



Nanaimo Ladysmith Public Schools
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FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2022

DRAFT



2022



Financial Statement Discussion and Analysis For the Year Ended June 30, 2022

The following is a discussion and analysis of the financial performance of School District No. 68 (SD68) for the fiscal year ended June 30, 2022. This report is a summary of the district's financial activities based on currently known facts, decisions, and conditions. The results of the current year are discussed in comparison with the prior year and budget. This report should be read in conjunction with the district's financial statements.

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Overview of School District 68



Nanaimo Ladysmith Public Schools resides within the traditional territories of the Snuneymuxw, Snaw-Naw-As and Stz'uminus First Nations.

Nanaimo Ladysmith Public Schools is the second largest school district on Vancouver Island and resides within the traditional territories of the Snuneymuxw, Snaw-Naw-As and Stz'uminus First Nations. In addition, the district is a proud community partner with the Tillicum Lelum Aboriginal Friendship Centre and the Mid Island Metis Nation.

The district is proud to provide quality education for approximately 15,000 students in twenty-seven elementary & one primary school, eight secondary schools (including Learning Alternatives and Career Technical Centre), and one distributed learning school - Island Connect Ed (K-12).

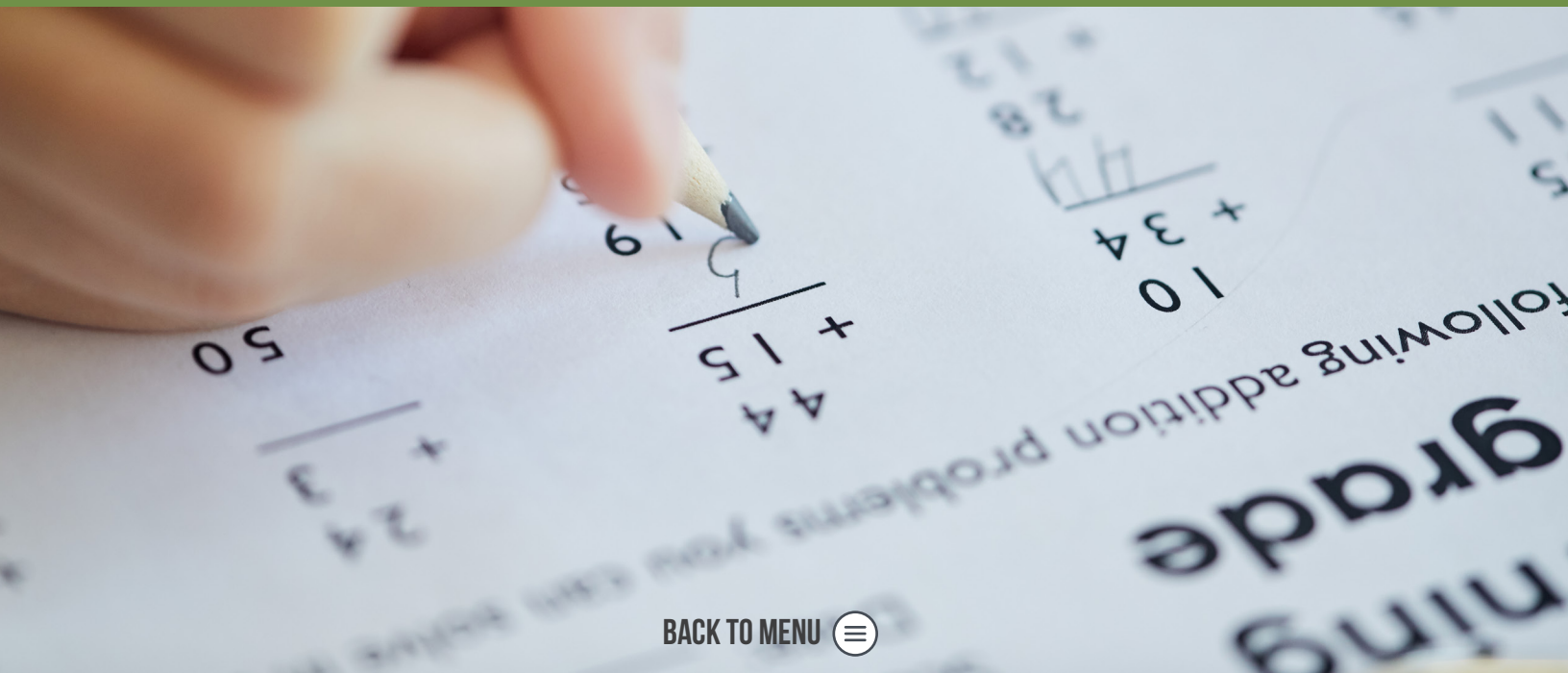
The district encompasses the City of Nanaimo, the towns of Ladysmith and Lantzville, Gabriola Island, North Oyster, Cedar and many other communities which represent a population of 132,623 (2021 census), and we are one of the fastest growing communities in Canada. The district's annual consolidated budget is \$182 million.

HEADCOUNT ENROLMENT BY GRADE

	Kindergarten	Primary	Intermediate	Secondary	Other	Total
All Students	1,058	3,346	4,665	6,042	9	15,120
Indigenous Students	161	524	768	1,016	-	2,469
Students with special needs	33	177	396	641	-	1,247

FTE ENROLMENT AND OPERATING FUNDING

Year	September	Full Year		
	Enrolment	Enrolment	Operating Funding	Per Pupil
2011/12	13,563	13,821	\$117,765,521	\$8,520
2012/13	13,272	13,512	\$116,187,122	\$8,599
2013/14	13,201	13,469	\$114,582,966	\$8,507
2014/15	12,878	13,151	\$112,984,200	\$8,591
2015/16	13,067	13,374	\$114,052,753	\$8,528
2016/17	13,427	13,754	\$117,892,435	\$8,572
2017/18	13,728	14,032	\$121,878,363	\$8,686
2018/19	14,035	14,298	\$127,077,630	\$8,888
2019/20	14,295	14,561	\$132,461,131	\$9,097
2020/21	14,309	14,620	\$134,492,365	\$9,199
2021/22	14,771	14,960	\$144,613,980	\$9,667



STRATEGIC PLAN

Our strategic plan defines the key areas of focus as we work together to support student learning in order to achieve our vision of Success for All.

The results of the 2021/22 fiscal year were guided by the vision, mission, and values set by the Board of Education which are as follows:

Vision: Courageous, innovative, inclusive and personalized learning community that inspires success for all.

Mission: To educate all students to become confident, curious and caring citizens by creating an inspiring, inclusive and healthy environment to work, learn and play.

