\$ 112,837	\$ 8,337

Capital Assets include land, buildings, construction projects in progress, furniture, equipment, vehicles and computers. The increase of \$8.3 million is a result of new additions, less amortization expense and deemed disposals, plus Work in Progress. Works in progress 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 \$ 0.87 million.

In Thousands	2023	2022	Change
Operating Fund	\$ 2,180	\$ 2,592	\$ (412)
Special Purpose Funds	30	30	-
Capital Fund	7,927	8,386	(459)
Total	\$ 10,137	\$ 11,008	\$ (871)

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 decreased from \$52.9 million in 2022 to \$57.5 million in 2023. 83% of total revenue is from the Ministry of Education and Child Care and the other other 17% 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	2023		2022		Change
Ministry Grants	\$ 47,904	83%	\$ 44,679	84%	\$ 3,225
Grants from Other Ministries	269	0%	236	0%	33
Federal Grants	12	0%			12
Tuition	491	1%	557	1%	(66)
Other Revenue	5,385	9%	4,722	9%	663
Rentals and Leases	107	0%	79	0%	28
Investment Income	179	0%	41	0%	138
Gain (Loss) on Disposal of Tangible Capital Assets	-	0%	-	0%	-
Amortization of Deferred Capital Revenue	3,231	6%	2,601	5%	630
Total	\$ 57,578	100%	\$ 52,915	100%	\$ 4,663

Operating Fund revenue

This District received \$41.3 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	2023	2022	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Ministry Grants	\$ 41,318	\$ 39,119	\$ 40,669	\$ 2,199	\$ 649
Grants from Other Ministries	42	64	120	(22)	(78)
Tuition	491	557	550	(66)	(59)
Other Revenue	3,575	3,694	3,333	(119)	242
Rentals and Leases	107	79	58	28	49
Investment Income	179	41	125	138	54
Total	\$ 45,712	\$ 43,554	\$ 44,855	\$ 2,158	\$ 857

Revenues increased by \$2.1 million from the prior year and \$0.8 million from the budget.

Operating Fund expenditures

Expenditures in the Operating Fund totaled \$45.8 million.

In Thousands	2023	2022	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Teachers	\$ 18,012	\$ 17,637	\$ 18,304	\$ 375	\$ (292)
Principals and Vice-Principals	3,407	3,191	3,811	216	(404)
Educational Assistants	3,194	2,577	3,240	617	(46)
Support Staff	4,249	4,245	4,357	4	(108)
Other Professionals	1,659	1,464	1,236	195	423
Substitutes	2,035	1,625	1,704	410	331
	32,556	30,739	32,652	1,817	(96)
Employee Benefits	7,539	6,816	7,510	723	29
Services and Supplies	5,680	5,509	4,458	171	1,222
Total	\$ 45,775	\$ 43,064	\$ 44,620	\$ 2,711	\$ 1,155

Operating Surplus

The District ended the fiscal year with a total operating surplus of \$2,179,967. The Amended Annual Budget of that year planned to draw down the Operating Surplus by \$559,455. The actual appropriation was \$411,615. 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 exceeds that threshold, 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

- 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

- enhancements to technology
 - o modernizing SDS financial/payroll software - \$300,000
 - 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
 - o implementation of new telephone 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	2023	2022	Amended		Variance from Prior Year	Variance from Budget
			Annual Budget	Year		
Ministry of Education and Child Care	\$ 6,586	\$ 5,560	\$ 6,901	\$ 1,026	\$ (315)	
Grants from Other Ministries	228	172	-	56	228	
Federal Grants	12					
Other Revenue	1,809	1,027	1,250	782	559	
Total	\$ 8,635	\$ 6,759	\$ 8,151	\$ 1,864	\$ 472	

The District expended \$8.63 million in Special Purpose Funds in the year.

In Thousands	2023	2022	Amended		Variance from Prior Year	Variance from Budget
			Annual Budget	Year		
Instruction	\$ 8,200	\$ 6,246	\$ 7,717	\$ 1,954	\$ 483	
District Administration	-	80	-	(80)	-	
Operations and Maintenance	291	311	291	(20)	-	
Transportation and Housing	143	123	143	20	-	
Total	\$ 8,634	\$ 6,760	\$ 8,151	\$ 1,874	\$ 483	

Capital Fund

Revenues are represented through the amortization of deferred capital revenue.

In Thousands	2023	2022	Amended		Variance from Prior Year	Variance from Budget
			Annual Budget	Year		
Other Revenue	\$ 1	\$ -	\$ -	\$ -	\$ 1	\$ 1
Gain (Loss) on Disposal of Tangible Capital Asset						
Amortization of Deferred Capital Revenue	3,231	2,601	3,006	630	225	
Total	\$ 3,232	\$ 2,601	\$ 3,006	\$ 631	\$ 226	

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

In Thousands	2023	2022	Amended		Variance from Prior Year	Variance from Budget
			Annual Budget	Year		
Amortization of Tangible Capital Assets						
- Operations and Maintenance	\$ 3,004	\$ 2,526	\$ 2,862	\$ 478	\$ 142	
- Transportation and Housing	1,013	856	966	157	47	
Debt Services						
- Capital Lease Interest	11	10	10	1	1	
- Capital Loan Interest	9			9	9	
Total	\$ 4,037	\$ 3,392	\$ 3,838	\$ 645	\$ 199	

The District received \$11.5 million in capital grants in 2022/23. Of this amount, \$1.8 million remains in unspent deferred revenue

The District invested \$11.4 million in capital additions And \$0.23 million in work in progress

Furniture and equipment assets of \$24 k, vehicles of 109 k and computers of 395 k were also purchased with Operating Funds, Special Purpose Funds and a small capital lease.

SUMMARY OF OTHER SIGNIFICANT MATTERS

The District submitted a balanced budget to the Ministry of Education for the 2022/23 Fiscal Year that will continue to deliver the mix of programs and services currently offered to students in our schools. Moving into 2023/24 and beyond, there are several factors that may impact the District's operations and financial position.

Exempt / Excluded Increases

While labour settlement funding is provided by the Ministry for unionized employees, there is no guarantee of additional funding for exempt / excluded staff. In the past two years, the Ministry has provided funding for increases that match those of the unionized employees. Increases beyond that amount are absorbed by the district.

Replacement Costs / Availability / Employee Wellness

Amendments to the Employment Standards Act, that came into force in April 2022, continues to 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.