

Financial Statement Discussion & Analysis

FOR THE YEAR ENDED JUNE 30, 2024



Coast Mountains Board of Education School District 82

School District No. 82 (Coast Mountains) Financial Statement Discussion & Analysis

Year ended June 30, 2024

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Introduction

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2024. The report is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The financial statements illustrate, in financial terms, how resources have been allocated read in conjunction with the School District's financial statements for the same period.

About BC School District Financial Statements

BC School District financial statements are prepared in accordance with section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC which requires that financial statements are prepared in accordance with Canadian public sector accounting standards, with some exceptions, as explained in note 2 to the financial statements. Public sector accounting emphasizes accountability, not profitability. **School District Financial Statements have a prescribed common format**, and they are consolidated into the Provincial Financial Statements.

Further, **Financial Statements of BC School Districts are reported as a consolidation of three separate funds: Operating, Special Purpose and Capital.** In the financial statements,

these three separated funds are reported collectively in statements 1 through 5 and separately in schedules 2 (Operating Fund), 3 (Special Purpose Funds) and 4 (Capital Fund). To gain a full understanding of statements 1 through 5, it is important to also review each of the funds separately.

Composition of the Financial Statements

The two key statements are:

- A **statement of financial position** (page 5), which summarizes the assets and liabilities at June 30th. This provides an indication of the financial health of the District.
- A **statement of operations** (page 6), which summarizes the revenues received, and expenses incurred during the twelve months between July 1 and June 30. This provides an indication of the funding received by the District and how that funding was spent.

The Statement of Changes in Net Financial Assets (Debt), the Statement of Cash Flows, and the notes to the financial statements provide further analysis of the District's finances.

The District manages its financial activities in three distinct areas, being the

- Operating fund;
- Special purpose funds; and the
- Capital fund.

The schedules at the end of the notes to the financial statements are in a format prescribed by the Ministry of Education. These schedules provide more detail specific to each of these funds. The balances in these schedules are consistent, when combined, with the financial statements.

Schedule 1 (page 24) illustrates the sum of the funds.

Schedule 2 (page 25) provides detail on the **Operating Fund**.

The Operating Fund accounts for the District's operating grants and other operating revenues. Legislation requires that the District present a balanced budget for the Operating Fund, whereby budgeted expenditure does not exceed the total of budgeted revenue, and any surplus in the operating fund carried forward from previous years.

Schedule 3 (page 30) provides detail on the **Special Purpose Funds**.

The Special Purpose Funds account for grants, and contributions that are directed by agreement with a third party towards specific activities. As these are targeted grants, any unspent funding is typically accounted for as deferred revenue, not as accumulated surplus.

Schedule 4 (page 34) provides detail on the **Capital Fund**.

The capital fund accounts for:

- The capital assets of the District, including sites, buildings, furniture & equipment, vehicles, computer software, and computer hardware.
- Grants directed by agreement with a third party for the purchase of capital assets.
- Funds restricted by the Board for future capital asset purchases (local capital).

Statement of Financial Position (All funds)

Cash and cash equivalents

At June 30, 2024, the District held \$ 10.4m in cash, deposited in financial institutions and the Province's central deposit system. This cash balance offsets the liabilities of the District, and unspent funds restricted for use on specific projects.

Accounts payable and accrued liabilities

The District's accounts payable and accrued liabilities represent expenses which have been incurred but not yet paid. They comprise the following amounts:

	June 30, 2024	June 30, 2023
Trade and other amounts payable	\$ 2,256,106	\$ 1,760,738
Due to Provincial/Federal Government	1,507,390	1,288,475
Salaries and benefits payable	2,118,080	2,973,526
Accrued vacation pay	540,679	481,672
Other	1,306	1,191
Total accounts payable and accrued liabilities	\$ 6,423,561	\$ 6,505,602

Deferred revenue

Deferred revenue represents the unspent portion of grants which are targeted for a specific purpose.