Goals: The District's goals and objectives will be guided by the four goals of the Board's Strategic Plan:

- ▶ Continuous improvement of instruction and assessment
- ▶ Safe, caring and healthy learning and working environment that is inclusive of the diversity of our entire learning community
- ▶ To be a leader in environmental stewardship and sustainability
- ▶ Truth and reconciliation



Values:



Collaboration



Equity



Transparency



Inclusion



Mutual Respect



Diversity



Honesty



Sustainable



Integrity



Accountability

Understanding School District 68 Financial Statements

The district uses fund accounting and deferral accounting and each of its funds has certain restrictions in accounting for funds received and expended. These methods are primarily used in the public sector where the goal is to avoid budget deficits while providing the greatest benefit to the public by strategically allocating the resources that are available. In this respect, school districts are expected to ensure that available funds are being used in the most efficient way possible to maximize the potential benefit of each dollar and in the specific manner for which they were intended.

The District's financial statements include the following audited statements:

- ▶ **Statement of Financial Position (Statement 1)**
- ▶ **Statement of Operations (Statement 2)**
- ▶ **Statement of Changes in Net Financial Assets (Debt) (Statement 4)**
- ▶ **Statement of Cash Flows (Statement 5)**

The notes to the financial statements provide information regarding the district's accounting policies and details what is included in the account balances in the financial statements.

Following the notes to the financial statements are supplementary unaudited schedules that provide information about the individual funds.

Changes in Accumulated Surplus (Deficit) (Schedule 1)

- ▶ Summarizes the surplus (deficit) for the year and accumulated surplus amounts for each of the three funds (Operating, Special Purpose, and Capital Funds).

Operating Fund (Schedule 2)

- ▶ Includes revenues and expenses related to the operation of the district, including school and administrative functions.
- ▶ School districts are not permitted to budget for or incur an accumulated deficit position.
- ▶ Accumulated surpluses can be used if planned expenditures for the year are estimated to exceed revenues thus balancing the budget, for future expenditures, and multi-year initiatives not able to be funded by the annual operating grant.

Special Purpose Fund (Schedule 3)

- ▶ Includes funding that is restricted for a specific purpose and school generated funds.
- ▶ Surplus for the year and Accumulated Surplus are always zero because revenues are only recognized when the related expenditures occur (deferral accounting).

- ▶ Any special purpose funds that are unspent at the end of the year remain with the district and are referred to as deferred revenue. Deferred revenue may be used in the following fiscal year, but only spent in accordance with their original intended purpose. Funding parties do have the ability to request unspent revenue to be returned, however this rarely occurs.
- ▶ If expenditures in a year exceed revenues, the resulting deficit is transferred to the Operating or Capital Fund in that year, depending on the nature of expenditures.

Capital Fund (Schedule 4)

- ▶ Includes financial activities related to tangible capital assets.
- ▶ Capital funding from the Province is accounted for using deferral accounting, whereby capital revenue is recorded in the financial statements over the life of the related asset in order to match the amortization expense. Therefore, capital fund revenue is not equal to the actual capital funding received in a year.
- ▶ Capital fund revenues, expenses and surplus (deficit) for the year are not meaningful measurements of financial performance.

Categories of Expense

The Ministry of Education and Child Care provides direction as to how Revenues and Expenses are to be captured and reported within our financial system and on our financial reports. Our General Ledger is set up under these parameters in alignment with all school districts in the province, allowing the Ministry to consolidate them up into their financial statements, and report out to the public on the sector as a whole.

For reference purposes Ministry requires that we segregate costs within our General Ledger and report these costs under the following segments: **Funds, Functions, Programs and Objects** and examples of each segment, applicable to district expenses, are provided below.

Funds – Operating, Special Purpose (each unique Special Purpose Fund has its own Fund identifier) and Capital (Includes the Capital and Local Capital Funds).

Functions – Instruction, District Administration, Operations and Maintenance, and Transportation and Housing.

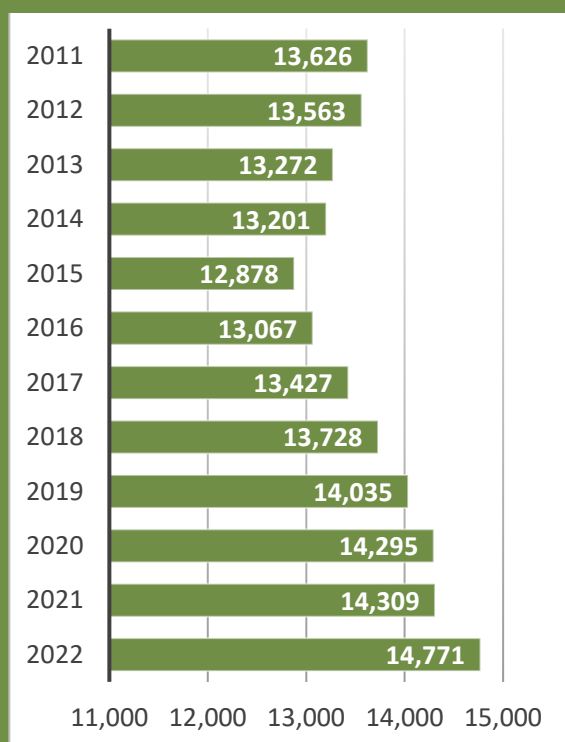
Programs – Instruction, Career Programs, Library, Counselling, Special Education, English Language Learners, Indigenous Education, School Based Administration, International Students, School District Governance, District Administration, Maintenance and Operations, Grounds Maintenance, Transportation, and Utilities.

Objects – Salaries broken into categories of Teachers, Administrative Officers (Principals/Vice Principals), Education Assistants, Support Staff (includes all but EA's), Other Professional (Trustees and Excluded Staff), Substitutes (includes replacement and release time), Employee Benefits, Services, Student Transportation, Professional Development and Travel, Rentals and Leases, Dues & Fees, Insurance, Interest, Supplies, and Utilities.

Financial Highlights

The District continues to see a growth in enrolment, as illustrated in the charts below.

SEPTEMBER FTE ENROLMENT BY FISCAL YEAR



ENROLMENT (FTE) PER MINISTRY OF EDUCATION

September	2021/22	2020/21
Standard (Regular) Schools	14,112.38	13,154.38
Continuing Education	0.00	0.25
Adult Education	2.88	5.25
Alternate Schools	289.00	237.00
Distributed Learning	366.50	911.88
Total Enrollment	14,770.76	14,308.76
Included in Total Enrolment (categories that receive additional per student funding)		
Designated Students	774.00	749.00
English Language Learning	909.00	970.00
Indigenous Education	2,469.00	2,330.00

With much of the adverse effects of the global pandemic behind us, the district saw an increase in enrolment of 462FTE, which along with the increase in the per-pupil funding rate resulted in a 7.54% (10.1M) increase from 2020/21 in the Ministry of Education and Child Care operating grant.

