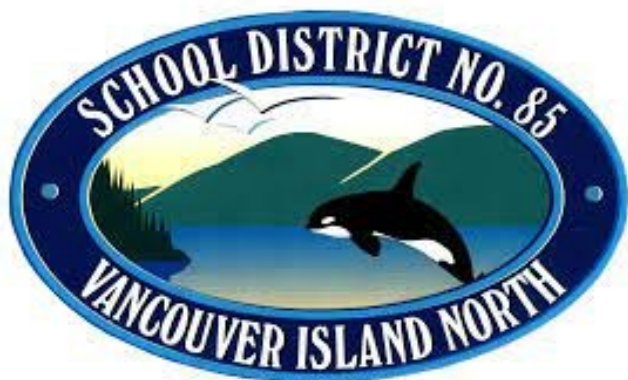


# FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

For the year ended June 30, 2024



School District No. 85  
Vancouver Island North



## Table of Contents

<b>Introduction</b> .....	2
<b>The School District</b> .....	2
<b>Understanding the School District No. 85 Financial Statements</b> .....	3
<b>District Enrollment</b> .....	4
<b>Employees</b> .....	5
<b>Statement of Financial Position</b> .....	5
<b>Schedule 2: Operating Fund</b> .....	8
<b>Accumulated Operating Reserves</b> .....	12
<b>Schedule 3: Special Purpose Fund</b> .....	12
<b>Schedule 4: Capital Fund</b> .....	13
<b>Significant Matters</b> .....	14
<b>Contact Management</b> .....	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, 2024. 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 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 270 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 3 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. The financial performance of each fund 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, 2024.
2. Statement of Operations (Statement 2): Summarizes revenues recognized and expenses incurred during the year ended June 30, 2024.
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, 2024.
4. Statement of Cash Flows (Statement 4): Summarizes the uses and receipts of cash during the year ended June 30, 2024.

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.

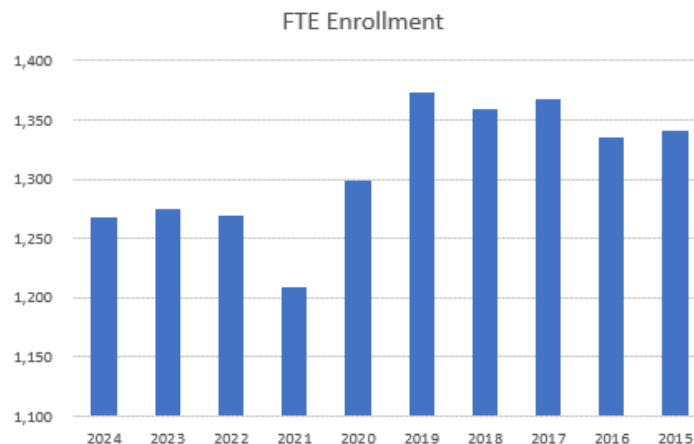
### Schedule 4: Capital Fund

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 2021 school year had unusually low enrollment due to the impacts of COVID-19 restrictions, and enrollment returned to a higher level in the following years when the District returned to in-person classes; enrollment has remained steady at this level since 2022.

	2024	2023	Variance
School Age	1,268	1,275	(7)
Adult	-	-	-
<b>Total FTE</b>	<b>1,268</b>	<b>1,275</b>	<b>(7)</b>





## Employees

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

	2024	2023	Variance
Teachers	89.00	86.00	3.00
Principals and Vice Principals	16.00	16.00	0.00
Educational Assistants	66.00	63.00	3.00
Support Staff	48.00	51.00	-3.00
Other Professionals	15.00	13.00	2.00
<b>Total Staffing</b>	<b>234.00</b>	<b>229.00</b>	<b>5.00</b>

