

**FINANCIAL STATEMENT DISCUSSION AND ANALYSIS
SCHOOL DISTRICT NO. 51 (BOUNDARY)
JUNE 30, 2024**



The following Financial Statement Discussion and Analysis should be read in conjunction with the audited financial statements and accompanying notes for School District No. 51 (Boundary) for the year ended June 30, 2024.

The purpose of the Financial Statement Discussion and Analysis is to highlight information and provide explanations which enhance the reader's understanding of the District's financial statements, as well as the factors that influenced the financial results presented in the statements. The preparation of the Financial Statement Discussion and Analysis is the responsibility of the management of the District.

This summary of the District's financial activities is based on currently known facts, decisions and conditions. The results of the current year are discussed in comparison to the prior year and to the approved annual budget. The Financial Statement Discussion and Analysis also contains forward-looking information, such as the planned use of local capital funds and accumulated surplus. The purpose of the forward-looking information is to provide management's expectations regarding results of operations and performance and may not be appropriate for other purposes.

The Financial Statement Discussion and Analysis has not been audited.

OVERVIEW OF SCHOOL DISTRICT NO. 51 (BOUNDARY)

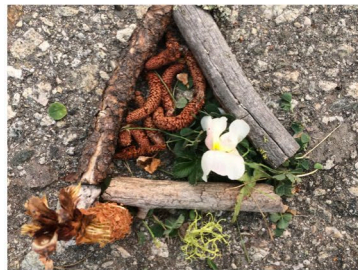
As one of 60 public school districts in British Columbia, School District No. 51 (Boundary) (the “District”) is incorporated and operates under the authority of the *School Act of BC*. The District is governed by the Board of Education, including seven trustees elected for a four-year term.

The District is comprised of 9 rural communities located in the southeastern part of BC and spans from Big White to Christina Lake, covering almost 7,000 square kilometers. The District provides educational programs to approximately 1,300 students in grades K to 12 in 6 elementary schools, 2 high schools, 1 alternate school and a K-9 community school. Enrolment has been moderately stable over the past 10 years, and a key focus for the District has been to keep small rural schools open with a full range of programs and services.

Some unique characteristics of the District include:

- Approximately 30% of our student population self-identifies Indigenous, Metis or Inuit heritage
- The District is 1 of only 2 districts in the Province that operates on a 4-day school week
- Over 70% of our students are registered for busing, with some students travelling more than two hours a day on the bus
- Our largest school has over 400 students and our smallest typically has 12 or less

In 2021, the Board of Education engaged in the development of a strategic plan. Working with a diverse group of stakeholders, the vision, mission and values of the District were created to guide our work over the next 4 years.



Our Vision

To nurture curiosity, resilience and joy in all

Our Mission

To ensure our students are flourishing today so they can build a confident future tomorrow



To ensure our vision and mission resonate and come alive for students, staff, families and the community, the Board established the following strategic directions as a lens for which to consider all decisions, financial and otherwise:

- Equity, inclusion and belonging
- Student voice and agency
- Wellness and resilience
- Community connections

FINANCIAL HIGHLIGHTS

Financial statement highlights to note include:

- Accumulated Surplus **decreased \$213K** from prior year due to \$225K deficit in the operating fund and \$12K surplus in the capital fund.
- The **accumulated operating fund surplus of \$809K** includes \$184K appropriated by the Board for specific purposes and a \$624K unrestricted/contingency reserve.
- Total Ministry of Education and Child Care funding reported increased \$1.9 mil to **\$23.6 mil**, compared to \$21.7 mil in 2022/23.
- Operating expenditures were \$542K or **2.6%** higher than budgeted.
- Student enrolment remained stable at **1,311.625 FTE** (2023 – 1,299.50 FTE).
- Total capital asset additions were **\$3.26 mil**, compared to \$3.29 mil in 2022/23
- **\$814K in local capital expenditures** were made to support the technology and white fleet replacement needs of the District
- As per the Independent Auditor’s Report on page 2-4, the external auditors, BDO Canada LLP, concluded that the **2023/24 financial statements present fairly, in all material respects, the financial position** of the School District

Comparison to Prior Year

	2023/24	2022/23	Variance
Revenue	25,618,646	23,534,232	2,084,414
Expenditure	25,831,948	24,308,856	1,523,092
Surplus (Deficit)	(213,302)	(774,624)	561,322

The most significant change in revenue from the prior year is the 9.4% increase in the MECC per student rates to fund negotiated wage and benefit increases for unionized workers. Overall, total MECC *operating* grants increased from \$19.77 mil in 2022/23 to **\$20.94 mil in 2023/24**, including \$318K in current year labour settlement funding to support the 1.25% Cost of Living Adjustment (COLA) that was not known at the time the per student rates were set. Also contributing to overall increase in revenue is \$707K more of special purpose funding primarily as a result of the introduction of the Feeding Futures Fund and an increase in the Classroom Enhancement Fund due to more classes not in compliance with class size and composition requirements than in the prior year.

