



Regular Board Meeting September 21, 2021

Date Prepared: September 15, 2021

Submitted by: Shelly Woolf, CPA, CA, Assistant Secretary Treasurer

Subject: 2021 Draft Financial Statements

Purpose

To respectfully request that the Board receive and approve the 2021 Financial Statements as presented.

Background

In accordance with S156 (Accounting Practices) and 157 (Financial Statements) of the School Act and Ministerial Order 033/09, Boards of Education (Boards) must prepare and submit their financial statements in the form required by the Minister prior to September 30 and make them publicly available by December 31. In accordance with current auditing standards, the Board must first approve the Financial Statements prior to attaching the final auditor's report. Following Board approval, adding the required signatories and attaching the audit report to the 2021 Financial Statements, the statements will be submitted to the Ministry accordingly.

Attached for your information are the 2021 Draft Financial Statements as well as the Audit Findings Report issued by the District's auditors - KPMG.

Below is a summary of financial information included in this year's Financial Statements. The financial statements include four key statements which will be the focus of the summary. The notes to the financial statements are an integral part of the statements and I encourage everyone to review them as they provide supplemental information that is useful in understanding the amounts. In addition, the supplementary schedules provide more detail, but the audit opinion does not extend to these schedules.

Statement of Financial Position

The Statement of Financial Position provides a snapshot of the District's finances as of June 30, 2021 compared to last year (LY). The District's financial assets of \$5,375,832 (LY \$3,982,992) are comprised mostly of the general bank account and marginal receivables.

Cash and Equivalents of \$5,202,465 increased by \$2,812,869 compared to last year's amount of \$2,389,596. The balance includes last year's portfolio investments of \$1,454,269 which matured during the year and are now held and included in the general bank account. (This is to take advantage of the higher interest rate (1.5%) compared to current rates for GIC instruments). The Statement of Cash Flows on page 8 provides a detailed summary of the changes in the District's



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cash position (bank balance). The cash balance increase, apart from the change in portfolio investments results from two main items-current year surplus of \$934,948 (less non-cash items) and funds held for unfinished capital projects of \$1,297,115 as of June 30, 2021.

Total Liabilities of \$12,803,593 increased by \$2,314,943 from \$10,488,650. The increase relates mostly to deferred capital revenue and yearend payables from ongoing capital projects. The accounting treatment of capital revenue requires that it be amortized (brought in as revenue) over time, similar, to how the capital assets are depreciated over their useful life. Even though the District invested approximately \$2.4M (LY \$1.7M) in capital assets only \$468,085 of the funding that paid for them is recognized as revenue.

The narrative above explains the increase of \$922,103 in the District's Net Financial Deficit of \$7,427,761 (LY 6,505,658). Again, this is due primarily to the deferred capital revenue component that identifies a future liability exists. Segregating this item out results in a surplus position of \$3,772,596 compared to \$2,775,690 last year, identifying that although the net debt position increased, the District has sufficient cash resources to meet its current liabilities.

Non-Financial Assets are made up of prepaid expenses \$188,138 (LY \$78,772), supplies inventory of \$1,859 (LY \$1,773) and deferred expenses \$33,175 (LY \$32,449) spent on the Fauquier property disposal project which will be recovered when the property is sold. Additionally, the District has approximately \$13M (LY \$11.3M) in capital assets comprised mainly of its school buildings. Note 8 provides the detail related to the changes in capital assets for the year.

In summary, the District's Financial Position as of June 30, 2021, is strong with sufficient resources to cover both current liabilities and any unexpected expenditures which is beneficial to deal with the ongoing uncertainty in the present environment.

Statement of Operations

The Statement of Operations shows the District's financial transactions throughout the year compared to the original budget and last year results. The statement consolidates revenues and expenses for the operating fund, all special purpose funds, and the capital fund.

Actual consolidated revenues of \$10,932,688 were up by \$1,607,456 compared to \$9,325,232 last year and were \$1,433,025 higher than the original budget. Note 12 on page 21 highlights the changes from the Original Budget to the Amended Budget with the major change relating to Provincial operating grants from increased enrollment and additional special purpose funding. Actual revenues compared to the Amended Budget were higher by \$58,537. Schedule 2A on page 26 shows a detailed list of the District's operating revenues.