## Statement of Financial Position

	June 30, 2024 Actual	June 30, 2023 Actual	Increase (Decrease)	Increase (Decrease)
	\$	\$	\$	%
<b>Financial Assets</b>				
Cash and Cash Equivalents	6,712,229	8,208,661	(1,496,432.00)	-18%
Accounts Receivable				
Other	60,081	63,790	(3,709.00)	-6%
<b>Total Financial Assets</b>	<b>6,772,310</b>	<b>8,272,451</b>	<b>(1,500,141.00)</b>	<b>-18%</b>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities				
Other	2,462,615	2,487,787	(25,172.00)	-1%
Deferred Revenue	743,648	598,661	144,987.00	24%
Deferred Capital Revenue	27,943,977	25,735,297	2,208,680.00	9%
Employee Future Benefits	1,583,102	1,551,181	31,921.00	2%
Asset Retirement Obligation	4,048,585	4,048,585	-	0%
<b>Total Liabilities</b>	<b>36,781,927</b>	<b>34,421,511</b>	<b>2,360,416.00</b>	<b>7%</b>
<b>Net Debt</b>	<b>(30,009,617)</b>	<b>(26,149,060)</b>	<b>(3,860,557.00)</b>	<b>15%</b>
<b>Non-Financial Assets</b>				
Tangible Capital Assets	38,174,855	36,135,219	2,039,636.00	6%
Prepaid Expenses	126,506	144,548	(18,042.00)	-12%
<b>Total Non-Financial Assets</b>	<b>38,301,361</b>	<b>36,279,767</b>	<b>2,021,594.00</b>	<b>6%</b>
<b>Accumulated Surplus (Deficit)</b>	<b>8,291,744</b>	<b>10,130,707</b>	<b>(1,838,963.00)</b>	<b>-18%</b>



## Financial Assets

Cash and cash equivalents have decreased as a result of funds spent on capital additions and the increase in Teachers' wages. Capital additions included the roof upgrade to North Island Secondary School, replacement of maintenance vans, window replacement at AJ Elliot Elementary and work completed at Woss Elementary. An increase in Teacher's wages consistent with the terms of the collective agreement dated January 12, 2023 resulted in an increase of approximately \$2.5M in wages and benefits compared to the prior year.

## Liabilities

The year-over-year change to the liabilities balance is attributable to an increase of approximately \$2.2M to Deferred Capital Revenue. Deferred Capital Revenue includes grants and contributions received that are restricted for the acquisition of tangible capital assets; these funds are deferred and, once spent, they are recognized in revenue over the life of the asset acquired. This account increased due to general capital funding received during the year from the Ministry of Education and Child Care for the various capital projects undertaken during the year, which exceeded the amortization of deferred balances recognized as revenue.

Deferred revenue includes unspent grants and contributions received that are related to special purpose funds – not all planned expenditures and projects were completed during the current year, thus resulting in an increase to deferred revenue.

Employee Future Benefits is calculated based on an actuarial report and includes service costs, interest, benefit payments, employer contributions, and actuarial gains.

On July 1, 2022 the District adopted Canadian Public Sector Accounting Standard PS 3280 – Asset Retirement Obligations. Under this standard, which all public sector organizations are required to adopt, an organization is required to assess if they have assets that would incur costs upon their retirements – specifically those assets with asbestos in them, underground fuel or oil tanks, lead paint or other material demolition and retirement costs. Upon identification of these costs, regardless of the timeframe in which the costs are expected to be incurred, the District is required to accrue an estimated asset retirement obligation.

The liability at June 30, 2024 with respect to anticipated future asset retirement costs for the District is estimated to be approximately \$4M, primarily relating to the required remediation of asbestos in District owned buildings.



## 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 that are 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, 2024. The balance relates to capital additions for the year exceeding amortization recorded. Significant capital projects during fiscal 2024 include the following:

- ▶ North Island Secondary School Roof Upgrade (\$1.8M)
- ▶ AJ Elliot Elementary Window Upgrade (\$135K)
- ▶ Woss Elementary Renovation/Remediation (\$617K)
- ▶ Maintenance Van Replacement (\$164K)

## Accumulated Surplus (Deficit)

Accumulated surplus (deficit) represents the net assets or debt of the District. The District had an overall annual deficit for the 2024 fiscal year of approximately \$1.8M, reducing the District's accumulated surplus from approximately \$10.1M at June 30, 2023 to approximately \$8.3M at June 30, 2024.