The \$1.5 mil increase in expenditures from the prior year is a result of:

- Negotiated wage increases of approximately 6.75% for all employees,
- Increased replacement costs due to higher volume of employee absences and higher wage costs of replacements, and
- Increased benefit premium rates for extended health, dental and statutory benefits.

Annual Budget compared to Amended Budget

	Amended Budget 2023/24	Annual Budget 2023/24	Change
Revenue	25,641,341	24,518,239	1,123,102
Expenditure	25,856,919	24,891,092	965,827
Surplus (Deficit)	(215,578)	(372,853)	157,275

Projected revenue was higher than anticipated in the annual budget due to increased student enrolment, however, service levels were not increased proportionally. Therefore, the projected deficit decreased from \$373K in the original budget to \$216K in the amended budget.

The change in revenue of \$1.1 mil from the annual budget to the amended budget is explained by fund as follows:

Fund	Amended	Annual	Change	Comments
Operating	21,344,249	20,796,244	548,005	Funded enrolment increase of 19.125 FTE (\$165K), plus increase of 17 level 2 Special Education claims (\$395K) and increase of \$60K in miscellaneous revenue due to equipment sales (IT, buses etc.)
Special Purpose	3,211,752	2,638,568	573,184	Increase of \$450K in CEF due to more classes not in compliance with class size and composition requirements than in the prior year; increase of \$52K due to carry-forwards confirmed through year-end audit; and increase of \$126K due to funding confirmed after original budget passed.
Capital	1,085,340	1,083,427	1,913	Original budget based on projected capital costs. Amended budget adjusted based on known costs.
	25,641,341	24,518,239	1,123,102	

The increase of **\$966K** in expenditures from the annual budget to the amended budget is a result of:

- Increase of **\$386K** in budgeted OPERATING expenses as follows:
 - o \$97K due to teacher incrementing and staffing changes
 - o \$148K due to increase in substitute budget based on employee absence trends and known vacancies
 - o \$125K due to increase in benefits as result of higher wage costs and rate changes
- Increase of **\$573K** in budgeted SPECIAL PURPOSE FUND expenses as follows:
 - o SPF includes targeted funding provided to the District that is subject to a legislative or contractual stipulation or restriction as to its use and revenues are only recognized when the related expense is incurred. As such, the increase in expenditures from the annual budget to the amended budget is as described in the revenue section above.
- Increase of \$7K in budgeted CAPITAL fund expenses

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The two key audited financial statements are:

- *Statement of Financial Position* – summarizes the combined assets and liabilities at June 30th. This provides an indication of the financial health of the District.
- *Statement of Operations* – summarizes the combined revenues received and expenses incurred during the 12 months between July 1 and June 30. This provides an indication of the funding received by the District and how that funding was spent.

A Statement of Change in Net Financial Assets (Debt), Statement of Cash Flows and the Notes to the Financial Statements are also audited and provide further analysis of the District's finances.

The schedules at the end of the Notes to the Financial Statements are in a format prescribed by the Ministry of Education and Child Care. These schedules provide more detail specific to each of the three funds (Operating, Special Purpose and Capital). The balances in these schedules are consistent, when combined together, with the audited financial statements (Statement 2).

OPERATING FUND	SPECIAL PURPOSE FUND	CAPITAL FUND
<p>Includes revenue and expenses related to the daily operation of the District, including instructional programs, school and district administration, facilities operations, maintenance and transportation functions. Approximately 98% of operating fund revenue comes from MECC. Any surplus is carried forward to future budgeting years through the <i>Accumulated Surplus - Operating Fund</i> (see Schedule 1 and Note 18).</p>	<p>Includes targeted funding provided to the District that is subject to a legislative or contractual stipulation or restriction as to its use. Revenues are only recognized when the related expense is incurred, thus any unspent funds are recorded as a liability (deferred revenue) on the Statement of Financial Position.</p>	<p>Includes capital expenditures related to equipment and facilities purchases and enhancements. Funding is accounted for using the deferral method, whereby revenue is recognized over the life of the asset rather than in the period received. Therefore, funding reported in Schedule 4 does not match actual funding received in the year. Funding sources include MECC Bylaw Capital, MECC Restricted Capital, Other Provincially Restricted Capital, Land Capital and Local Capital.</p>

Statement of Financial Position at June 30:

	2024	2023	2022 **(Restated)
Financial Assets	5,029,997	5,386,102	5,931,010
Liabilities	28,895,736	27,540,617	**25,421,347
Net Debt	(23,865,739)	(22,154,515)	(19,490,337)
Non-financial assets	27,888,725	26,390,803	24,501,249
Accumulated Surplus	4,022,986	4,236,288	5,010,912
Accumulated Surplus – Operations	808,804	1,033,854	1,751,590
Accumulated Surplus – Capital	3,214,182	3,202,434	3,259,322

Financial assets are assets that can be used to discharge liabilities and provide working capital funds in the normal course of operations.