	June 30, 2023	June 30, 2022	Commentary
School generated funds – amounts raised by schools for specific projects, such as class trips and PAC financial contributions	\$ 1,640,207	\$ 1,640,207	This represents the unspent balance at year-end.
Student & Family Affordability Funds	33,000	182,074	
First Nation Transport	139,140	237,050	Underspent due to carry over from previous year
Mental Health	35,839	56,623	

Feeding Futures	109,283	0
WEX	50,000	0
LNG/RTA Donations	154,176	0
Other unspent targeted funds	150,588	207,710
Total deferred revenue	\$2,395,811	\$ 2,323,664

Unearned revenue

Unearned revenue represents payment of tuition fees for international students in advance of the student commencing their studies at the District for 2024, as well as payments for rental/leasing fees received on facilities in advance. These fees were recognized as earned revenue when the program was provided to the student during the year. As at June 30, 2024, \$210,515 in tuition payments were received in advance for the international student fees for the 2024/2025 school year.

Deferred capital revenue and tangible capital assets

The deferred capital revenue balance is closely linked to the tangible capital asset balance. Tangible capital assets are items which have a lifespan of more than one year.

The majority of the District's capital expenditure, such as the construction of new schools, is funded through specific grants provided by the Ministry of Education and Child Care. Once an asset is built or acquired and is in use, the cost of that asset is amortized over the expected life of that asset. Any grants associated with tangible capital assets are also amortized over the expected life.

After allowing for amortization, the District has \$64,443,006 of tangible capital assets. Of this, \$44,763,068 (being the deferred capital revenue balance) of assets were purchased with targeted grants. The remainder was funded through operating revenues and other non-targeted funding.

This inclusion of deferred capital revenue is not consistent with generally accepted accounting principles. The inclusion of this balance is a requirement of the Provincial Government. This is explained in more detail in note 2 to the financial statements.

The capital fund section, included later in this document, provides a more detailed explanation of the accounting for capital assets and associated grants.

Employee future benefits

The employee future benefits liability of \$1,512,873 accounts for amounts or benefits owed to current employees as a result of past service.

Most of this amount accounts for retirement benefits earned by current employees. Support staff and certain members of school and district administration are entitled to a one-time payment from the District on their retirement. The amount of payment depends on years of service and final salary.

The District sets aside a liability each year to reflect expected future payments on retirement. The amount set aside during the year is reflected as an expense and is based on the service to date of employees. The liability is reduced when employees retire, and payments are disbursed.

The remainder of the employee future benefits liability is associated with teachers' sick leave and death benefits earned but not yet paid.

Net financial assets (debt)

This is the total of the District's financial assets and liabilities. It implies that the District has a net debt of \$59.63m. This is heavily skewed by the deferred capital revenue liability of \$44.91m. As there is no future cash flow associated with the deferred capital revenue balance, a more meaningful measure of net financial assets, or debt, excludes that balance, giving a revised figure of net financial assets of \$64.89m.

This revised net financial assets balance is primarily comprised of the accumulated operating fund surplus of \$1,119,883 and local capital fund balance of \$2.72m. The use of these amounts is restricted, as outlined below.

Accumulated surplus

Broken down by fund, the accumulated surplus comprises the following amounts:

	June 30, 2024	June 30, 2023
Operating fund	1,119,883	999,378
Special purpose funds	0	0
Capital fund – local capital (amounts available to spend on future capital asset purchases)	2,721,564	2,810,064
Capital fund – invested in tangible capital assets (being the cost of assets owned by the district, net of amortization and targeted grants)	1,412,307	1,803,372
Total accumulated surplus	\$ 5,253,754	\$ 5,612,814

Statement of Operations (All funds)

The surplus (deficit) for the year is the net total of the revenues and expenses of the District's various funds.