## Schedule 2: Operating Fund

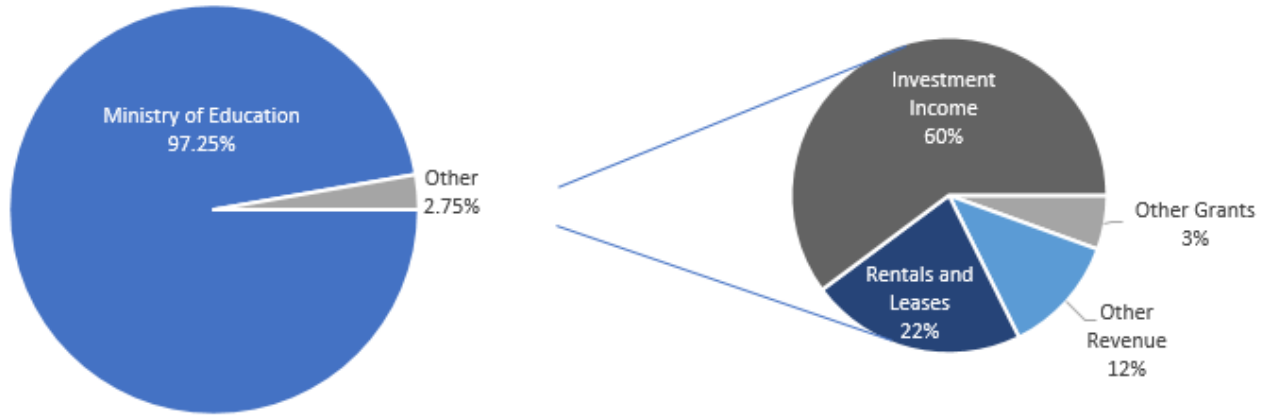
	2024 Budget	2024 Actual	2023 Actual	Variance to Budget	Variance to 2022
	\$	\$	\$	\$	\$
<b>Revenues</b>					
Provincial Grants					
Ministry of Education	21,060,935	21,136,207	20,266,188	75,272	870,019
Other	-	-	10,500	-	(10,500)
Tuition	-	33,000		33,000	33,000
Other Revenue		72,617	12,538	72,617	60,079
Rentals and Leases	103,000	132,103	125,690	29,103	6,413
Investment Income	250,000	359,107	251,891	109,107	107,216
<b>Total Revenue</b>	<b>21,413,935</b>	<b>21,733,034</b>	<b>20,666,807</b>	<b>319,099</b>	<b>1,066,227</b>
<b>Expenses</b>					
Instruction	18,344,934	17,489,897	15,360,776	(855,037)	2,129,121
District Administration	1,638,813	1,572,153	1,434,092	(66,660)	138,061
Operations and Maintenance	3,474,163	3,508,891	3,284,904	34,728	223,987
Transportation and Housing	761,597	733,867	702,051	(27,730)	31,816
<b>Total Expense</b>	<b>24,219,507</b>	<b>23,304,808</b>	<b>20,781,823</b>	<b>(914,699)</b>	<b>2,522,985</b>
<b>Operating Surplus (Deficit) for the year</b>	<b>(2,805,572)</b>	<b>(1,571,774)</b>	<b>(115,016)</b>	<b>1,233,798</b>	<b>(1,456,758)</b>
<b>Budgeted Appropriation (Retirement) of Surplus (Deficit)</b>	<b>3,205,572</b>				
<b>Net Transfers (to) from other funds</b>					
Local Capital	(400,000)	(400,000)	(400,000)	-	-
<b>Total Net Transfers</b>	<b>(400,000)</b>	<b>(400,000)</b>	<b>(400,000)</b>	<b>-</b>	<b>-</b>
<b>Total Operating Surplus (Deficit), for the year</b>	<b>-</b>	<b>(1,971,774)</b>	<b>(515,016)</b>	<b>(1,971,774)</b>	<b>(1,456,758)</b>
<b>Operating Surplus (Deficit), beginning of year</b>	<b>-</b>	<b>3,690,584</b>	<b>4,205,600</b>		<b>(515,016)</b>
<b>Operating Surplus (Deficit), end of year</b>	<b>-</b>	<b>1,718,810</b>	<b>3,690,584</b>		<b>(1,971,774)</b>
<b>Operating Surplus (Deficit), end of year</b>					
Internally Restricted	-	1,718,810	2,465,428		(746,618)
Unrestricted	-	-	1,225,156		(1,225,156)
<b>Total Operating Surplus (Deficit), end of year</b>	<b>-</b>	<b>1,718,810</b>	<b>3,690,584</b>		<b>(1,971,774)</b>

