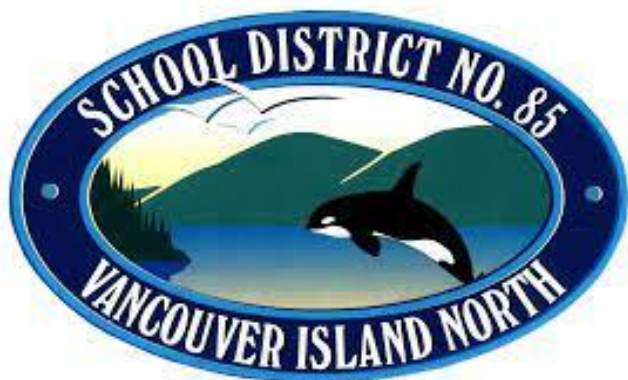


FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

For the year ended June 30, 2021



School District No. 85
Vancouver Island North



Table of Contents

Introduction	2
The School District	2
Understanding The School District No. 85 Financial Statements	3
District Enrollment	4
Employees	5
Statement of Financial Position	5
Schedule 2: Operating Fund	7
Accumulated Operating Reserves	10
Schedule 3: Special Purpose Fund	11
Schedule 4: Capital Fund	12
Other Significant Matters	13
Contact Management	14



Introduction

The following is a discussion and analysis of School District No. 85's (the "District") financial performance for the fiscal year ended June 30, 2021. It is based on currently known facts, decisions and conditions. This report should be read in conjunction with the District's financial statements for the same period.

The School District

School District No. 85 (Vancouver Island North) Public Schools reside within the traditional territories of the Kwakwaka'wakw First Nation and includes a total of 22,416 square kilometres of the northern end of Vancouver Island and the adjacent mainland in British Columbia. This includes the communities of Port Hardy, Port McNeill, Fort Rupert, Coal Harbour, Port Alice, Sointula, Alert Bay, Woss Lake, Quatsino and Holberg. The District employs approximately 500 employees to support approximately 1,300 students across 10 schools.

The District is proud of its excellent programs, capable students, competent personnel, supportive communities and Aboriginal history and culture. Aboriginal culture has flourished on Vancouver Island North for thousands of years, largely due to the Kwak'wala speaking people who exhibit their rich heritage and continue to maintain and develop their culture and share it with the surrounding communities.

Our North Island communities support our schools in a variety of ways. The school events, fundraisers, and scholarships for graduating students all point to the phenomenal support our students and schools have from businesses, organizations, service groups, and individuals.

The governing body of the School District is a Board of Education (the "Board"), comprised of seven trustees who are each elected for a four-year term. Day-to-day matters are managed by the administrative staff and headed by the Superintendent of Schools. The Trustees, management, and staff work together to ensure student success by providing equal access and opportunities through student centered learning in an effective learning environment.

Our Mission

For every student to graduate with dignity, purpose, and options for the future and to bring learning to life through:

- ▶ Honouring all students, families, and communities through excellence in service.
- ▶ Transforming learning experiences through high quality instructional practice and effective leadership
- ▶ Promote respectful and engaged relationships among and between the Board of Education, employees, students, families, and communities.
- ▶ Ensure relevant and meaningful learning for each individual student.
- ▶ Support and promote self, staff, and district-directed professional growth

Our Values

Professionalism ▶ Pedagogy ▶ Trust ▶ Learning ▶ Diversity ▶ Equity



Understanding The School District No. 85 Financial Statements

The District's financial statements have been prepared in accordance with the Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board. Significant accounting policies are summarized in Note 2 of the financial statements.

The financial statements are prepared using 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 financial statements represent a consolidation of three separate funds: operating, special purpose, and capital. Each fund differs with respect to the accounting methods used. Financial performance is difficult to ascertain in the audited statements as the three funds are combined; financial details of each fund are reported in the supplementary schedules that follow the notes to the financial statements.

Key Audited Statements

1. Statement of Financial Position (Statement 1): Summarizes financial and non-financial assets, liabilities, and accumulated surplus as at June 30, 2021.
2. Statement of Operations (Statement 2): Summarizes revenues recognized and expenses incurred during the year ended June 30, 2021.
3. Statement of Changes in Net Debt (Statement 3): Summarizes the effect of changes in non-financial assets and the operating surplus on net debt during the year ended June 30, 2021.
4. Statement of Cash Flows (Statement 4): Summarizes the uses and receipts of cash during the year ended June 30, 2021.