2021/22 also included a number of significant capital asset transactions including the following:

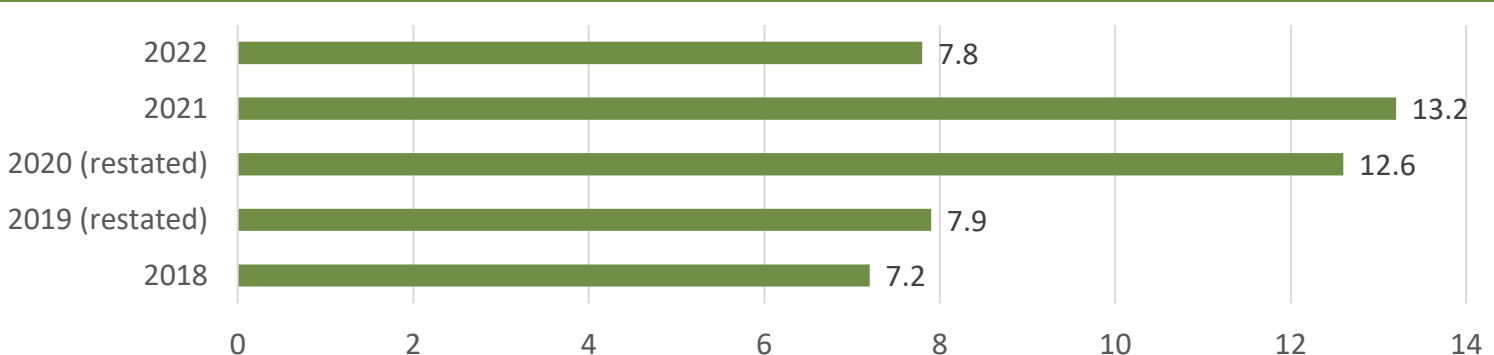
- ▶ Various building upgrades, including lighting, roofing, flooring, and exterior paint
- ▶ Continuous work on the Cilaire Elementary and Pleasant Valley Elementary seismic upgrades, as well as the completion of the swing space locations
- ▶ Commencement of the Cedar Secondary, Barsby Secondary, Cilaire Elementary, Pleasant Valley Elementary, Ladysmith Intermediate, Ladysmith Secondary, and Brechin Elementary HVAC upgrades

- ▶ Continuous work on the childcare facilities at Forest Park Elementary, Chase River Elementary, and Ladysmith Primary and commencement of the childcare facilities at Rock City Elementary and Qwam Qwum Stuwixwuhl School.
- ▶ Continuous investment in network and classroom technology
- ▶ Continuous work on the Ecole Hammond Bay Elementary expansion
- ▶ Completion of the Dover Bay Secondary building envelope upgrade
- ▶ Commencement of the Dover Bay Secondary expansion
- ▶ Completion of the Dover Bay PA system upgrade
- ▶ Purchase of another two new electric busses as well as the completion of the electric bus charging station infrastructure
- ▶ Completion of the Ecole Quarterway Elementary playground

The Accumulated Operating Surplus at the end of 2021/22 is illustrated in the chart below and reflects the following:

- ▶ The carry forward of the \$13.2M accumulated operating surplus from the 2020/21 year
- ▶ The current year operating surplus of \$1.3M
- ▶ Transfers of \$6.6M from the Operating Fund to Local Capital for specific capital projects including the district's technology plan, the Wi-Fi initiative, vehicles, environmental upgrades, Barsby Secondary all weather sports facility contribution (turf field), funds for future site acquisitions, Cedar Secondary HVAC, and traffic safety enhancements at Ecole North Oyster.
- ▶ **Note: The 2019 and 2020 balances are restated due to the recognition of the extended health and dental benefit premium balance in 2021.**

Accumulated Operating Surplus Balance by Fiscal Year (\$Millions)



Financial Analysis

STATEMENT

STATEMENT OF FINANCIAL POSITION

FINANCIAL POSITION ALLOCATION



- Total Financial Assets (2022: 11%; 2021: 10%)
- Total Non-Financial Assets (2022: 39%; 2021: 40%)
- Total Financial Liabilities (2022: 36%; 2021: 34%)
- Accumulated Surplus (2022: 14%; 2021: 16%)

	2021/22	2020/21 (restated)	\$ Change	% Change
Financial Assets	52,675,439	46,374,277	6,301,162	13.59%
Non-Financial Assets	197,541,877	180,423,897	17,117,980	9.49%
Total Assets	250,217,316	226,798,174	23,419,142	10.33%
Liabilities	181,551,972	156,368,334	25,183,638	16.11%
Accumulated Surplus	68,665,344	70,429,840	(1,764,496)	(2.51%)

Financial Assets include cash and cash equivalents, receivables, and portfolio investments. The increase in financial assets from 2020/21 resulted from changes in the following District accounts:

- ▶ *Increase of \$2.4M in the cash and cash equivalents balance primarily due to an increase in funds received for the International Student Education Program for the 2022/23 school year, funds received from the Ministry of Education and Child Care but not yet spent for the construction of newly approved childcare sites, offset by a transfer of cash to portfolio investments.*
- ▶ *Increase of \$3.8M in portfolio investments due to the district investing in Guaranteed Investment Certificates with local banking institutions earning an average interest rate of 2.53%. Note that the majority of the investments are cashable after ninety days in order for the district to be able to take advantage of higher interest rates if available.*
- ▶ *Increase of \$2.9M in capital funding receivable from the Ministry of Education and Child Care at June 30th due to an increase in Ministry funded capital projects in progress in June 2022.*
- ▶ *Decrease of \$2.9M in other receivables due to a withdrawal of \$2.9M from our benefit premium balance in order to support initiatives approved by the Board in September 2021.*

Non-financial assets include tangible capital assets and prepaid expenses. Tangible capital assets (TCA) are used in providing the services of the district and include buildings, equipment, furniture, technology, and vehicles purchased, constructed or contributed to the district. The increase in non-financial assets is primarily related to the increase in TCA with new assets purchased totalling \$26.9M less amortization of \$9.8M.