### Revenues

Total operating revenues for the District were approximately \$21.7M for the 2024 fiscal year. Ministry of Education and Child Care funding makes up 97% 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 based on student enrollment.



Revenues (continued)

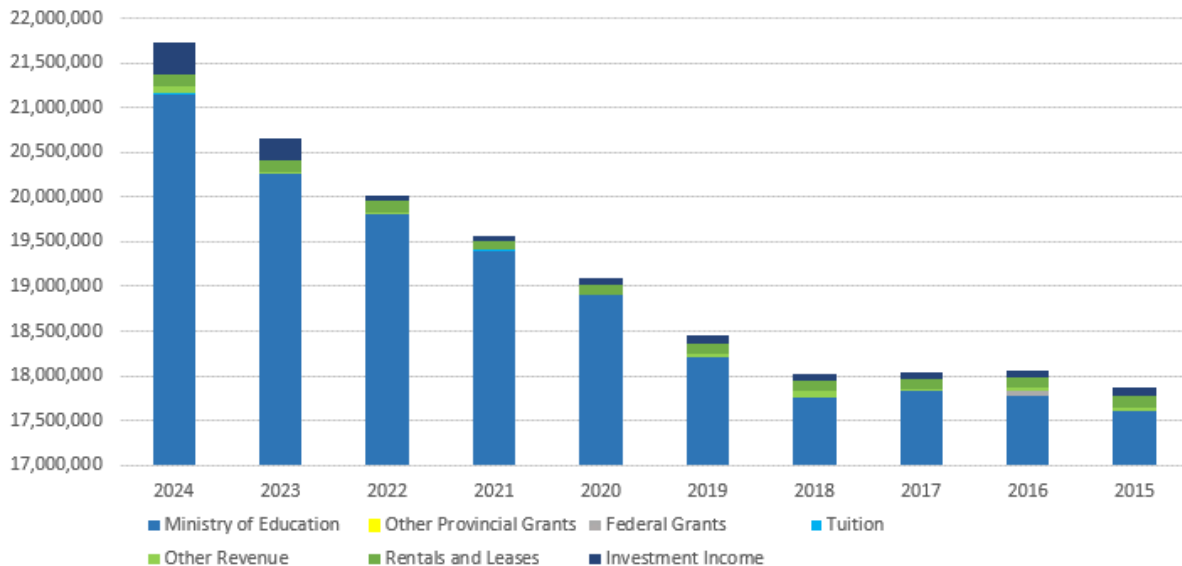


Grants from the Ministry of Education and Child Care increased by 0.36% compared to budget and 4.29% compared to the prior year.

The majority of the revenue increase is due to Ministry of Education and Child Care grants increasing by \$1.6M. The most notable grant programs include the Operating Grant (\$20.5M), CEF – Staffing (\$1.3M), Community Link (\$361K), Early Care and Learning (\$175K), and the Annual Facility Grant (\$136K).

Investment income increased compared to the prior year primarily due to the commercial prime rate being higher than the prior year, averaging 7.18% during the year; the District receives interest income on its bank accounts based on a floating interest rate.