Year to	June 30, 2024	June 30, 2023	Change
Total revenue	\$ 77,216,791	\$ 69,943,767	6,477,437
Total expense	77,575,851	70,739,354	6,836,497
Surplus (deficit) for the year	\$ (359,060)	\$ (795,587)	\$ (436,527)

Total Revenues generated increased from 2023 by \$6,477,437. During the 2022 -2023 fiscal year the District with support from BCPSEA completed collective bargain with both CMTF and CUPE. These labour settlements agreements resulted in salary increases across the District and these expenditures were supported through increased funding grants from the MECC. These variations are detailed in Statement 2 (page 6) and Schedule 2A (page 26).

Overall, the District's expenses exceeded its revenues by \$359,060. Broken down by fund, this variance arises as follows (after transfers between funds):

Fund	Surplus or deficit for the year	Commentary
Operating fund	120,505	See discussion and analysis in the Operating Fund section of this document.
Special purpose funds	\$0	The special purpose funds had no change this year.
Capital fund	\$(479,565)	The capital fund balance decreased by this amount during the year, indicating less of the assets purchased were funded by deferred capital revenue, and more was consumed by the aging of the District's capital assets.
Total	\$(359,060)	Deficit

Revenues, expenses, and surpluses of the individual funds are discussed in more detail below.

Operating Fund

Overview

Operating fund transactions are reported in the following schedules in the financial statements. Columns with figures for the budget, year to June 30, 2024, and year to June 30, 2023 are shown.

Schedule	Page	Overview
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2	25	Summarizes the revenues and expenses of the operating fund. Also indicates the amounts spent on capital assets and transferred to the Local Capital fund.
2A	26	Outlines in more detail the operating revenues earned by the District.
2B	27	Summarizes salaries by employee group and other operating costs.
2C	28	Provides the same information as in 2B, broken down in more detail to show each program the funds were spent on.

Revenue

Schedule 2A on page 26 breaks down operating revenue by source.

97% of the District's operating funding is from the Provincial Ministry of Education and Child Care ('MECC'), and direct funding from four First Nation Bands through a Local Education Agreement ('LEA'). The majority of this funding is based on student enrolment, and certain identified special needs of those students.

The Provincial Government is undertaking a review of the funding formula used to calculate this funding. The results of that review were expected to be announced previously; however, due to the global pandemic this change has been stalled.

Operating expenditure

Schedule 2B outlines operating expenses in relation to salaries and benefits, as well as services and supplies. Schedule 2C outlines operating expense in detail, including allocating expense by category.

The table below summarizes total expense by category for the year to June 30, 2024. It compares the proportion of expenditure to the average of all school districts in the Province, for the year to June 30, 2023. The 2022/2023 school year is the most recent year for which other District's financial information is publicly available.

Function	2023/2024 % of total	2022/2023 Prov. Av. % of total	Comments
Instruction	74.80%	82.60%	Expenditure on instruction is lower than the previous year's Provincial average.
District Administration	5.09%	4.00%	Expenditure on district administration is higher than the previous year's Provincial average.
Operations and Maintenance	16.07%	11.40%	Expenditure on operations and maintenance is higher than the previous year's Provincial average due to the District's wider geographic distribution of schools, climate and age of infrastructure.

Transportation	4.04%	2.00%	This expenditure is greater than the Provincial average, due to the District's wider geographic distribution of schools in the District.
Total	100.0%	100.0%	

Staff

85%, or \$52.38m, of the District's operating expenditure is spent on salaries and benefits. As would be expected for a school district, the majority of this staff cost is spent on Instruction salaries and benefits.

The average full-time teacher in the District receives compensation from the District of about \$116,598 per year, including benefits.

59.46 FTE additional teacher positions are funded through the Classroom Enhancement Fund (a special purpose fund) described later, an increase of 6.46 FTE from the previous year comprising of 41.61 enrolling FTE ("full-time equivalent") teachers, and 17.85 non-enrolling FTE teachers.

Transfers to other funds

\$397,948 of capital assets purchased during the year were from the operating fund. In addition, \$77,295 was transferred to the local capital fund during the year, and \$31,162 was transferred from special purchase funds to purchase capital assets. This is broken down in detail later in the Capital Fund section of this document.