TCA additions and their funding sources during 2021/22 include the following:

Project	21/22 Investment	Funding Source
Ecole Hammond Bay Elementary expansion	5,337,659	Province - Ecole Hammond Bay Expansion
Cilaire Elementary Seismic Upgrade	4,918,879	Province - Seismic
Pleasant Valley Elementary Seismic Upgrade	3,542,970	Province - Seismic
Daycare Projects - Chase River Elementary, Forest Park Elementary, Ladysmith Primary, Rock City Elementary, Qwam Qwum Stuwixwulh School	3,188,035	Province - Childcare BC New Spaces Fund
Technology (incl. chromebooks, computers, I-pads, cameras, projectors, monitors, servers)	1,769,385	Local Capital, Operating Fund, Special Purpose Fund
Cilaire Elementary HVAC	1,221,384	Province - School Enhancement Program, Province - Seismic
Various building upgrades/equipment (significant projects including perimeter drainage, field irrigation, fire alarms, learning studio, lead in water remediation, fencing, gym divider, Dufferin renovation, bathroom renovations, Ecole North Oyster traffic safety, school signs, Dover Bay Secondary parking lot)	1,056,716	Province - Annual Facilities Grant, Operating Fund
Wifi project - various locations	920,208	Local Capital, Province - Annual Facilities Grant
2 new electric busses/charging infrastructure	769,395	Local Capital, Province - Bus Acquisition Program, Clean BC Grant, Operating Fund
Dover Bay Secondary expansion	741,329	Local Capital, Province - Dover Bay Expansion
Pleasant Valley Elementary HVAC	511,552	Province - Carbon Neutral Capital program
Cedar Secondary HVAC	397,199	Province - Carbon Neutral Capital program, Local Capital
Various equipment (inc. student desks, chairs, blinds, mats, hoists, amplification systems, shipping container, patient lifts, signs, flags, routers, bentwood box, ISE summer program equipment, recycling bins)	292,047	Operating Fund, Local Capital, Special Purpose Fund
Lighting upgrades - various locations	255,364	Province - Annual Facilities Grant
Dover Bay Secondary PA System	231,930	Province - Annual Facilities Grant
Roofing - various locations	225,405	Province - Annual Facilities Grant
Ecole Quarterway Elementary playground	165,000	Province - Playground
Case backhoe	163,903	Local Capital
Wellington Secondary multi-use gaming area	129,505	Local Capital, Province - Annual Facilities Grant, Special Purpose Fund - School Funded, Operating Fund

Project	21/22 Investment	Funding Source
Dover Bay Secondary building envelope	122,662	Province - Building Envelope Program
Stage curtains - multiple schools	101,142	Operating Fund
Ladysmith Intermediate HVAC	90,467	Province - School Enhancement Program
John Barsby Secondary, Forest Park Elementary, Ladysmith Intermediate, Mountain View Elementary, North Oyster Elementary building envelope projects	89,860	Province - Building Envelope Program
F350 Truck	87,654	Operating Fund
Flooring - various locations	86,162	Province - Annual Facilities Grant
E-Transit cargo van	85,936	Local Capital, Operating Fund
Bobcat skid-steer loader, snowblower, snow v-blade	81,702	Local Capital
John Barsby Secondary HVAC	54,173	Province - Carbon Neutral Capital program, Province - School Enhancement Program
3 Ride on scrubbers	49,493	Operating Fund
Bus wash system	47,132	Operating Fund
Dover Bay Secondary gym equipment	42,235	Special Purpose Fund - School Funded
Outdoor learning fund initiatives - outdoor classrooms, garden plots	33,944	Local Capital
Brechin Elementary HVAC	33,014	Local Capital
Facilities equipment (incl. Toro snow blower/blade, spreader, air compressor)	31,549	Operating Fund
Video surveillance systems - various locations	26,498	Local Capital
Ladysmith Secondary HVAC	24,892	Federal Safe Return to Class/ Ventilation Fund
Bayview Elementary Welcome Figure	18,257	Special Purpose Fund - Art Starts Grant, Local Capital
Ecole Hammond Bay Elementary heat recovery	18,136	Province - School Enhancement Program
Ladysmith Secondary dust collection system upgrade	9,000	Province - School Enhancement Program
John Barsby Secondary dust collection system upgrade	7,214	Province - School Enhancement Program
Solar - Feasibility study	4,193	Local Capital

Liabilities are obligations of the district to others arising from prior transactions, the settlement of which will require the use of current and future financial assets. The increase in liabilities from 2020/21 resulted mainly from changes in the following accounts:

- ▶ Increase in trade payables and construction holdbacks due to the timing of when purchases were made in the current year versus the prior year and the increased amount of capital activity occurring at the current year-end (\$2.3M). In addition, there was an increase in salaries and benefits payable due to a combination of a wage increases, additional staff at the end of the year, and a larger number of teachers enrolling in the 12-month pay plan (\$770k).
- ▶ Increase in unearned revenue due to an increase in the International Student Education tuition payments received for the next school year (\$1M).
- ▶ Increase in deferred capital revenue resulting from the receipt of Ministry of Education and Child Care funding for projects funded by the various capital programs, less the current year's amortization (\$20.7M).
- ▶ Increase in other liabilities due to an increase in the amount of International Student homestay and medical fees received for the next school year (\$444k).



Accumulated surplus or deficit represents the net assets or debt of the district. The district had a surplus for the 2021/22 fiscal year and continues to be in an accumulated surplus position.

Accumulated Surplus is comprised of the following components:

	2021/22	2020/21 (restated)	\$ Change	% Change
Operating Fund:				
Accumulated Operating Surplus	7,818,360	13,158,740	(5,340,380)	(40.58%)
Restricted Surplus Reserve for Anticipated Unusual Expenses	1,000,000	1,900,000	(900,000)	(47.37%)
Restricted Surplus Reserve for Financial Constraints/Targeted Funds	4,073,881	8,212,721	(4,138,840)	(50.40%)
Restricted Surplus Reserve for Operations Spanning Multiple School Years	-	-	-	0.00%
Total Internally Restricted	5,073,881	10,112,721	(5,038,840)	(49.83%)
 Unrestricted Surplus	 2,744,479	 3,046,019	 (301,540)	 (9.90%)
Capital Fund:				
Investment in Tangible Capital Assets	53,625,926	53,293,432	332,494	0.62%
Local Capital	7,221,058	3,977,668	3,243,390	81.54%
Total Capital Surplus	60,846,984	57,271,100	3,575,884	6.24%
Total Accumulated Surplus	68,665,344	70,429,840	(1,764,496)	(2.51%)
 <i>Proposed transfer to Local Capital</i>	 2,000,000	 1,248,000	 752,000	 60.26%
 Revised Unrestricted Operating Surplus	 744,479	 1,798,019	 (1,053,540)	 (58.59%)
Revised Local Capital balance, pending	9,221,058	5,225,668	3,995,390	76.46%

The Anticipated Unusual Expenses Reserve is for identified one-time or intermittent projects not able to be funded by current year revenues. This category has changed from previous fiscal years as a result of the revisions made in fiscal 2021/22 to the district's Accumulated Operating Surplus Policy to be in compliance with the guidance provided by the Ministry of Education and Child Care. Amounts included here are now anticipated expenditures as opposed to contingency amounts as in previous years.