Cash and cash equivalents – At June 30, 2024, the District held \$4.57 mil in cash (2023 - \$4.71 mil), deposited in financial institutions and the Province’s central deposit system. The District holds cash for: payment of current liabilities, summer savings plan (teachers), deferred funds, and restricted operating and capital funds. Cash on hand does not represent funds available for new initiatives. Statement 5 provides information on how the District's cash is spent each year.

Accounts Receivable (AR) – Includes amounts due from the Ministry of Education and Child Care and Other. Amounts due from MECC represent Certificate of Approval funds requested for capital projects completed prior to June 30, 2024. Note 4 outlines the changes in *Other AR* from 2023. Included in AR in 2023 was a receivable of approximately \$200K for costs incurred on an insurance claim in progress due to floods at both Grand Forks Secondary School and the School Board Office.

Liabilities are present obligations of the District to others arising from prior transactions or events, the settlement of which will require the use of current and future financial assets.

Accounts Payable and Accrued Liabilities (AP) – Includes trades payable and salary and benefits payable. Fluctuations in AP are generally related to timing of cheque processing and accrual of salaries and benefits around year end, as well as changes in reserve funds for professional development. Very little variance in AP from 2023 as both years included five working days of accrued salaries and benefits.

Deferred Revenue – Consists of Special Purpose Fund balances deferred to subsequent periods for the intended use. Statement 1 reports an increase of \$321K in deferred revenue in 2023/24, while Schedule 3A reports the programs with unspent balances, including: Learning Improvement Fund, School Generated Funds; OLEP; Changing Results for Young Children; Seamless Day Kindergarten; Early Childhood Education Dual Credit Program; Student & Family Affordability Fund; Just B4; Early Care & Learning; Feeding Futures Fund; and United Way.

Deferred Capital Revenue – Includes the total of funds received and spent on capital projects, which is being amortized annually at the same rate as the related capital asset. See the Capital Fund Analysis section for more information.

Employee Future Benefits – Represents the total vested and non-vested sick leave benefits and retirement benefits that will be paid to employees in future years. The liability is actuarially determined and is adjusted annually for actual costs paid out to employees during the year on vested plans.

Asset Retirement Obligation –Canadian public sector accounting standard *PS 3280 – Asset Retirement Obligations* was adopted in 2022, which addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of certain tangible capital assets such as asbestos removal in buildings that will undergo major renovation or demolition in the future. An ARO liability of \$4.70 mil related to the incremental costs associated with future asbestos abatement in district-owned buildings is reported. Note 16 provides additional information, including confirmation that \$71K of the ARO liability was settled in 2023/24 through abatement projects.

Net Debt – The sum of the District’s financial assets and liabilities at June 30, 2024 is net debt of \$23.87 mil. This balance is skewed by the deferred capital revenue liability of \$20.2 mil. As there is no future cashflow associated with the deferred capital revenue balance, a more meaningful measure of net financial assets (debt) excludes the deferred capital revenue balance, giving a revised net debt figure of \$3.67 mil. The revised net debt balance is primarily comprised of the ARO liability of \$4.70 mil, less the accumulated operating fund surplus of \$809K (Schedule 2) and local capital fund balance of \$170K mil (Schedule 4). The use of these amounts is internally restricted, as outlined below.

Non-Financial Assets – By nature, non-financial assets are normally for use in service provision and include purchased, constructed, contributed, developed or leased capital assets, and prepaid expenses. Total non-financial assets at June 30, 2024 were \$27.9 mil, an increase of \$1.498 mil from 2023. More information is provided below in the Capital Fund Analysis section.