Operating surplus/deficit

The operating surplus for the year to June 30, 2024 was \$120,505. This is calculated on Schedule 2, on page 23 of the financial statements. This surplus increased the operating fund balance from \$999,378 at the beginning of the year, to \$1,119,883 at June 30, 2024.

Note 17 in the financial statements, outlines the restrictions on the use of the accumulated surplus. The funds are restricted at the Board's discretion. The Board's approval of these restrictions is through approval of the financial statements.

The cause of this surplus can be derived from the movements in the restricted components of the operating fund surplus, broken out below.

At June 30	2024	2023	Increase / (decrease)	Purpose of restriction
School budget balances	\$173,232	\$170,409	\$ 2,823	These funds are internally restricted to fund school-level projects.
Specifically committed funds	0	63,121	(63,121)	Funds set aside for specifically identified, materials, programs and equipment.

At June 30	2024	2023	Increase / (decrease)	Purpose of restriction
Unspent Aboriginal Education targeted funds	570,156	415,680	154,476	The District receives targeted funding from the Province to enhance the education of Aboriginal students. The District is committed to spending the balance remaining in line with the terms of this funding.
Unspent ICYT (Integrated Child and Youth Team)	376,495	350,168	26,327	Targeted funds received June 2023 to be spent 2023/2024 school year
Total	\$1,119,883	\$999,378	\$120,505	

Special Purpose Funds

Overview

Transactions within the special purpose funds are reported in the following schedules in the financial statements.

Schedule	Page	Overview
3	30	Summarizes the total revenues and expenses of all the special purpose funds. Also indicates the amounts spent on capital assets.
3A	31	Outlines, by each group of funds, the grants received, and expenses for the year to June 30, 2023. Surplus at the end of the year for each fund is identified as Deferred Revenue, end of year.

School generated funds

School generated funds account for fees and contributions raised at the school level. Examples of such fees and contributions include school supply fees paid by parents and caregivers; school trip fees; PAC contributions; graduation celebration fundraising; cafeteria revenue, vending machine revenue and athletics fees. These amounts are targeted, and used for the purpose that they were provided, to the school.

Community LINK

The Community LINK grant from the Provincial Government is to support programs and services to improve the educational performance of vulnerable students, including both academic achievement and social functioning. This includes promoting partnerships with families, communities, and service providers as an integrated approach to supporting vulnerable students.

Classroom enhancement funds

The grants from the classroom enhancement funds (three components) totalled \$6,693,649. These grants are intended to offset the additional costs associated with the restoration of historical collective agreement language, regarding class size and composition.

Direct costs associated with required staffing levels, that address class size and composition, are accounted for within the 'Classroom Enhancement Fund – Staffing'. They include:

- 41.61 FTE additional enrolling teachers needed to offset the reduction in class size;
- 17.85 FTE additional non-enrolling teachers for additional support; and
- TTOC wages to remedy other requirements of the restored language.

Indirect costs, or overheads, associated with these required changes are accounted for within the 'Classroom Enhancement Fund – Overhead'. They include:

- TTOC coverage for sick, and other leaves, for the additional teachers;
- Supplies, furniture and computers for additional classes and teachers; and
- Additional support staff needed for the increased number of classes.

To receive the grants, the District must be able to demonstrate to the Provincial Government that the associated direct, or indirect costs, are a result of the restoration of the collective agreement language.

After best efforts were applied, certain classes exceeded the class size, and composition limits outlined in the Collective Agreement. The School District is required to provide remedy, typically in the form of additional preparation time, or collaboration time, to teachers of such classes. The 'Classroom Enhancement Fund – Remedies' provides grant funding to cover the associated expense.

The classroom enhancement funds, although new in the 2017/18 year, are a core part of the District's funding. They fund over 10% of the District's teachers. This funding is tied to the application of historical language restored to the collective agreement.

Capital Fund

Overview

The capital fund, including the local capital fund, accounts for assets owned by the District and the funds used to acquire them.