As the Statement of Financial Position and Statement of Operations will be of particular concern to the users of the financial statements, the focus of this discussion and analysis will be on these two statements.

The notes to the financial statements provide information regarding the District's accounting policies and details what is included within 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, described as follows:

Schedule 1: Changes in Accumulated Surplus (Deficit)

The Schedule of Changes in Accumulated Surplus (Deficit) summarizes the allocation of the net surplus (deficit) for the current year and the accumulated ending balance in each of the three funds (Operating, Special Purpose, and Capital Funds).



Schedule 2: Operating Fund

The Operating Fund accounts for the District’s daily operating transactions, including both administrative and school functions. Annual and accumulated surplus from operations are important indications of the District’s financial health. School districts are unable to incur an accumulated deficit; when the District has an available accumulated surplus balance, those funds are available to use for future expenses and to reduce the financial risk relating to unforeseen circumstances.

Schedule 3: Special Purpose Fund

Special Purpose funds are funds that are restricted for a specific purpose. These funds do not result in an accumulated surplus position; instead, they are accounted for as deferred revenue (using the deferral method), wherein revenue is only recognized when expenses are incurred. If expenses for a program within a special purpose fund exceed the revenues received, the deficit must be transferred to the operating or capital fund based on the nature of the expenditure.

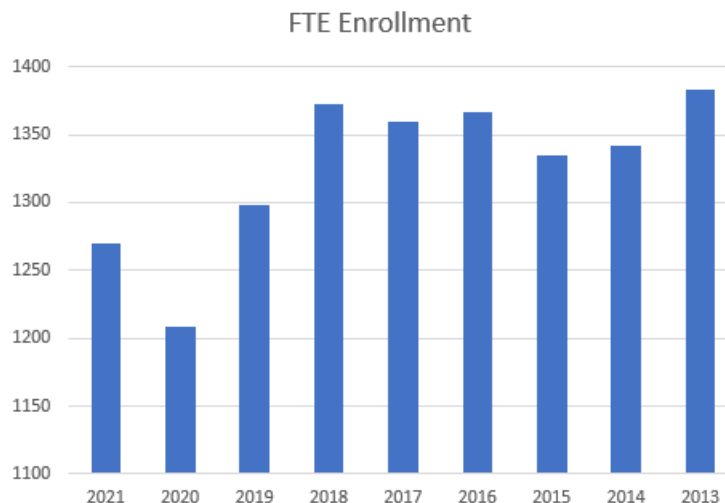
Schedule 4: Capital Fund

The Capital Fund reports investments in and financial activities related to tangible capital assets, including sites, buildings, furniture, equipment, vehicles, and computers. Capital contributions are accounted for using the deferral method, and recognition of capital funding revenue is spread out over the life of the related capital asset on the same basis as the asset’s amortization expense. As such, capital fund revenues, expenses, and surplus (deficit) are not meaningful measurements of the District’s financial performance during the year.

District Enrollment

The district has seen enrollment vary over the last 10 years. The 2020 school year had unusually low enrollment, which then returned to a higher level in 2021.

	2021	2020	Variance
School Age	1,264.1875	1,205.375	58.8125
Adult	5.3750	3.000	2.3750
Total FTE	1,269.5625	1,208.375	61.1875





Employees

Salaries are the District’s highest operational expense. The table below summarizes the number of employees reported annually to the Ministry of Education.

	2021	2020	Variance
Teachers	82.45	77.22	5.23
Principals and Vice Principals	15.00	15.00	0.00
Educational Assistants	46.00	44.00	2.00
Support Staff	51.00	51.00	0.00
Other Professionals	13.00	13.00	0.00
Total Staffing	207.45	200.22	7.23

The increase in teachers and educational assistants in 2021 was required to support the additional students in 2021.