Statement of Operations:

Financial results for the year ended June 30/2024:

	Operating Fund (Schedule 2)	Special Purpose Fund (Schedule 3)	Capital Fund (Schedule 4)	Total (Statement 2)
Revenues	21,395,759	3,075,965	1,146,922	25,618,646
Expenditures	21,188,589	2,984,554	1,658,805	25,831,948
Net Surplus	207,170	91,411	(511,883)	(213,302)
Transfers	(432,220)	(91,411)	523,631	0
Surplus (Deficit) for the year	(225,050)	0	11,748	(213,302)
Surplus, beginning of year	1,033,854	0	3,202,434	4,236,288
Surplus, end of year	808,804	0	3,214,182	4,022,986

Financial results for the year ended June 30/2023:

	Operating Fund (Schedule 2)	Special Purpose Fund (Schedule 3)	Capital Fund (Schedule 4)	Total (Statement 2)
Revenues	20,095,651	2,369,104	1,069,477	23,534,232
Expenditures	20,432,140	2,301,474	1,575,242	24,308,856
Net Surplus	(336,489)	67,630	(505,765)	(774,624)
Transfers	(381,247)	(67,630)	448,877	0
Surplus (Deficit) for the year	(717,736)	0	(56,888)	(774,624)
Surplus, beginning of year	1,751,590	0	3,259,322	5,010,912
Surplus, end of year	1,033,854	0	3,202,434	4,236,288

OPERATING FUND ANALYSIS – REVENUE

The primary revenue stream in the Operating Fund is the Ministry of Education and Child Care annual operating grant (see page 8 for more information). The District also receives additional supplemental grants from MECC such as the Pay Equity Grant and the Student Transportation Grant. Other sources of revenue include grants from other provincial agencies such as the Ministry of Children and Family and Interior Health, rental income earned through community use of District facilities and interest earned on bank balances.

Last Year	Budget	Current Year	Variance	
			Current Year/Last Year	Current Year/Budget
20,095,651	20,796,244	21,395,759	1,300,108	599,515
			6.47%	2.88%

Total grant funding from MECC increased 5.9% from \$19.77 mil in 2022/23 to \$20.44 mil in 2023/24 mainly due to 9.4% increase in per student rates to fund negotiated wage increases and benefit enhancements. The operating block also increased as a result of increased student and level 2 Special Education enrolment, with 12.125 more students and 17 more level 2 claims than in 2023. Other revenue also increased \$85K due to equipment sales and \$20K increase in Community Network contributions from the City of Grand Forks.

MECC grant per budget was based on 1,292.50 FTE while actual funded enrolment was 1,311.625, resulting in \$518K more funding than budgeted. As well, *Other Revenue* was originally budgeted at \$56K and actual results were \$155K due to equipment sales and a \$20K increase in Community Network contributions from the City of Grand Forks to fund scheduled replacement of network infrastructure.

Operating funding and student enrolment

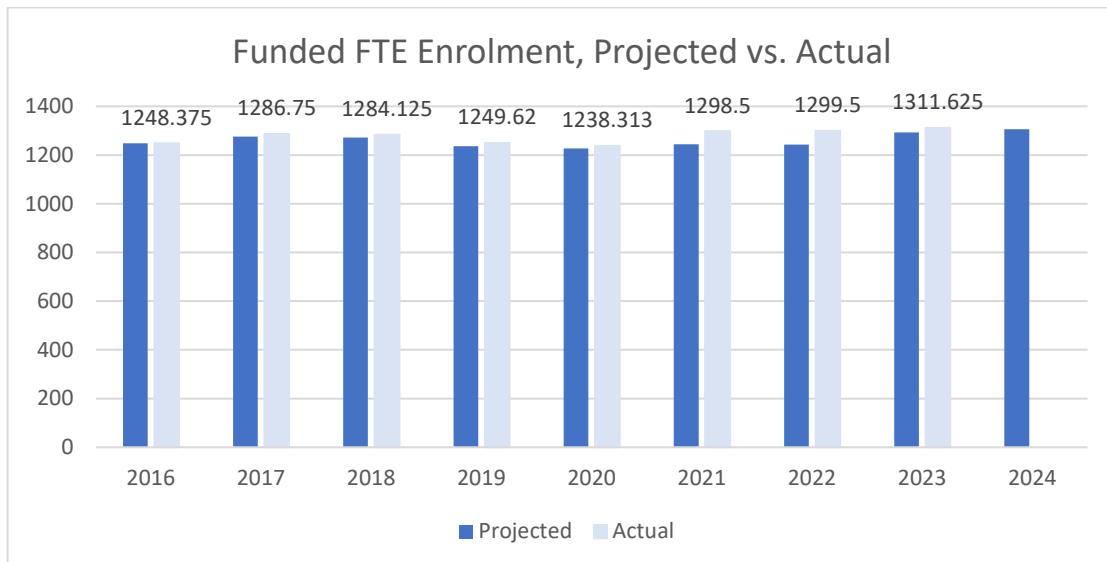
Approximately 95% of the District’s operating funding is received through the Ministry of Education and Child Care’s operating grant (\$20.3 million in 2023/24), the basis of which is student enrolment. The District receives a fixed amount per full-time enrolled (FTE) student, as well as supplementary amounts for:

- Each identified student with unique needs, including Special Needs, Indigenous Education, English Language Learners and Adult Education;
- Teacher salary differential (additional funding to districts with higher average teacher salaries compared to provincial average per teacher FTE); and
- Unique geographic factors, including Small Community supplement, Low enrolment factor, Rural factor, Climate factor, Sparseness factor, and Student location factor.