Provincial grants targeted for the purchase of assets – for example, a grant to renovate a school – are recorded in the capital fund. If an asset is purchased using operating funds, then the cost of the asset is treated as a transfer from the operating fund to the capital fund.

The Province does not normally provide capital grants for asset acquisitions such as computer equipment, school furniture and equipment, vehicles, maintenance equipment, photocopiers, classroom renovations or district administration buildings. The only source of funding available for these assets is typically operating funds. To set aside funds to allow the future purchase of major assets, the Board may transfer funds from the operating fund to the local capital fund.

Schedule	Page	Overview
4	34	Summarizes amortization, invested in tangible capital asset balances, local capital balances, and transfers to the capital fund from other funds.
4A	35	Outlines: <ul style="list-style-type: none"> • The cost of assets acquired during the year. • The amortization of assets by asset class. • the original cost of assets owned by the District, by asset class • The total amortization of each asset class, the decrease in value. • The net book value of assets, being the cost less amortization.
4C	36	Accounts for targeted funding spent on the acquisition of capital assets.
4D	37	Accounts for funding received which is targeted towards capital asset purchases and which has yet to be spent.

Capital Assets

Schedule 4A summarizes the capital assets owned by the District.

Net book value (being cost less amortization) of tangible capital assets

The District has \$64.44m of funds invested in its capital infrastructure. The vast majority of the District's capital assets are the school buildings.

The cost of the land that the District's schools are located on is \$6.6m.

The District also has significant investment in vehicles, furniture and equipment (school furniture, shop equipment etc.) and computer software and hardware, including servers and staff computers.

Asset additions compared to asset amortization

The amortization expense recognizes the depreciation of an asset over its useful life. The proportion of amortization to asset additions is an indication of the sufficiency of the level of capital investment. For example, if assets are amortizing faster than they are being replaced, this may indicate an infrastructure deficit.

Asset Retirement Obligations

On July 1, 2022, the School District adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. This standard addresses the recognition, measurement, presentation, and disclosure of legal obligations associated with the retirement of certain tangible capital assets such as asbestos removal in buildings that will undergo major renovation or demolition in the future.

Deferred capital revenue

Schedule 4C accounts for grants received for capital asset purchases that have been spent. Schedule 4D accounts for grants received for capital asset purchases that have yet to be spent.

Schedule 4D illustrates that \$3,223,646 of grants were received in the year to June 30, 2024 from the Ministry of Education in the form of bylaw capital. This includes the annual facilities capital grant.

The \$3,394,913 of bylaw capital that was spent on completed projects is then accounted for as deferred capital revenue on schedule 4C. Deferred capital revenue balances are accumulated over the years and amortized over the estimated lifespan of the assets acquired with the grant money. The deferred capital revenue balance was reduced by \$2,068,858 in the year to June 30, 2024 to reflect this amortization.

Historically, the Province has provided targeted funding for major school renovations and replacements. The Province does not typically provide targeted funding for any other capital assets, including the purchase or construction of technology, classroom furniture and equipment, administrative buildings, and maintenance equipment.

The deferred capital revenue balance at June 30, 2024 is \$44.76m, indicating 68% of the District's assets were purchased with targeted grant funding.

Local capital

Schedule 4 includes a column showing the transfers to and from the local capital fund, and the balance in local capital at the end of the year.

As outlined in Board regulation 4060.01R, the Board approves transfers of funds from the operating fund to the capital fund in anticipation of necessary future capital expenditure which will not be funded by additional targeted grants from the Province. In doing so, a balance must be struck between ensuring the District has the necessary assets to effectively function, and using operational funds within the year they are granted to directly provide education for students.

During the year to June 30, 2024, the District transferred \$429,110 from the operating fund and the special purpose funds for the purchase of capital assets.

To facilitate year-to-year capital planning, local capital budgets which are not spent at the year-end are carried forward to the following year. Local capital had a surplus remaining at June 30, 2024 of \$2,721,564, as shown on Schedule 4.

Contacting Management

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