Statement of Financial Position

	June 30, 2021 Actual	June 30, 2020 Actual	Increase (Decrease)	Increase (Decrease)
	\$	\$	\$	%
Financial Assets				
Cash and Cash Equivalents	7,549,147	6,628,454	920,693	14%
Accounts Receivable				
Other	123,791	70,828	52,963	75%
Portfolio Investments	8,500	9,074	- 574	-6%
Total Financial Assets	7,681,438	6,708,356	973,082	15%
Liabilities				
Accounts Payable and Accrued Liabilities				
Other	2,262,248	1,994,592	267,656	13%
Deferred Revenue	427,014	321,819	105,195	33%
Deferred Capital Revenue	22,765,346	21,433,483	1,331,863	6%
Employee Future Benefits	1,495,308	1,526,569	- 31,261	-2%
Total Liabilities	26,949,916	25,276,463	1,673,453	7%
Net Debt	(19,268,478)	(18,568,107)	(700,371)	4%
Non-Financial Assets				
Tangible Capital Assets	32,873,070	31,772,617	1,100,453	3%
Prepaid Expenses	164,095	62,638	101,457	162%
Total Non-Financial Assets	33,037,165	31,835,255	1,201,910	4%
Accumulated Surplus (Deficit)	13,768,687	13,267,148	501,539	4%

Financial Assets

Cash and cash equivalents has increased primarily due to the current year’s operating surplus, adjusted for amortization expense. Other Accounts Receivable are amounts owed to the District; the balance has primarily increased due to four months of GST rebates being receivable from the Canada Revenue Agency at year-end.



Liabilities

Accounts payable increased primarily due to severance payments that were outstanding at year-end. Deferred revenue includes unspent grants and contributions received that are related to special purpose funds – due to the impacts of COVID-19, not all planned expenditures and projects could be completed during the current year, thus resulting in an increase to deferred revenues.

Deferred capital revenue includes grants and contributions received that are restricted for the acquisition of tangible capital assets; once spent, these funds are deferred and recognized in revenue over the life of the asset acquired. This account increased due to capital funding received from the Ministry of Education during the year, primarily for the purchase of two new school buses and renovations to the NISS science laboratory, which exceeded the amortization of deferred balances recognized as revenue.

Employee Future Benefits is calculated by an actuary and includes service costs, interest, benefit payments, employer contributions, and actuarial gains.

Non-Financial Assets

Tangible capital assets (TCA) are non-financial assets used in providing the District's services and include buildings, equipment, furniture, computers, and vehicles purchased, constructed or contributed to the District. The balance in the financial statements is the historical cost of the assets less accumulated amortization to June 30, 2021. The increase to the balance is due to capital additions for the year exceeding amortization recorded. Significant capital additions made during fiscal 2021 include the following:

- ▶ New playground equipment (approximately \$127K)
- ▶ Gym floor replacements (approximately \$238K)
- ▶ Two new school buses (approximately \$412K)
- ▶ Renovations to the North Island Secondary School science laboratory (approximately \$1.5M)

Prepaid expenses increased primarily due to a higher IT services prepayment compared to the prior year.

Accumulated Surplus (Deficit)

Accumulated surplus or deficit represents the net assets or debt of the District. The District had a surplus for the 2021 fiscal year and continues to be in an accumulated surplus position heading into fiscal 2022.