For students in kindergarten to grade 9, one student equates to one FTE. For students in grades 10 to 12, students are funded based on course enrolment with eight (8) courses equaling full-time or 1.0 FTE.

Each Spring, the District undertakes a comprehensive process to establish enrolment projections, considering both current enrolment and population data. As the quantity and composition of students directs our staffing levels, a reliable estimate of student FTE is crucial to the integrity of the District’s financial plan and operating results.

Projected and actual enrolment for the past 8 years is shown below:



OPERATING FUND ANALYSIS – SALARIES

As a service organization, over 85% of the District’s operating budget is spent on salaries and benefits. Salaries for teachers and support staff are determined based on grids established within the respective collective agreements and any wage increases are negotiated through collective bargaining based on mandates set by the provincial government. Salary grids for non-unionized staff are developed and maintained by the BC Public Sector Employers Association. Learn more about BCPSEA here: [Who We Are - BC Public School Employers' Association \(bcpsea.bc.ca\)](http://www.bcpsea.bc.ca)

Last Year	Budget	Current Year	Variance	
			Current Year/Last Year	Current Year/Budget
14,263,913	14,319,634	14,852,232	588,319	532,598
			4.12%	3.72%

The most significant impact to salaries in the current year is application of 6.75% negotiated wage increase for all employees (5.5% General Wage Increase, plus 1.25% Cost of Living Adjustment). Total salary costs increased less than 6.75% as result of reduced teacher FTE from 80.06 in 2022/23 to 75.53 in 2023/24.

\$532K variance in salaries from original budget is result of additional \$270K in replacement costs and \$261K in salary costs due to teacher incrementing and higher than planned support staff costs in transportation and school administration.

OPERATING FUND ANALYSIS – BENEFITS

There are 3 categories of benefit costs:

1. *Statutory Benefits* are required to be calculated and remitted on all payroll costs of the District and include the employer’s portion of Canada Pension Plan (CPP) and Employment Insurance (EI), the Employer Health Tax (EHT) and WorkSafeBC premiums. As these costs are calculated as a percentage of earnings, they fluctuate with changes in salary costs.
2. *Extended health benefits* include supplemental insurance plans that cover costs beyond what is covered in the provincial health care plans and are available to employees that meet certain eligibility criteria. Coverage includes extended health, dental, basic life insurance, accidental death and dismemberment and long-term disability. Premiums are generally 100% employer paid and a set monthly fee based on employee states (single, couple, family).
3. Eligible employees are required to participate in the applicable *Pension Plan* with matched employee and employer contributions. Both the Teachers Pension Plan (TPP) and the Municipal Pension Plan (MPP) are defined benefit pension plans, which means the plans use an employees years of service and highest average salary to determine their pension amount at retirement.

Last Year	Budget	Current Year	Variance	
			Current Year/Last Year	Current Year/Budget
3,279,068	3,397,782	3,456,687	177,619	58,905
			5.42%	1.73%

The \$177K increase in benefit costs from last year is a result of increased salary costs as both statutory benefits and pension are calculated as a percentage of earnings, and because premium rates for almost all categories increased. Extended health rates increased an average of 7%, while the CPP and EI rates increased 7% and 5% respectively, and the District’s WorkSafeBC premium increased 18.5%.

Premium rate increases were accounted for in the 2023/24 budget and so higher than budgeted benefit costs are a result of higher than budgeted wage costs.

OPERATING FUND ANALYSIS – SERVICES & SUPPLIES

Service and supply costs account for 15% or less of the District’s operating budget and include the following categories of expenditures: Services, Student Transportation, Professional Development & Travel, Rentals, Dues & Fees, Insurance, Supplies and Utilities. While many of these costs are fixed and will be incurred regardless of student enrolment and the number of employees (for example, insurance or utilities), there are other categories that are discretionary and spending can be adjusted.

Last Year	Budget	Current Year	Variance	
			Current Year/Last Year	Current Year/Budget
2,889,159	2,928,647	2,879,670	-9,489	-48,977
			-0.33%	-1.67%

Service and supply spending in the prior year was high due to a new IT contract with the City of Grand Forks and increased legal costs. In addition, discretionary spending was approved in 2022/23 for employee wellness counselling supports and other literacy initiatives. No discretionary spending was approved in 2023/24 to offset inflationary costs of most services and supplies.