Revenue by Category





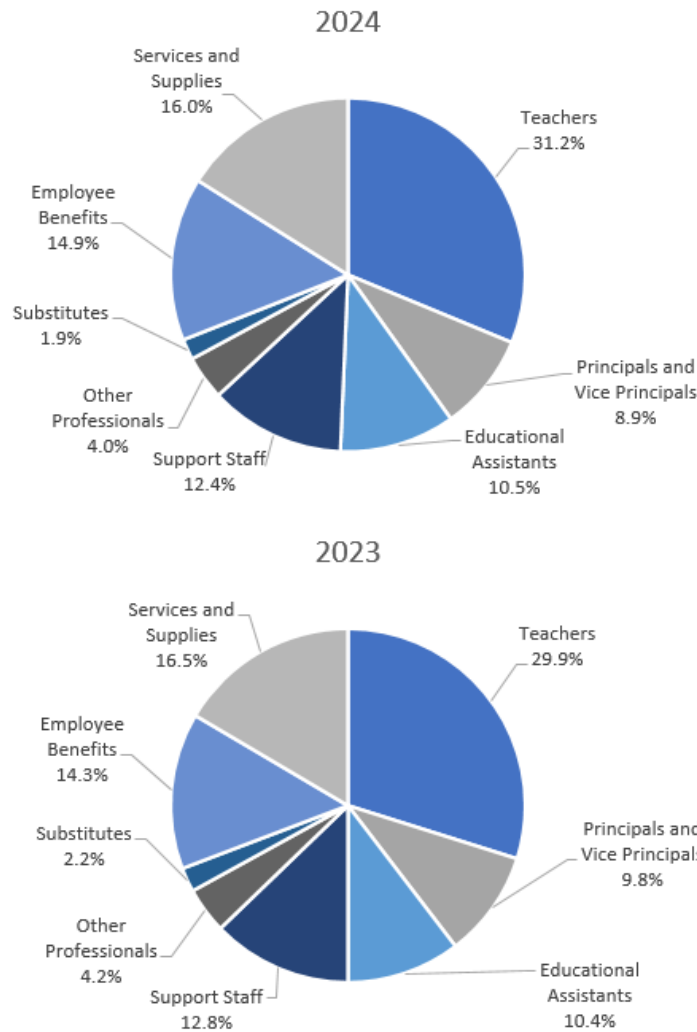
## Expenses

Approximately 84% of the District’s expenses are related to salaries and benefits, with most salaries (37% of total salaries) being paid to teachers, and those salaries making up 31% of the District’s total operating expenditures. The remaining 16% 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 3.8% lower than the budget but increased by 12.1% compared to the prior year. The decrease compared to budget is primarily due to Salaries and Benefits and Professional Development and Training being lower than anticipated as a result of there being several unfilled positions during the year.

The overall increase from the prior year is primarily due to the wage and benefit increase from the collective agreement ratified in the prior period.