Schedule 2: Operating Fund

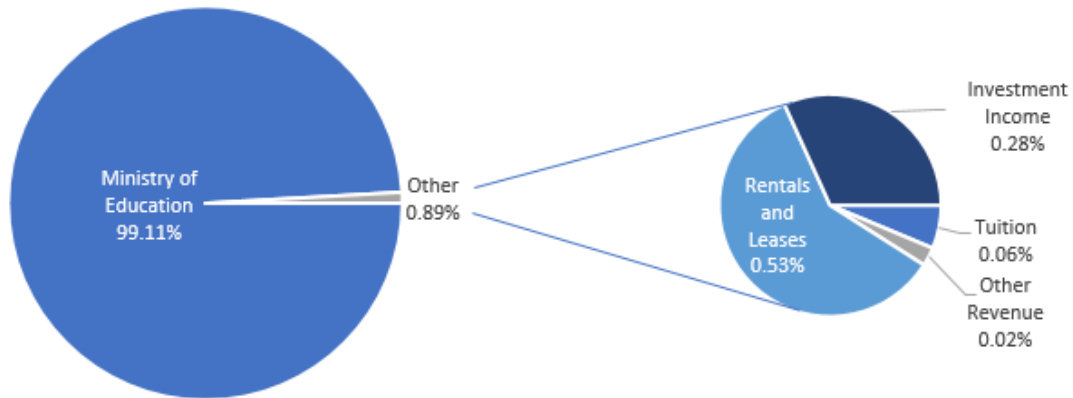
	2021 Budget	2021 Actual	2020 Actual	Variance to Budget	Variance to 2020
	\$	\$	\$	\$	\$
Revenues					
Provincial Grants					
Ministry of Education	19,315,809	19,394,246	18,904,303	78,437	489,943
Tuition	5,500	11,000	-	5,500	11,000
Other Revenue	4,000	4,763	260	763	4,503
Rentals and Leases	94,853	103,431	111,641	8,578	(8,210)
Investment Income	80,000	55,495	83,552	(24,505)	(28,057)
Total Revenue	19,500,162	19,568,935	19,099,756	68,773	469,179
Expenses					
Instruction	14,577,798	13,708,592	13,550,607	(869,206)	157,985
District Administration	1,253,456	1,457,397	1,140,252	203,941	317,145
Operations and Maintenance	3,086,648	2,988,885	2,655,971	(97,763)	332,914
Transportation and Housing	792,129	637,874	583,603	(154,255)	54,271
Total Expense	19,710,031	18,792,748	17,930,433	(917,283)	862,315
Operating Surplus (Deficit) for the year	(209,869)	776,187	1,169,323	986,056	(393,136)
Budgeted Appropriation (Retirement) of Surplus (Deficit)	409,869				
Net Transfers (to) from other funds					
Local Capital	(200,000)	(200,000)	(200,000)	-	-
Total Net Transfers	(200,000)	(200,000)	(200,000)	-	-
Total Operating Surplus (Deficit), for the year	-	576,187	969,323	576,187	(393,136)
Operating Surplus (Deficit), beginning of year	-	2,829,924	1,860,601		969,323
Operating Surplus (Deficit), end of year	-	3,406,111	2,829,924		576,187
Operating Surplus (Deficit), end of year					
Internally Restricted	-	1,082,719	652,346		430,373
Unrestricted	-	2,323,392	2,177,578		145,814
Total Operating Surplus (Deficit), end of year	-	3,406,111	2,829,924		576,187

Revenues

Total operating revenues for the District were approximately \$19.5M for the 2021 fiscal year. Ministry of Education funding makes up 99% of total operating revenue for the District; as such, the District is heavily reliant on Ministry funding and, more specifically, the Operating Grant, which is calculated primarily on student enrollment.



Revenues (continued)



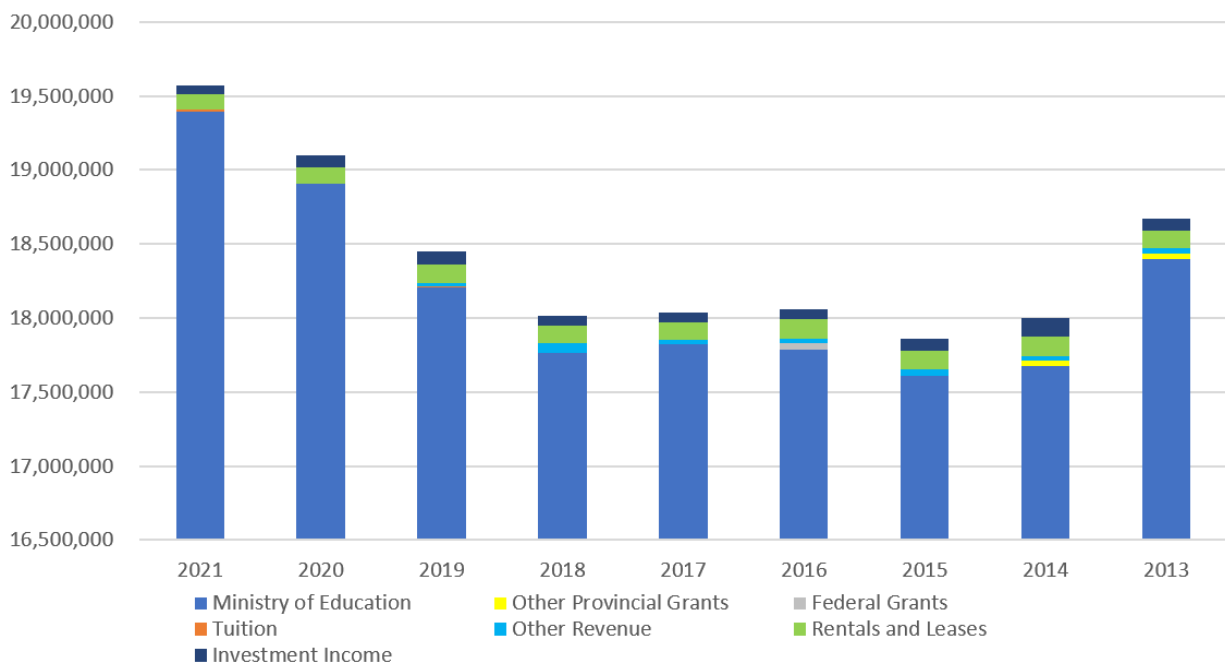
Grants from the Ministry of Education increased by 0.41% compared to budget and 2.59% compared to the prior year.