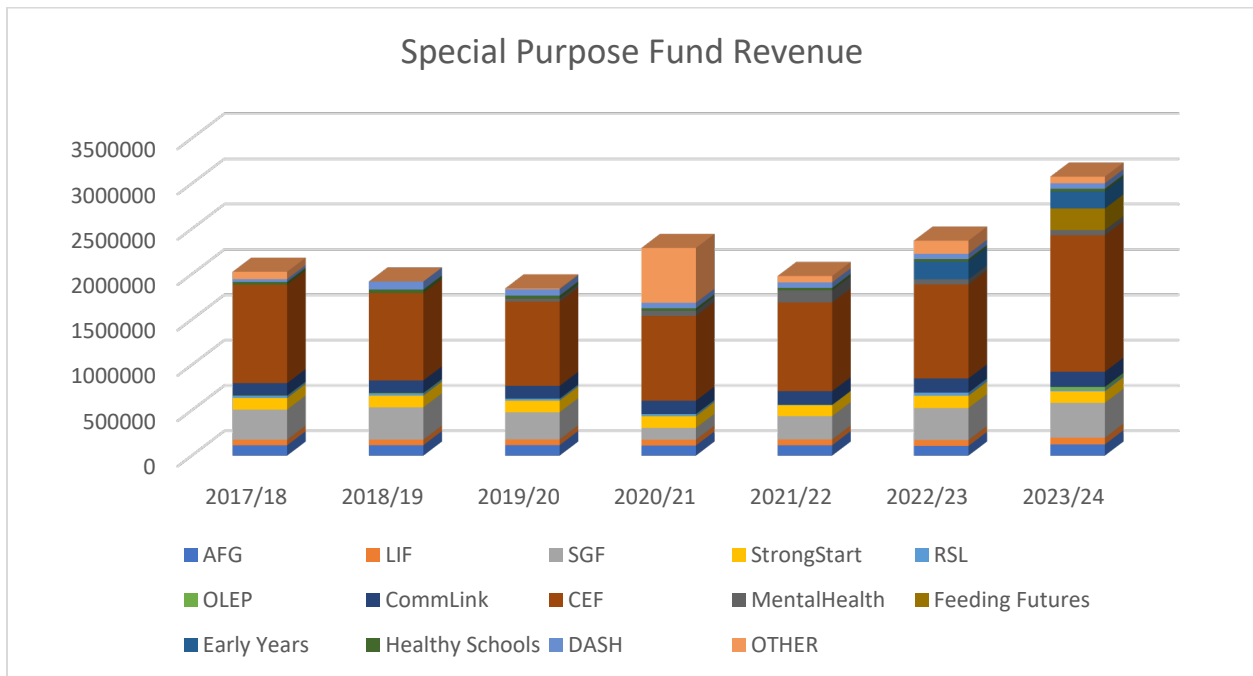
Service and supply budget set low with very few discretionary items planned for. Budgets were then actively monitored throughout the year to manage spending and reduce any unnecessary costs.

SPECIAL PURPOSE FUNDS ANALYSIS

The Special Purpose Fund (Schedule 3) reports funds received from the Ministry of Education and Child Care or other sources that have been designated for specific purposes. During 2023/24 \$3.4 mil in special purpose fund contributions were received and \$3.08 mil was spent (see Schedule 3A for details).

As at June 30, 2024, \$1.04 mil in Special Purpose Funds remain available for expenditures in future years for designated purposes under the following programs: Learning Improvement Fund, School Generated Funds; OLEP; Changing Results for Young Children; Seamless Day Kindergarten; Early Childhood Education Dual Credit Program; Student & Family Affordability Fund; Just B4; Early Care & Learning; Feeding Futures Fund; and United Way. This balance is reported on the Statement of Financial Position as *Deferred Revenue*.

Special purpose fund expenses are contingent on the amount of revenue received for the purpose of providing a specific service or program. The chart below shows revenue recognized in the Special Purpose Fund by source and how it has changed over the last seven years. The most significant changes are increase in Class Room Enhancement Fund (CEF), addition of the Feeding Futures Fund and increases in Early Years programs such Seamless Day Kindergarten, Just B4 and Strengthening Early Years to Kindergarten Transitions.



Included in OTHER is \$70K (2023 - \$138K) for the Student and Family Affordability Fund, which is one-time funding from MECC to support students, parents, and guardians with affordability concerns.

CAPITAL FUND ANALYSIS

Note 10 and Schedule 4A report the net value of tangible capital assets. At June 30, 2024, the total net value of capital assets for the District is \$27.8 mil (2023 - \$26.3 mil). Of this amount, \$2.1 mil represents net investment in sites, \$22.6 mil in buildings (2023 - \$21.7 mil) and \$2.99 mil in furniture and equipment, vehicles and computer software and hardware (2023 - \$2.5 mil).