### Operating Expenses by Object

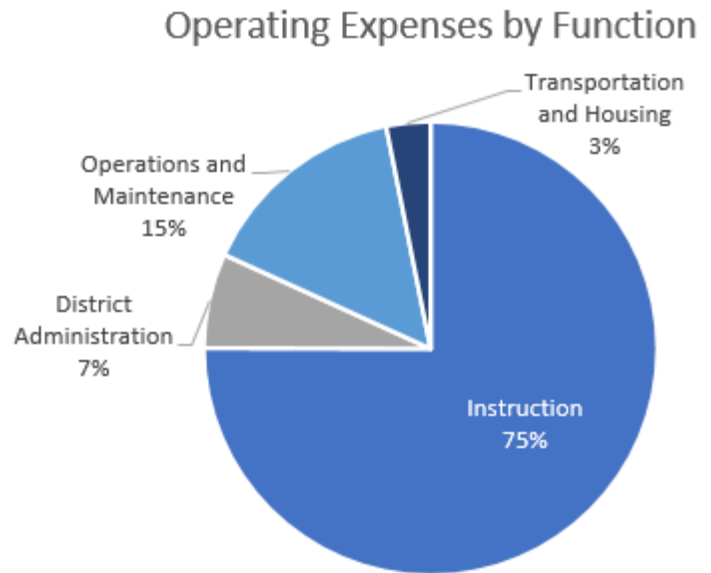




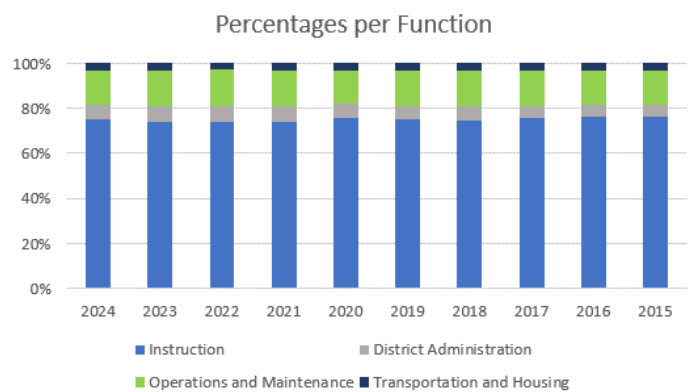
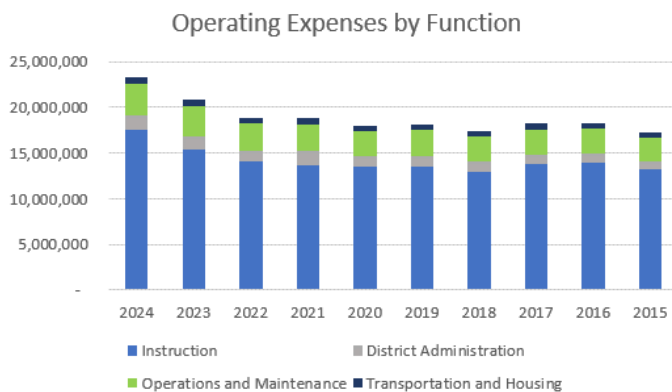
### Operating Expenses by Function

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 expenses have remained consistent over the last ten years.



### Surplus (Deficit)

The District ended the 2024 fiscal year with an operating fund deficit of approximately \$1.9M. The budget included an appropriation of surplus of approximately \$3.2M to support operations and a transfer to local capital; however, this appropriation was not required due to the operating deficit being approximately \$1.3M less than the amount budgeted.



## 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 District operations and the education of students.

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.

At June 30, 2024 the District had approximately \$1.7M in Accumulated Operating Surplus, made up of Internally Restricted funds. The operating surplus of \$1.7M will be used to balance the fiscal 2025 operating budget and significant reductions in spending are urgently required moving forward.

The breakdown of the internally restricted operating surplus is as follows:

Appropriation to 2024-2025 Annual Budget	1,499,850
District Budgets Carried Forward	75,366
School-Based Budgets Carried Forward	143,594
<u>Internally Restricted Surplus</u>	<u>1,718,810</u>

The fiscal 2024 Accumulated Operating Surplus was appropriated for fiscal 2025's budget.

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Internally Restricted	1,718,810	2,465,428	1,937,000	1,082,719	652,346	795,537	729,861	478,617	734,048	728,715
Unrestricted	-	1,225,156	2,268,600	2,323,392	2,177,578	1,065,064	791,791	380,410	441,957	1,090,481
<u>Total Operating Surplus</u>	<u>1,718,810</u>	<u>3,690,584</u>	<u>4,205,600</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>
Unrestricted Surplus as a Percentage of Annual Operating Expenses	0.0%	12.0%	12.4%	12.3%	11.6%	5.9%	4.4%	2.2%	2.4%	6.0%