The majority of this increase is due to funding for First Nation Student Transportation being recognized in the current year and the new Safe Return to School and Class funding which was received to provide additional support and offset additional expenditures relating to COVID-19. In addition to these new funding streams being recognized in the current year, the Operating Grant also increased.

Investment income was under budget and lower than the prior year due to interest rate decreases resulting from COVID-19 impacting the entire year rather than a few months as was the case in the prior year.

Total revenue increased as compared to the prior year primarily due to the additional Ministry funding, as noted above.

Revenue by Category





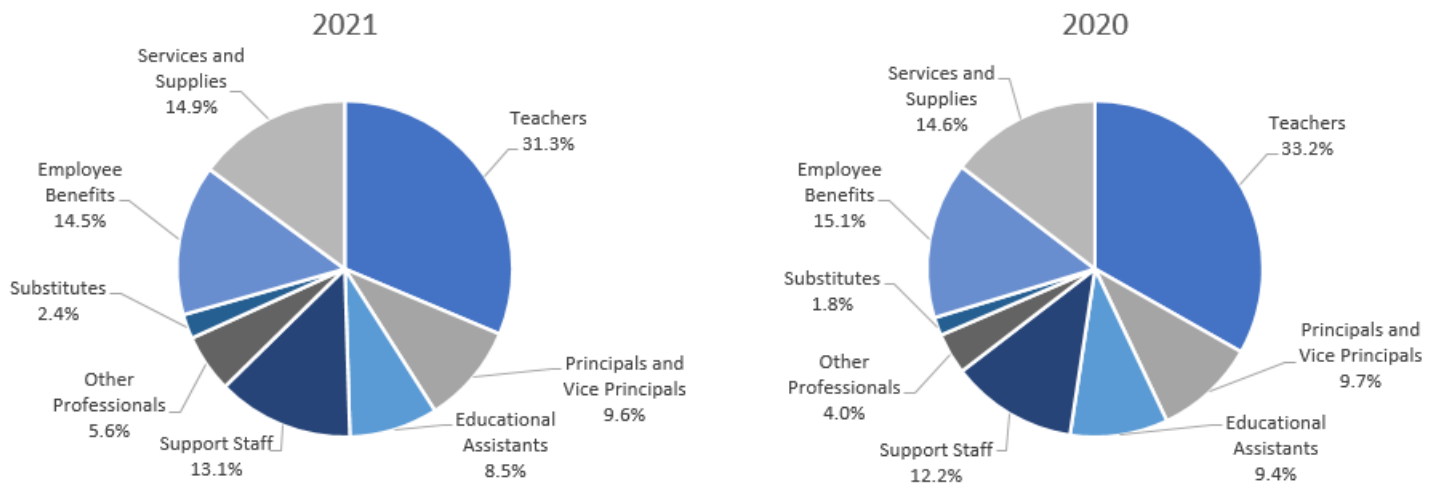
Expenses

85% of the District’s expenses are related to salaries and benefits, with most salaries (44%) being paid to teachers. The remaining 15% of operating expenses are related to services and supplies, including student transportation, professional development and training, insurance, utilities, and other services and supplies.

Overall, operating expenses were lower by 5% compared to budget, but increased by 5% compared to the prior year. The decrease compared to budget is primarily due to less professional development being undertaken, as a number of in-person conferences and courses were cancelled or went virtual as a result of the outbreak of COVID-19. Further, there was significant uncertainty around the amount of additional supplies that would be required during the year to combat the spread of COVID-19, and actual cost were lower than budgeted.