Once an asset is built or acquired and is in use, the cost of that asset is amortized over the asset's expected useful life using the rates reported in Note 2(h). The net value of capital assets described above represents the historical cost net of accumulated amortization. The net book value does not reflect current market value.

Capital assets can be acquired with Operating or Special Purpose funds, through the Local Capital reserve, or can be funded through capital grants from MECC (Capital Bylaw or Annual Facility Grant Bylaw) or other sources (i.e. Parent Advisory Council/PAC).

Any grants received to fund the acquisition of capital assets are also amortized over the expected life of the asset. The receipt and amortization of such grants are reported on Schedule 4C – Deferred Capital Revenue. The treatment of grants for capital asset purchases as deferred capital revenue is not consistent with Canadian public sector accounting standards, but is a requirement of the Provincial Government through the *Budget Transparency and Accountability Act*. More information on this accounting practice is included Note 2(e).

Total asset additions in 2023/24 are \$3.26 mil (2023 - \$3.3 mil), which includes \$157K transferred from Work-in-Progress at June 30/2023 and \$3.109 mil of current year purchases as follows:

	Buildings	Equipment	Vehicles	Hardware	Software	Total
Operating:	-	67,740	-	81,480	-	149,220
Special Purpose:	74,208	17,203	-	-	-	91,411
Local Capital:	-	100,530	186,681	526,929	-	814,140
Deferred Capital:						
AFG Bylaw	467,451	-	-	-	-	467,451
Bylaw	1,384,825	154,292	-	-	-	1,539,117
Other	38,497	8,940	-	-	-	47,437
	1,964,981	348,705	186,681	608,409	-	3,108,776

Significant minor capital projects completed during the year include:

- Roof replacement (Area 3) at BCSS (\$200K)
- Exterior cladding and insulation repair at West Boundary Elementary (\$200K)
- HVAC unit replacements at Hutton Elementary, BCSS and GFSS (\$450K)
- Building controls throughout the District (\$185K)
- Accessible playground/resurfacing at Perley Elementary (\$195K)
- School Food Infrastructure/Kitchen upgrades at Hutton and Greenwood Elementary (\$165K)
- Phase 1 of the WiFi improvement project (\$225K)

Other notable projects and equipment purchases include: irrigation system replacement at Hutton, refresh of projectors in all classrooms, replacement of desktop phone system, 3 new white fleet vehicles, and staff room renovation at GFSS. No major capital projects were in progress or initiated during the year, and there were no land sales or purchases.

RESERVE FUND ANALYSIS

Accumulated Surplus – Operating

Policy No. 2073 – *Accumulated Operating Surplus* was amended and adopted by the Board in June 2022 to align with MECC’s updated operating surplus policy. The goal of the amended policy is to ensure transparent and accountable financial planning and reporting, and to outline how an operating surplus enables the Board to engage in long-term planning, mitigate financial risk and support consistent programs and services to all students.

Of the \$808,804 Operating Surplus at the end of the year:

- \$136,657 (2023 - \$212,925) is restricted due to the nature of constraints on the funds (includes the first 7 categories listed);
- \$0 (2023 - \$172,819) is appropriated to balance the 2024/25 annual budget, which was approved by the Board in June 2024;
- \$47,836 (2023 - \$57,820) is internally restricted to support implementation of the Board’s strategic plan through various programs and initiatives in the coming school year; and
- \$624,311 is reported as unrestricted/contingency
 - The Board is responsible for ensuring the District is protected financially from extraordinary circumstances which would negatively impact operations and the education of students (i.e. through a contingency fund). This amount is equal to 3% of average operating expenditures and is kept to ensure the Board has access to funds to continue to provide educational services and maintain regular operations in the event of such circumstances.

Accumulated Surplus – Capital

The accumulated surplus in the capital fund at June 30, 2024 of \$3.2 mil includes \$3.04 mil of Invested in Capital Assets and \$170K of Local Capital reserve. The change from prior year is summarized as follows:

	Invested in CA	Local Capital	Total
Opening Balance	2,488,500	713,934	3,202,434
Current Year Surplus (Deficit)	555,660	(543,912)	11,748
Ending Balance	3,044,160	170,022	3,214,182

Funds available for future use included in Invested in Capital Assets are the \$161K of MECC Restricted Capital reported on Schedule 4D. At June 30, 2024, a specific project has not been identified for these funds.

The Local Capital reserve fund includes the Board’s portion of any proceeds from the disposition of capital assets, transfers from operating funds and any bank interest earned.