The \$1M in fiscal 2021/22 is for the anticipated increase in costs above the annual budgeted amount related to employee replacement costs as a result of the new Employment Standards Act regulations as well as to address the landscape we are now in as a result of COVID-19 where we are seeing unusually high absenteeism, and it is still unknown if this trend will continue (\$400k). Also, enrolment is trending lower than our projections which may require additional funds to address funding shortfalls per actual enrolment, if necessary. Finally, per the restored Class Size and Composition Language (LOU17) we are provided with funding from the Ministry in order to ensure compliance, however, actual student enrolment and student designations must be confirmed in September 2022 where the number of teacher FTE required/substantiated under the Special Purpose Fund (CEF) could be less than currently funded which would mean transferring the cost to the Operating Fund (\$600k).

The Financial Constraints/Targeted Funds Reserve is to restrict funds for grants, revenues, or financial commitments that extend beyond the current fiscal year. Significant amounts included in this reserve include the benefit premium balance available to reduce future benefit expenditures (\$2.6M), Indigenous Education Programs (\$415k), undelivered purchase orders at June 30th (\$563k), and Teacher Mentorship Grant unspent per COVID (\$261k) (see financial statement note 12 for a complete list).

The Operations Spanning Multiple School Years Reserve is meant for situations where operating funds may need to be carried over to future years. There were no initiatives identified in fiscal 2022 to have funds set aside in this reserve.

The unrestricted surplus balance has decreased as a result of a decrease in the overall Accumulated Operating Surplus from prior year. There is also a recommended direct transfer to Local Capital to support specific capital projects including the district's Wi-Fi initiative and the annual technology plan.

The Local Capital balance (\$7.2M) represents the accumulated surplus in the Capital Fund over which the district has discretion for allocation to strategic capital projects. The following summarizes the Local Capital balance as at June 30, 2022.

Local Capital 2021-2022

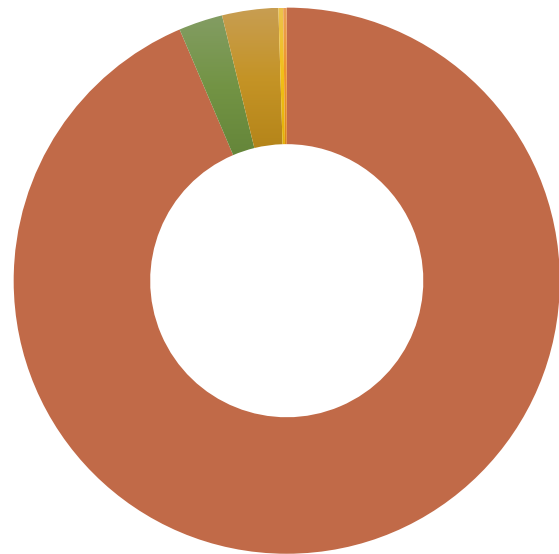
June 30 2022

<u>Revenue</u>	WIP (Prior Yr. Expense)	2021/22 Budget	2021/22 Expenses at June 30	Interfund transfer expense recovery	Balance June 30 2022
Balance June 30, 2021		3,977,668			
Work in Progress - Prior Yr.	2,281,038				
	2,281,038	3,977,668			
Transfer from Operating/Accumulated Surplus					
Technology / Infrastructure Upgrades		1,100,000			
Funding for E-Buses / Infrastructure		120,000			
Purchase of Hoists		28,000			
Equitable Access to Technology		500,000			
Ice Solar Panel Installation		300,000			
Vehicle Replacement Program		400,000			
Cilaire Portable Upgrade		200,000			
John Barsby Contribution		500,000			
School Site Acquisition Fund		700,000			
Environmental Upgrade Fund		700,000			
Syeyutsus Support		199,500			
Outdoor Learning Fund		400,000			
School Enhancement Projects		112,000			
External Landscape Sustainability Fund		40,000			
Total Transfer from Operating	-	5,299,500			
Investment Income	-	30,000			
	-	5,329,500			
Total Funding Available	2,281,038	9,307,168			
Projects/Expenses					
LC035 District Wi-Fi Initiative - Multi Year	926,366	2,200,000	532,233	(331,920)	1,999,687
LC203 Syeyutsus Support	-	199,500	48,761		150,739
LC210 Dover Bay Expansion	19,596	380,404	380,404		-
LC328 Departure Bay Washroom	-	21,000	-		21,000
LC330 Dufferin Reno/Furniture	-	20,000	11,904		8,096
LC344 Hammond Bay Expansion	1,250,000	-	-		-
LC400 Asset Management Plan	-	400,000	-		400,000
LC561 Outdoor Learning Fund	-	400,000	88,245		311,756
LC580 Vehicle Replacement Program	-	400,000	322,065		77,935
LC581 District Equipment	-	70,000	26,498		43,502
LC609 Technology Plan	-	1,000,000	1,000,000		-
LC681 Accessibility	-	80,000	8,025		71,975
LC682 Solar Panel Project	-	300,000	4,193		295,807
LC683 Landscape Sustainability Project	-	40,000	-		40,000
LC690 CRC Demo	-	25,000	18,679		6,321
LC723 Environmental Upgrades - General	-	1,050,000	33,159		1,016,841
LC724 E-Bus Infrastructure	-	120,000	120,000		-
LC750 School Enhancement Projects	-	112,000	21,000		91,001
LC800 Learning Studios	-	200,000	-		200,000
LC823 School Signs	-	150,000	1,651		148,349
LC846 Lead in Water	74,714	52,190	-	(74,714)	126,904
LC888 Dover Bay PA/Phone System Upgrade	1,726	250,000	-	(1,726)	251,726
LC997 Enrollment Growth Space Needs	-	250,000	2,286		247,714
LC999 Outstanding Purchase Order	-	28,000	-		28,000
LC999 Emergent Reserve	-	188,074	82		187,992
LCCAP General Capital Approval Support	-	141,000	-		141,000
LCCCC Childcare Space Applications	8,636	-	2,848		(2,848)
LCSSA School Site Acquisition Fund	-	700,000	-		700,000
LCTFR Turf Field Reserve	-	500,000	-		500,000
LCXXX Transfer to approved capital projects	-	-	(77,561)	(33,991)	111,552
Total Projects/Expenses	2,281,038	9,277,168	2,544,470	(442,351)	7,175,048
Fund Balance	-	30,000	Actual Interest earned		46,009
			Balance June 30, 2022		7,221,057

REVENUES

STATEMENT OF OPERATIONS

REVENUES



- Province of BC (2022:93.6%; 2021:96.4%)
- Tuition (2022: 2.6%; 2021: 1.1%)
- Other Revenue (2022: 3.3%; 2021: 2.0%)
- Rentals and Leases (2022: 0.3%; 2021: 0.3%)
- Investment Income (2022: 0.2%; 2021: 0.2%)

The chart above shows that the proportions of individual revenue sources, not including capital revenues, are consistent with the prior year.