The overall increase year over year is primarily due to increased salaries and wages as a result of severance pay accrued in the current year and salary and wage increases in line with collective bargaining agreements. Additionally, there were higher than average janitorial and cleaning costs when compared to the prior year in response to the pandemic and to help slow the spread of COVID-19 within schools.

Operating Expenses by Object

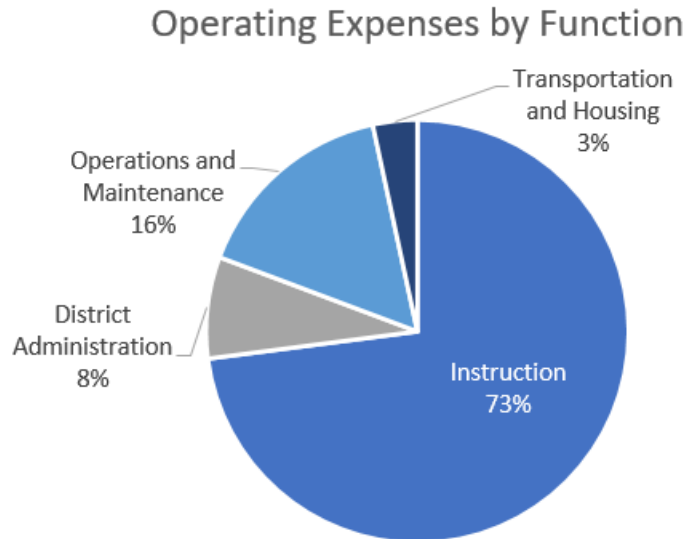




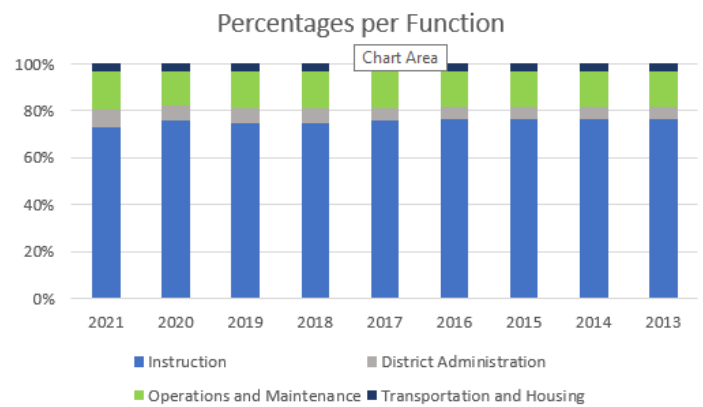
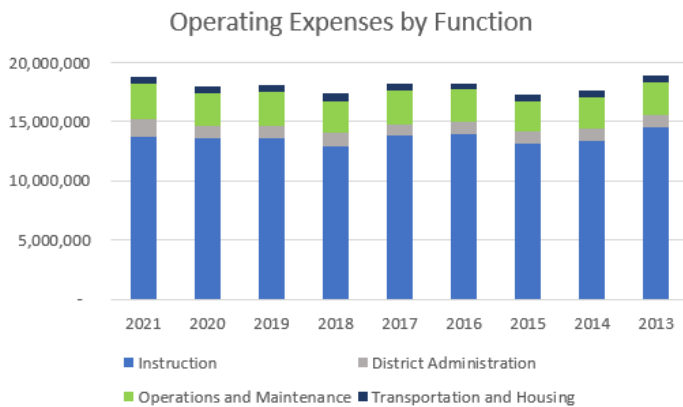
Operating Expenses by Function

The District’s expenses can be reviewed by function; the four functions are as follows:

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



The operating expenses by function as a percentage of the total have remained steady over the last nine years.



Surplus

The District ended the 2021 fiscal year with an operating surplus of approximately \$576K. The budget included an appropriation of surplus of approximately \$410K to support operations and a transfer to local capital; however, this appropriation was not required due to the operating surplus being higher than anticipated.

Accumulated Operating Reserves

Policy No. 3-70 Accumulated Operating Surplus states that the Board of Education is responsible for ensuring the District is protected financially from extraordinary circumstances which would negatively impact school district operations and the education of students.