## 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 2024.

Schedule 3A summarizes the transactions for the year. The following table 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
<b>Ministry of Education</b>						
Annual Facility Grant	-	148,405		148,405	12,630	135,775
Changing Results for Young Children	12,653	11,250	(8,563)	15,340	8,563	-
Classroom Enhancement Fund - Overhead	-	134,585	(134,585)	-	134,585	-
Classroom Enhancement Fund - Remedies	9,682	91,934	(101,616)	-	101,616	-
Classroom Enhancement Fund - Staffing	-	1,328,282	(1,328,282)	-	1,328,282	-
CommunityLINK	-	361,670	(361,670)	-	361,670	-
First Nation Student Transportation	-	69,064	(69,064)	-	69,064	-
Learning Improvement Fund	-	78,307	(78,307)	-	78,307	-
Mental Health in Schools	40,059	57,000	(53,237)	43,822	53,237	-
OLEP	3,354	11,271	(12,445)	2,180	12,445	-
Ready, Set, Learn	17,943	14,700	(15,504)	17,139	15,504	-
Strong Start	-	96,000	(96,000)	-	96,000	-
Student & Family Affordability	50,282	100,000	(53,811)	96,471	53,811	-
JUST B4	25,000	25,000	-	50,000	-	-
Early Years to Kindergarten	18,765	19,000	(3,510)	34,255	3,510	-
Early Care & Learning	78,968	175,000	(178,840)	75,128	178,840	-
<b>Total - Ministry of Education</b>	<b>256,706</b>	<b>2,721,468</b>	<b>(2,495,434)</b>	<b>482,740</b>	<b>2,508,064</b>	<b>135,775</b>
<b>Other Special Purpose Funds</b>						
Scholarships and Bursaries	7,226	2,850	(4,100)	5,976	4,100	-
School Generated Funds	334,729	423,925	(449,409)	309,245	449,409	-
<b>Total - Other Special Purpose Funds</b>	<b>341,955</b>	<b>426,775</b>	<b>(453,509)</b>	<b>315,221</b>	<b>453,509</b>	<b>-</b>
<b>Total</b>	<b>598,661</b>	<b>3,148,243</b>	<b>(2,948,943)</b>	<b>797,961</b>	<b>2,961,573</b>	<b>135,775</b>

## Schedule 4: Capital Fund

The District invested approximately \$3.8M in capital purchases during the year.

Purchases	Sites	Building	Furniture & Equipment	Vehicles	Computer Software	Computer Hardware	Total
Deferred Capital Revenue - Bylaw	-	3,213,981	195,000	159,252	-	-	3,568,233
Special Purpose Funds	-	135,775	-	-	-	-	135,775
Local Capital	-	483	43,048	5,713	30,747	18,637	98,628
<b>Total Additions</b>	<b>-</b>	<b>3,350,239</b>	<b>238,048</b>	<b>164,965</b>	<b>30,747</b>	<b>18,637</b>	<b>3,802,636</b>

Specific balances in the Capital Fund are as follows:

Deferred Capital Revenue	June 30, 2024	June 30, 2023	Change
Bylaw Capital	27,861,262	25,636,173	2,225,089
Other Provincial	68,302	85,194	(16,892)
Other Capital	-	-	-
<b>Total</b>	<b>27,929,564</b>	<b>25,721,367</b>	<b>2,208,197</b>



## Schedule 4: Capital Fund (continued)

Bylaw Capital includes approved Ministry of Education and Child Care 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.

<u>Capital Surplus</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Change</u>
Invested in Tangible Capital Assets	6,440,123	6,365,267	74,856
Local Capital	132,811	74,856	57,955
<b>Fund Balance</b>	<b>6,572,934</b>	<b>6,440,123</b>	<b>132,811</b>

The increase to the local capital balance is a result of a transfer from the operating fund, offset by current year capital purchases from the fund. The increase to the balance invested in tangible capital assets is due to current year additions, offset by amortization expense for the year.

## Significant Matters

Based on current projections, the District’s accumulated operating surplus of approximately \$1.7M will be fully used in operations during the year ending June 30, 2025. As such, significant reductions in expenditures will be required during the year ending June 30, 2026 and subsequent.

## 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, 2024 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, local 2225.