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Actual consolidated expenses of \$9,997,740 increased by \$861,036 compared to \$9,136,704 last year and were \$33,834 (<1%) lower than the original budget and \$1,166,090 (10.5%) lower than the amended budget. The amended budget captures many of the changes throughout the year more so than the original budget as it is adjusted for mid-year FTE funding, supplemental Ministry grants and programming changes, however reporting standards require the original budget to be included in the financial statements. The large variance from the amended budget highlights the challenges a small District has in responding quickly enough to realize the results by June 30. The District compensates for this by planning to use \$560,998 in unrestricted surplus to support the 2022 budget.

Operating Revenue by Source

Schedule 2A shows actual revenue by source for the operating fund. Provincial grants from the Ministry of Education increased by \$1,277,877 and amounted to \$9,270,064 compared to \$7,992,187 last year relating mostly to enrollment increases. All other amounts were comparable to last year.

Operating Expense Schedules

Schedule 2B shows spending by object for the operating fund. Amounts spent on salaries \$5,940,435, increased by \$522,747 (9.6%) compared to last year at \$5,417,688. The increase is a combination of higher staff FTE related to enrollment increases and union and exempt staff contract increases. Amounts spent on benefits \$1,273,697 increased by \$67,411 (5.6%) compared to last year of \$1,206,286 and are directly related to the increased salary amounts. Amounts spent on services and supplies of \$1,284,015 were \$66,673 (5%) higher than last year at \$1,217,342. It should be noted that the actual to budget line-item variances in the services and supplies area are a direct result of ongoing work to align general ledger coding allocations to Ministry reporting definitions.

Schedule 2C shows the detail of the operating fund expenses by function, program, and object. Current year spending was up by \$656,831 from last year with increases in Instruction \$618,395, District Administration \$50,584, and Transportation \$7,095 offset by a decrease in Operations and Maintenance (\$19,243).

Schedule 3 on page 31 shows the Special Purpose Operations which include targeted provincial funds (required to be spent by end of year) and school-based trust funds. Provincial revenues amounted to \$1,066,853 compared to \$757,247 last year with the increase attributed mostly to extra funding for COVID related support.

In summary, with the extra revenues and underspend in expenses, the district's annual operating surplus amounted to \$808,659.



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Operating Surplus

The District's year-end operating surplus amounts to \$2,461,366 made up of \$1,335,366 in unrestricted surplus and \$1,126,000 in internally restricted surplus. As mentioned earlier \$560,998 of the unrestricted surplus is committed to be used to support the 2022 budget. Also, refer to Note 14 - Internally Restricted Surplus - Operating Fund on Page 22 which identifies the various categories that make up the amount of \$1,126,000 in internally restricted surplus. The Superintendent/Secretary Treasurer has reviewed and approved the appropriations for the current year in accordance with Policy 622.

Capital

The District invested \$2,391,799 (LY \$1,727,120) in capital additions during the current year. The Province approved \$998,892 (LY \$1,551,657) in capital funding for the year through the SEP, and AFG bylaw programs. The District's operating fund accounted for \$89,322 (LY \$111,696), and special purpose funding covered \$212,234.

Additionally, investment related to the two childcare capital projects in 2021 amounted to \$1,214,344 funded by the Ministry of Children and Family Development (MCFD) and Columbia Basin Trust (CBT). The Goat Mountain Kids childcare capital project \$750,063 (2021 \$636,449 & 2020 \$113,614) is now complete and the file is currently being reviewed by MCFD. The NES HUB Childcare project is in progress - \$577,894 spent to June 30, 2021.

Unspent SEP capital funding amounted to \$36,821 and unspent AFG funding amounted to \$289,487. Combined with the District's shared capital reserve of \$217,977 and MCFD funding of \$752,829, the District has \$1,297,115 (LY \$1,000,264) in carry forward capital funding for committed projects going into 2022.

COVID

During the current year, the Ministry continued the requirement for "event driven reporting" relating to the COVID 19 pandemic. This means that costs and/or savings related to this event must be reported out separately. As of June 30, 2021, the District reported \$422,645 (2020 - \$72,155) in incremental spending/reduced revenue and approximately \$409,888 (2020 - \$30,000) in cost savings related to the event. For both years combined, extra spending amounted to \$494,800 offset by additional revenues/savings of \$439,888 resulting in a net incremental cost of \$54,912.

In conclusion, the District's financial position is strong, positioning it well to deal with the ongoing levels of uncertainty into the next fiscal year.

Thank you to the District Auditor, Dave Bond, and his team, as well as Ministry of Education staff and my SD10 colleagues for their assistance and support throughout the audit process.