Accumulated Operating Reserves (continued)

The Accumulated Operating Surplus therefore includes a contingency reserve to increase fiscal stability and better support educational goals by mitigating short-term volatility and providing a contingency for unexpected costs. Policy No. 3-70 states that a contingency reserve not exceeding 4% of operating expenditures may be maintained.

As at June 30, 2021 the District had approximately \$3.406M in Accumulated Operating Surplus, of which approximately \$1.082M is internally restricted for specific purposes and approximately \$2.323M is unrestricted.

The breakdown of the restricted operating surplus is as follows:

Appropriation to 2021-2022 Annual Budget	\$ 812,288
District Budgets Carried Forward	\$ 167,953
School-Based Budgets Carried Forward	\$ 78,682
Pro-D Allocations Carried Forward	\$ 23,796
<u>Internally Restricted Surplus</u>	<u>\$ 1,082,719</u>

An Unrestricted Accumulated Operating Surplus of approximately \$2.323M is 12.4% of the 2021 annual operating expenses.

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Internally Restricted	1,082,719	652,346	795,537	729,861	478,617	734,048	728,715	827,762	348,943
Unrestricted	2,323,392	2,177,578	1,065,064	791,791	380,410	441,957	1,090,481	962,942	1,382,228
<u>Total Operating Surplus</u>	<u>3,406,111</u>	<u>2,829,924</u>	<u>1,860,601</u>	<u>1,521,652</u>	<u>859,027</u>	<u>1,176,005</u>	<u>1,819,196</u>	<u>1,790,704</u>	<u>1,731,171</u>
Unrestricted Surplus as a Percentage of Annual Operating Expenses	12.4%	12.1%	5.9%	4.6%	2.1%	2.4%	6.3%	5.5%	7.3%

Schedule 3: Special Purpose Fund

Special Purpose Funds are used to track funding with a designated purpose. The balances can be deferred to subsequent years if their purpose is not fulfilled. Some of the funds may require Ministry approval to carry forward and other funds that carry a surplus at the end of the year may reduce the funding received in the next fiscal year. The School District did not experience any potential loss of funding in 2021.

Schedule 3A summarizes the transactions for the year. The table below summarizes the deferred revenue transactions within the special purpose fund:



	Deferred Revenue, beginning of year	Additions	Allocated to Revenue	Deferred Revenue, end of year	Expenses	Net Revenue Before Interfund Transfers
Ministry of Education						
Annual Facility Grant	-	148,378	(148,378)	-	11,051	137,327
Changing Results for Young Children	5,992	11,250	(12,548)	4,694	12,548	-
Classroom Enhancement Fund - Overhead	-	122,970	(122,970)	-	122,970	-
Classroom Enhancement Fund - Remedies	4	97,695	(18,993)	78,706	18,993	-
Classroom Enhancement Fund - Staffing	-	1,238,793	(1,238,793)	-	1,238,793	-
CommunityLINK	-	322,035	(322,035)	-	322,035	-
Federal Safe Return to Class Fund	-	494,034	(494,034)	-	494,034	-
First Nation Student Transportation	30,316	30,379	(30,316)	30,379	30,316	-
Learning Improvement Fund	-	67,768	(67,768)	-	67,768	-
Mental Health in Schools	-	57,000	(45,546)	11,454	45,546	-
OLEP	-	8,856	(8,856)	-	8,856	-
Ready, Set, Learn	-	17,150	(9,602)	7,548	9,602	-
Safe Return to School Grant	-	131,051	(131,051)	-	131,051	-
Strong Start	-	96,000	(96,000)	-	96,000	-
Total - Ministry of Education	36,312	2,843,359	(2,746,890)	132,781	2,609,563	137,327
Other Special Purpose Funds						
Scholarships and Bursaries	12,525	2,420	(5,300)	9,645	5300	-
School Generated Funds	272,982	281,251	(269,645)	284,588	269,645	-
Total - Other Special Purpose Funds	285,507	283,671	(274,945)	294,233	274,945	-
Total	321,819	3,127,030	(3,021,835)	427,014	2,884,508	137,327

Schedule 4: Capital Fund

The District invested approximately \$2.6 million in capital purchases during the year.