THE FOLLOWING CHART PROVIDES COMPARISONS OF 2021/22 ACTUAL REVENUES TO 2020/21 ACTUAL AND 2021/22 BUDGET AMOUNTS:

	Fiscal 2021/22		Fiscal 2020/21 (restated)	Difference from Budget		Difference from Prior Year	
	Budget	Actual	Actual	\$	%	\$	%
Provincial	161,443,637	160,313,529	163,555,630	(1,130,108)	(1%)	(3,242,101)	(2%)
Tuition	4,322,250	4,464,819	1,842,060	142,569	3%	2,622,759	142%
Other Revenue	5,403,198	5,687,948	3,400,034	284,750	5%	2,287,914	67%
Rentals and Leases	400,000	481,958	490,916	81,958	20%	(8,958)	(2%)
Investment Income	221,000	356,420	306,208	135,420	61%	50,212	16%
Amortization of Deferred Capital Revenue	6,400,000	6,181,594	6,008,802	(218,406)	(3%)	172,792	3%
Total	178,190,085	177,486,268	175,603,650	(703,817)	0%	1,882,618	1%



The following charts provide the actual revenue by fund for 2021/22 with the 2020/21 comparison.

2021/2022	Operating Fund	Special Purpose Fund	Capital Fund	Total
Provincial Grants - Ministry of Education & Childcare	143,134,229	16,540,841	129,434	159,804,504
Provincial Grants - Other	348,112	160,913	-	509,025
Tuition	4,464,819	-	-	4,464,819
Other Revenue	3,023,312	2,664,636	-	5,687,948
Rentals and Leases	481,958	-	-	481,958
Investment Income	293,955	16,456	46,009	356,420
Amortization of Deferred Capital Revenue	-	-	6,181,594	6,181,594
Total	151,746,385	19,382,846	6,357,037	177,486,268

2020/2021	Operating Fund	Special Purpose Fund	Capital Fund	Total
Provincial Grants - Ministry of Education & Childcare	138,305,681	23,033,289	1,895,490	163,234,460
Provincial Grants - Other	237,116	84,054	-	321,170
Tuition	1,842,060	-	-	1,842,060
Other Revenue	1,560,281	1,650,758	188,995	3,400,034
Rentals and Leases	490,916	-	-	490,916
Investment Income	264,181	15,823	26,204	306,208
Amortization of Deferred Capital Revenue	-	-	6,008,802	6,008,802
Total	142,700,235	24,783,924	8,119,491	175,603,650

Difference from prior year	Operating Fund	Special Purpose Fund	Capital Fund	Total
Provincial Grants - Ministry of Education & Childcare	4,828,548	(6,492,448)	(1,766,056)	(3,429,956)
Provincial Grants - Other	110,996	76,859	-	187,855
Tuition	2,622,759	-	-	2,622,759
Other Revenue	1,463,031	1,013,878	(188,995)	2,287,914
Rentals and Leases	(8,958)	-	-	(8,958)
Investment Income	29,774	633	19,805	50,212
Amortization of Deferred Capital Revenue	-	-	172,792	172,792
Total	9,046,150	(5,401,078)	(1,762,454)	1,882,618

Provincial Grants – Ministry of Education:

Operating Fund: The increase from prior year in provincial grants from the Ministry of Education and Childcare is primarily due to an increase in the operating grant from the Ministry (\$10.1M). This is due to higher enrolment (additional 462FTE) along with additional funding received per-pupil of \$325/FTE (2021/22: \$7,885, 2020/21: \$7,560). This increase is offset by the Teacher's Labour Settlement and Early Career Mentorship Funding that was not received in the current year (-\$3.9M). In addition, there was a larger ISC/LEA Recovery in 2021/22 due to one of our LEA's not being recognized on the nominal roll in 2020/21. In discussion with the Ministry, in order to rectify the prior year issue, in 2021/22 we are recognizing a larger amount as Funding from First Nations, and a larger amount in the ISC/LEA Recovery line (-\$1.3M).

Special Purpose Fund: The decrease from prior year is primarily due to the significant amount of funds received in 2020/21 in response to the impacts of COVID-19.

Special Purpose Fund	2022	2021	Difference
Federal Safe Return to Class/Ventilation Fund	274,631	5,535,410	(5,260,779)
Safe Return to School/Restart: Health & Safety Grant	338,553	1,068,252	(729,699)
Total	613,184	6,603,662	(5,990,478)

New grants received in 2021/22 include the Seamless Day Kindergarten grant (\$50k) and the Early Childhood Education Dual Credit Program (\$79k).

Capital Fund: The decrease from prior year is due to the large amount of funds received in 2020/21 for the demolition of the CRC-Library building at 420/430 Selby Street that was recognized directly into revenue in the capital fund (\$1.8M).

Provincial Grants Other:

Operating Fund: The Other Provincial grants represent funds received from the Ministry of Children and Family Development (\$38k) and the Industry Training Authority BC (ITA) (\$310k). The increase from prior year is due to an increase in funds received from the ITA.

Special Purpose Fund: The Other Provincial grants in the special purpose fund represents the total spending using funds received from the province (other than the Ministry of Education and Child Care). In 2021/22 this was funds from the Ministry of Tourism, Arts, Culture and Sport for the After School Sport and Arts Initiative (\$160k).

Provincial Revenue – Budget Comparison:

Revenue from the Province ended up being less than the budget primarily due to the LEA issue in the prior year as described above.

Tuition:

Tuition revenue has increased from the prior year due to an increase in the number of ISE students. This is as expected given last year was impacted by COVID-19. In addition through successful promotion by our international student education department, the district has seen an increase in demand in international students desire to attend school in our district.

Other Revenues:

Operating Fund: Other revenue has increased from prior year primarily due to an increase in the Funding from First Nations as described above (\$1.3M). The district also saw an increase in cafeteria revenue of \$136k from prior year which was anticipated as prior year was lower than normal as a result of COVID-19.

Special Purpose Fund: The other revenue in the special purpose fund represents the total spending using funds classified as other revenue. The increase from prior year is primarily due to an increase in school generated funds expenditures. This is as expected given the much lower than normal spending in the previous year as a result of COVID-19 (\$1M).