The following table outlines actual Local Capital expenditures for the past two years and anticipated expenditures for scheduled replacements to June 30/2028:

	Opening Balance	Technology Replacement Plan	White Fleet Replacement Plan	OTHER	Interest Earned	Reserve Contributions	Ending Balance (June 30th)
2022-23	1,095,982	(514,285)	(16,127)	(138,865)	37,229	250,000	713,934
2023-24	713,934	(127,088)	(186,681)	(500,371)	20,228	250,000	170,022
2024-25	170,022	(231,000)	(18,000)	(163,000)	5,000	250,000	13,022
2025-26	13,022	(85,000)	(75,000)	0	7,500	275,000	135,522
2026-27	135,522	(237,900)	(90,000)	0	6,500	275,000	89,122
2027-28	89,122	(201,790)	(87,000)	(514,500)	5,000	275,000	(434,221)

To ensure the Local Capital reserve is appropriately funded for scheduled replacement costs, the Board approved a transfer from operating to Local Capital of \$250,000 at June 30, 2024.

FUTURE CONSIDERATIONS – RISKS & UNCERTAINTIES

There are several risk factors that may have a future financial impact on the District. The most significant potential risks and uncertainties are described below.

Cyber Security

All aspects of the District's business operations are dependent on technological infrastructure and, although it has transformed how we conduct business, it has also increased and introduced new and increasingly sophisticated cyber security risks to our organization. These risks include data breaches, ransomware and phishing scams targeting financial data and the personal information of staff and students. Not only can a breach result in stolen intellectual property and loss of resources, but it can also create significant service interruption and reputational damage. Recent attacks on public sector organizations in Canada confirms that school districts are a target for cyber criminals. It is imperative for the District to consider mitigation strategies and contingency plans in the event of a breach, but this does not come without a cost.

Funding Shortfalls/Inflation

Inflation is an increasing area of concern as cost of living continues to rise across the country. District operations are primarily funded through the MECC operating grant and, although per student rates have increased to fund negotiated wage increases, no additional funding has been provided to account for inflation or other cost pressures, such as:

- Statutory benefit rate increases
- Increasing employee absenteeism (short- and long-term) and rising replacement costs
- Implementation of Employment Standard Act changes to provide five (5) days of paid sick time for all employees
- Extended health benefit premium rate increases beyond negotiated plan enhancements
- Increased cost of insurance premiums, software licensing, utility rates etc.

As a small, rural district, SD51 has limited opportunity to create own-source revenue and may have to consider program cuts to balance future budgets.

Employee Wellbeing

Our mission is to ensure our students are flourishing today so they can build a confident future tomorrow. For students to flourish, they need safe and inclusive learning environments, which starts with caring and engaged adults. Unfortunately, many factors are impacting employee wellbeing, including social and economic stress in our communities, rising costs of living, increasing workloads and heightened expectations. Maintaining a stable and motivated workforce requires an organizational commitment to mental health supports, wellness programs and work-life balance initiatives which can be challenging to prioritize when budgets are tight.

Provincial Election

The provincial election is scheduled for October 2024. Shifts in political leadership can result in changes to policy priorities, regulatory frameworks and possibly funding allocations. A new government could impact educational programs through curriculum changes, staffing directives or changes to capital programs. Moreover, uncertainty around elections may delay decision-making and make longer-term planning difficult. Although the outcome of the 2024 election is unknown, the impact could be significant.

Other Assets/Local Capital

Technology, including computer devices/hardware for staff and students and network infrastructure, and the District's white fleet are not eligible for capital funding through MECC. Instead, these items are funded through the Local Capital reserve, which is maintained through transfers from the operating fund. As operating cost pressures rise, transfers to Local Capital may be impacted and the District may have to amend or postpone refresh schedules for technology and white fleet assets.

Aging Infrastructure

While District facilities are currently in satisfactory condition, our facilities are aging and there are some significant renovation/system replacements scheduled in the coming years. Annual capital funding for such projects is on a submission-basis and, as such, is not guaranteed. Furthermore, capital funding allocations are subject to the provincial climate. Many districts are facing significant enrolment growth and there is pressure on the provincial capital funding envelope for expansion and new builds to accommodate this growth, which results in uncertainty for capital funding allocation levels to districts such as SD 51 with stable or declining enrolment.

The District continues development of its first Long-Range Facilities Plan (LRFP) to guide facilities planning for the future, but unplanned or unforeseen capital projects that arise during the year may have to be funded through the contingency reserve in the operating fund or through the Local Capital reserve.

Contacting Management

This financial report is designed to provide the District's stakeholders with a general but more detailed overview of the school district's finances and to demonstrate increased accountability for the public funds received by the District.

If you have questions about this financial report, please contact the Office of the Secretary Treasurer at 250-442-8258 or at info@sd51.bc.ca.