Purchases	Sites	Building	Furniture and Equipment	Vehicles	Computer Software	Computer Hardware	Total
Deferred Capital Revenue - Bylaw	-	2,006,038	125,000	341,701	-	-	2,472,739
Special Purpose Funds	-	137,327	-	-	-	-	137,327
Local Capital	-	-	4,518	35,104	-	5,273	44,895
Total Additions	-	2,143,365	129,518	376,805	-	5,273	2,654,961

Specific balances in the Capital Fund are as follows:

Deferred Revenue	June 30, 2021	June 30, 2020	Change
Bylaw Capital	22,620,052	21,276,411	1,343,641
Other Provincial	130,881	144,316	(13,435)
Other Capital	-	-	-
Total	22,750,933	21,420,727	1,330,206



Schedule 4: Capital Fund (continued)

Bylaw Capital includes approved Ministry of Education funding for capital projects that has been received and invested in tangible capital assets. All Bylaw Capital funding received during the year was spent on capital additions.

Other Provincial includes funding from capital grants received under other provincial programs, such as Ministry of Children and Family Development funding.

There are two capital surplus accounts: Local Capital and Invested in Tangible Capital Assets.

- ▶ The **Local Capital** fund represents accumulated surpluses designated to fund the purchase of tangible capital assets. This balance can increase if the Board approves a motion to transfer operating surpluses to Local Capital, or in the event that the District receives an unrestricted portion of sales or property.
- ▶ The **Invested in Tangible Capital Assets** fund represents capital investments that were funded by operating or special purpose funds. As an asset is amortized, the surplus will decrease. This balance represents unamortized costs rather than funds that are available for other purposes.

Capital Surplus	June 30, 2021	June 30, 2020	Change
Invested in Tangible Capital Assets	10,122,137	10,351,890	(229,753)
Local Capital	240,439	85,334	155,105
Fund Balance	10,362,576	10,437,224	(74,648)

The increase to local capital is a result of unrestricted transfers for capital additions during the year and the decrease to the balance invested in tangible capital assets is a result of current year amortization of assets exceeding revenues recognized.

Other Significant Matters

COVID-19 Pandemic

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020 and has had a significant impact on the District’s operations. Under direction of the Provincial Health Officer, all schools suspended in-class instruction in March 2020 and welcomed students back to school on a gradual and part-time basis beginning June 1, 2020, and full-time beginning September 1, 2020 with new health and safety guidelines. As the situation is dynamic and the ultimate duration and magnitude of the impact is unknown, an estimate of the future financial effect on the District is not practicable at this time. However, the following areas are of notable risk and will be reviewed by the Board and adjusted during the budget cycle as required:

- ▶ Uncertainty surrounding the long-term impacts on Ministry funding.
- ▶ Potential impairment of receivables.
- ▶ Reduction in investment income as a result of declining interest rates.
- ▶ Delays in completing capital project work.
- ▶ Increased staffing costs to compensate for sick leaves and temporary staff.
- ▶ Increased facility maintenance costs relating to additional cleaning required.



Other Significant Matters (continued)

Coal Harbour and Woss Lake Building Demolition

The School District has inquired as to the demolition and abatement costs associated with the Coal Harbour and Woss Lake schools which were thought to have asbestos and other materials requiring appropriate abatement and demolition activities.

During the year, the School District received an estimate from a third-party contractor that estimated the demolition and abatement costs associated with the two facilities to be approximately \$1.88 million.

Subsequent to year end, the School District has succeeded in acquiring funding from the Ministry of Education to fund the demolition and abatement costs of the two facilities, however it is unknown at this time if actual costs will exceed estimate.

Purchase of School Buses

The School District purchased two new school buses during the year. One of the new buses is fully electric; this is the first electric bus that the School District has purchased.

Strategic Plan

A new Strategic Plan was implemented beginning in fiscal 2020, which will guide the District's financial priorities and resources until 2025.

Funding Model Review

In 2018, the Ministry of Education began a review of the current funding formula which ended with a list of 22 recommendations along three themes: equity, accountability, and financial management. Though a phased implementation approach is being taken, we do not currently know the full financial implication of the recommendations.

Contact Management

This financial report was completed with the purpose of providing a general overview of the School District's finances as at June 30, 2021 and to demonstrate the District's accountability for the funding it receives.

If you have any questions about this report, please contact the Secretary-Treasurer's office at 250-949-6618.