Capital Fund: In the prior year, the other revenue in the capital fund was the funds leftover from the insurance proceeds received for the demolition of 421 Franklyn Street (\$188k). This is not applicable in the current year.

Other Revenue – Budget Comparison:

Other revenue is higher than the budget primarily due to the LEA issue in the prior year as described above (\$943k). This was offset by less spending than budgeted in the special purpose funds (\$657k).

Rentals and Leases:

The decrease in the rentals and leases is made up of an increase in community use rentals of \$67k, and a decrease in revenue from licenses/leases of \$76k. The decrease in revenue from licenses/leases is due to the district ending agreements due to space needs for internal operations as well as no revenue coming in during 2021/22 for Elections BC use of space.

Investment Income:

Investment income has increased from prior year due to interest rates going up throughout the year as well as new investments made in Guaranteed Investment Certificates during the year that earn a higher interest rate than our operating account.

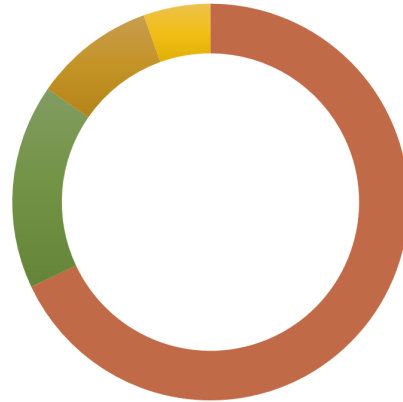
Amortization of Deferred Capital Revenue:

Increased over prior year due to capital additions funded by the Province in 2021/22.



EXPENSES

EXPENSES BY OBJECT



- Salaries (2022:68%; 2021: 68%)
- Benefits (2022:17%; 2021:16%)
- Services and Supplies (2022:10%; 2021:10%)
- Amortization (2022:5%; 2021:5%)

EXPENSES BY FUNCTION



- Instruction (2022:80%; 2021:80%)
- District Administration (2022:4%; 2021:3%)
- Operations and Maintenance (2022:16%; 2022:16%)
- Transportation and Housing (2022:1%; 2021:1%)

2021/2022	Instruction	District Admin	Operations & Maintenance	Transportation & Housing	Total	Budget by Object	Difference from Budget - Object
Budget by Function	146,698,771	7,257,074	29,678,983	1,796,112	185,430,940		
2021/22 Actual							
Salaries	107,339,753	4,538,765	8,665,779	1,302,584	121,846,881	123,083,853	(1,236,972)
Benefits	26,634,744	968,768	2,005,477	295,287	29,904,275	30,650,343	(746,068)
Services & Supplies	8,640,122	1,130,475	7,322,263	604,588	17,697,448	21,696,744	(3,999,296)
Amortization			9,802,160		9,802,160	10,000,000	(197,840)
Total	142,614,619	6,638,007	27,795,679	2,202,459	179,250,764	185,430,940	(6,180,176)
Difference from Budget - Function	4,084,152	619,066	1,883,304	(406,347)	6,180,176		

2020/2021 (restated)	Instruction	District Admin	Operations & Maintenance	Transportation & Housing	Total
Salaries	105,559,997	4,175,871	7,551,652	1,088,251	118,375,771
Benefits	25,316,035	863,412	1,648,322	206,506	28,034,275
Services & Supplies	7,232,478	825,481	8,900,287	535,134	17,493,380
Amortization			9,461,087		9,461,087
	138,108,510	5,864,764	27,561,348	1,829,891	173,364,513

Difference from prior year	Instruction	District Admin	Operations & Maintenance	Transportation & Housing	Total
Salaries	1,779,756	362,894	1,114,127	214,333	3,471,110
Benefits	1,318,709	105,356	357,155	88,781	1,870,000
Services & Supplies	1,407,644	304,994	(1,578,024)	69,454	204,068
Amortization	-	-	341,073	-	341,073
	4,506,109	773,244	234,331	372,568	5,886,251

Salaries:

Salaries have increased \$3.5M from prior year and are \$1.2M less than budget. The difference from prior year is made up of an increase of \$7.9M in salaries in the Operating Fund offset by a decrease of \$4.4M in salaries in Special Purpose Fund.

Operating Fund: The \$7.9M increase is primarily related to an increase in teacher salaries of \$4.7M, an increase of support staff salaries of \$1M and an increase in substitute salaries of \$1.4M.

Due to an increase in enrolment from the prior year, an additional 39.531 FTE of teachers were added to the 21/22 amended budget in comparison to the 20/21 amended budget. This in combination with a 2% wage increase effective July 1, 2021, resulted in the increase in teacher salaries in the operating fund.

The support staff salary increases of \$1M is primarily due to a wage increase of 2% effective July 1, 2021, as well as the addition of 8 custodial staff into the operating budget to maintain the additional cleaning from 2020/21 into 2021/22 that was paid out of the Federal Safe Return to Class Funds and the Safe Return to School Grant in the prior year.

The increase in substitute salaries of \$1.4M is due to a combination of the impact of COVID-19 as well as the changes to the Employment Standards Act (ESA). Because of COVID, employees are calling in sick more often as they are asked not to come to work if they are unwell. In addition, effective March 31, 2022, the changes to the ESA requires the district to provide 5 paid sick days to all employees. Previously employees only received sick time pursuant to the Collective Agreements which did not include provisions for Teachers Teaching on Call or Casual Employees.

Special Purpose Fund: The decrease of \$4.4M in salaries in the special purpose fund is primarily due to the large amount of COVID-19 related funding received in the prior year. This funding was approximately \$4.2M in salaries last year. In addition, we received less CEF funding in 21/22 resulting in less salary expenditures of \$471k. CEF funded 104.7FTE in 2020/21 in comparison to 92.2FTE in 2021/22.

Salaries Budget Comparison: The \$1.2M decrease from the budget is primarily due to timing of when positions are budgeted and actually filled as the budget will include a year's worth of salary, but a position may not be filled for an entire year. In addition, the budget uses an average teacher salary, however the actual salary amounts will vary depending on the experience level of the teachers hired. This decrease was offset by a higher-than-expected amount of substitute salaries. As noted above, this is largely due to the impacts of COVID-19 and the changes to the ESA.

Benefits:

Benefits have increased \$1.9M from prior year and are \$746k less than budget. The increase in benefits is due to the variance explanations as noted under salaries above. The variance from budget is primarily due to the fact that the budget does not include the recognition of any change in the benefit premium balance as it is unknown at the time the budget is prepared and is dependent on the actual usage of the benefit plans. In 2021/22 our benefit balance was adjusted down by \$225k.

Services & Supplies:

Overall services & Supplies are \$204k higher than last year, and \$4M less than budget. The \$204k variance is made up of an increase in spending in the operating fund of \$1.6M, an increase in spending in Special Purpose Funds of \$489k, offset by a decrease in the Capital Fund of \$1.8M.

Operating Fund: The increase in the operating fund is primarily due to an increase in International Student Education department costs for agent fees, medical fees and supplies (\$687k), as well as an increase in professional development/travel costs (\$148k), an increase in utilities (\$468k), increase in dues and fees (\$130k), and an increase in professional fees (\$40k)

Special Purpose Fund: The increase in supplies/services purchased in the Special Purpose Fund is primarily due to an increase in spending of school generated funds (\$974k), increase in spending of funds received from the Ministry of Tourism, Arts, Culture and Sport for the After School Sport and Arts Initiative (\$86k), and a decrease due to the reduction in the funds received in 2021/22 Federal Safe Return to School Funds (\$613k).

Capital Fund: The variance in the capital fund of \$1.8M is due to the costs incurred in the prior year to demolish the CRC-Library building at 420/430 Selby Street.

Services and Supplies Budget Comparison: The variance from budget is primarily due to the fact that the budget does not take into consideration purchases that end up being classified as a capital addition rather than a supply item therefore expenditures seem less than anticipated. The district purchased \$1.3M in capital assets out of the operating fund, and \$444k out of special purpose funds during the year. In addition, with the allocation of the prior year's surplus balance there were a large number of items that were in the budget as supplies but subsequently moved over to Local Capital for approved initiatives. This makes the supply line appear underspent compared to the budget as they flow through the financial statements as a capital addition rather than an operating expense.

Amortization Expense:

Amortization expense has increased following significant capital asset purchases in 2021/22 and the completion of various projects that were still in progress at the 2020/21 year-end.

Factors bearing on School District 68's future and other potentially significant matters

RISKS AND UNCERTAINTIES

COVID-19: While we are highly optimistic about the future and see 2022/23 as a year we will recover as well as reconnect with our students, our stakeholders, and our community, there are still many lingering complexities as a result of COVID-19 that could have an impact on the future operations of the district such as replacement costs being higher than before and the lack of human capital as is seen throughout the province where staff shortages are affecting all sectors.

Enrolment: Student enrolment is the most critical input for determining the district's operating funding from the Province. Accurate estimates of enrolment are key for staff and space capacity planning, as well as district budgeting. We anticipate that we will continue to see an increase in enrolment and that students will continue to reconnect to their brick-and-mortar schools from distributed learning over the 2022/23 school year.

Ministry of Education funding formula review: In October 2017, the Ministry of Education launched a review of the K-12 public education funding model to consider whether there was a better way to allocate operating funding to Boards of Education. In 2018, the Province appointed an Independent Review Panel to undertake a review of how public education is funded for the first time in almost 30 years. The review involved input and consultation from all 60 school districts and over 350 education stakeholders. The Panel presented a final report on December 18, 2018, with 22 recommendations along three themes: equity, accountability and financial management. To understand what these recommendations meant for students in the classroom, working groups were established in spring 2019; members included parents, teachers, inclusive education advocacy groups and Indigenous education partners. Final Working Group reports were completed in October 2019, and partners noted that some of the recommendations would be relatively straightforward to implement, while others – like how Government funds inclusive education or online learning – would require extensive work to ensure there would be no negative, unintended consequences for students. Ministry intends to implement the recommendations in two phases, phase one has been completed and included 12 of 22 recommendations. No major changes to the Funding Allocation System (FAS), with the exception of one additional supplement, came out of those recommendations.

In 2021-22 districts were required to have an Accumulated Operating Surplus Policy in place as well as were directed to begin working on a Financial Planning and Reporting Policy which directs boards to develop multi-year financial plans that identify how resources and operational funding will support their strategic plan. As we had already implemented an Accumulated Operating Surplus Policy in 2018, we have performed a review of our policy and revised it to align with the new Ministry guidelines. We are now in the process of finalizing our Financial Planning and Reporting Policy with the draft currently with the Policy Committee. We will begin our multi-year financial planning in 2022-23.

OPPORTUNITIES

Long Range Facilities Plan: The district's long-range facilities plan is a key input for Board and staff decisions related to capacity planning in schools and other district facilities. The Board of Education approved the Long-Range Facilities Plan (LRFP) on May 26, 2021. The revised plan focuses on ensuring the district can continue to support the expected enrolment growth, addressing the condition of aging facilities, and enhancing district programs. In order to mitigate the risk of future capacity issues, the Board has completed a consultation process with respect to addressing capacity issues with potentially impacted communities in the north end of the district and has directed staff to initiate a consultation process to address potentially impacted communities in Ladysmith.

For further information please see note the following website address for an update on the [Long Range Facilities Plan](#) where the document is referred to as *Monitoring our Progress*.

International Student Education: We are seeing more interest in our International Student Education program where historically many of our student population comes from China, in 2022/23 we have many students joining us from Europe, Turkey, Brazil and Mexico. Through the pandemic this program shrunk to approximately 120 students and is anticipated to reach approximately 376 in 2022/23.

New Child Care Sites: In addition to the commitments entered into in previous years, the district entered into additional commitments in 2021/22 to develop childcare sites, through capital funding provided by the Ministry of Education and Child Care. The terms vary from 5 to 15 years depending on the site. It is anticipated that approximately 687 child care spaces will be created as a result of this project over fourteen sites. The first site is expected to be operational in the fall of 2022 with others during the 2022/23 fiscal year as they are completed.

Technology: The District continues to restrict funds towards the annual technology plan which provides for digital learning devices, software applications, hardware, Wi-Fi and network maintenance. In 2022/23 the district is looking to continue to allocate substantial resources towards a multiyear Wi-Fi upgrade. The current infrastructure is highly outdated and has not been able to meet the demands of students and staff for some time. In addition, at the onset of the global pandemic districts were required to move instruction to an online platform, which emphasized the inadequacy of the current technology in place. In order to best support student learning, and proactively advance the district towards enhanced technology, the Wi-Fi project will continue to be high priority.

Overall, the increases in enrolment, aging facilities, space constraints and the restoration of the teacher collective agreement language will continue to drive needs in staffing, equipment and capital. Many of the uncertainties and opportunities listed above may enhance the district's journey in the transformation in education, improving graduation rates and improving life chances for students.



Contacting School District 68's Financial Management

This financial report is designed to provide SD68 stakeholders with a general overview of SD68 finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Secretary Treasurer's office.

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BACK TO MENU 