



**SDIO** SCHOOL DISTRICT 10  
ARROW LAKES

World Class Learning in a Rural Environment

# 2021-2022 Financials

## Financial Statements Discussion & Analysis

*Prepared September 16, 2022*





## **FINANCIAL STATEMENTS DISCUSSION & ANALYSIS FOR THE YEAR ENDED JUNE 30, 2022**

### **TABLE OF CONTENTS**

About School District No. 10 (Arrow Lakes).....	Page 3
The Board of Education’s Strategic Plan.....	Page 3
Financial Discussion Introduction.....	Page 4
The Financial Planning Process.....	Page 4
Student Enrolment and Funding.....	Page 5
Statement of Operations – All Funds.....	Page 8
Funding Sources & Expenses Break-down.....	Page 9
Statement of Financial Position.....	Page 10
Accumulated Surplus.....	Page 11
Capital Funding & Investments.....	Page 12
Future Considerations – Risks & Opportunities.....	Page 13

## ABOUT SCHOOL DISTRICT NO. 10 (ARROW LAKES)

School District No. 10 (Arrow Lakes) (the “District”) serves the communities and areas surrounding Arrow Lakes from Edgewood to Nakusp, and along Slocan Lake from Silverton to Hills. There are five schools: Burton Elementary School, Edgewood Elementary School, Lucerne Elementary Secondary School in New Denver, Nakusp Elementary School and Nakusp Secondary School. The District serves approximately 550 students and employs approximately 100 staff.



## THE BOARD OF EDUCATION’S STRATEGIC PLAN

The District’s financial planning and budgets are approved by the Board of Education, as part of its strategic planning. For the 2021-2022 financial year, which is the focus of this financial statements discussion and analysis, the Board established [three strategic priorities](#) for the District during the year:

- (1) Continuous Academic Improvement: Reading, Writing and Numeracy.
- (2) Indigenous Education: Ensure success for Indigenous student and infuse Indigenous Education into the curriculum.
- (3) Physical and Mental Well-Being: Create safe and caring environments to support learning.

These strategic priorities reflect the Board’s Vision and Mission Statement, which state the Board’s aspirations for the District and provides the District’s overarching objectives, as follows:

*“Our vision is of a learning community which embodies world class learning in a rural environment.”*

The mission of the Board is to provide all students with an equal opportunity to grow into caring, intelligent and productive citizens by achieving academic excellence to the utmost of their abilities; pursuing diverse pathways based on their passions and interests; embracing and managing change; and learning to live and work in harmony with others and the environment.



## FINANCIAL DISCUSSION INTRODUCTION

This Financial Statements Discussion & Analysis (“**Financial Discussion**”) provides greater information about the financial results for School District No. 10 (Arrow Lakes) (the “**District**”) for the year ended June 30, 2022. This Financial Discussion is prepared based on known facts and conditions as of September 16, 2022 and should be read in conjunction with the District’s Audited Financial Statements for the year ended June 30, 2022 (the “**Financial Statements**”).

The financial results presented herein are discussed and compared to both the prior year ended June 30, 2021, and to the Budget for the year that was adopted by the Board of Education on April 28, 2021.

## THE FINANCIAL PLANNING PROCESS

The District’s annual budget cycle begins with the Board’s endorsement of a process and timeline for budget adoption, which is confirmed by the Board in December of each year.

By February 15th each year, the District submits to the Ministry of Education and Child Care the expected student enrolment for the upcoming school year. Provincial operating grant funding estimates are based on these initial student enrolment projections, which are released each March.

Throughout the spring, an internal and public consultation process is undertaken to identify budget priorities. The District incorporates these priorities into the preliminary operating budget, as directed by the Board.



By June 30th each year, the Board adopts an initial “Budget” for the upcoming school year. Part way through the year, the Board will approve an “Amended Budget” that the District submits in February each year, taking into account the actual provincial funding that is based on the confirmed enrolment counts, as well as taking into account other changes in operations with the school year underway.

## STUDENT ENROLMENT & FUNDING

The District is funded primarily through operating grants that it receives from the Ministry of Education and Child Care (the “MECC”). These operating grants are largely based on student enrolment, which is reported by the District to the MECC each September, February, and May.

### *Operating Grants - Core Enrolment-based Funding*

The District receives a fixed amount per full-time enrolled (FTE) student. In grades Kindergarten through nine, one student equates to one FTE. At the secondary level, in grades ten through twelve, students are funded based on a percentage of full-time enrolment, depending on the courses they take. As a result, there is variation in funding for secondary students, as they will often take less or more than a full course load as they seek greater opportunities in accredited courses outside of the timetable or seek learning opportunities and experiences outside of school. In 2021-2022 basic enrolment-based funding was \$4,118,202, representing 42.2% of the \$9,741,898 the District received in provincial operating grants. This is also 38.2% of the District’s total operating and special purpose funds revenues of \$10,772,596.



### *Operating Grants - Unique Geographic Supplement*

Given the remoteness and small size of the schools and communities in which the District operates, the Unique Geographic supplement provides major additional operating grant funding to the District. In 2021-2022, the District received a \$4,222,949 Unique Geographic supplement, which is more than the basic per-pupil enrolment funding received by the District! This supplement represents 43.3% of the District’s \$10,772,596 of operating and special purpose funds revenues.



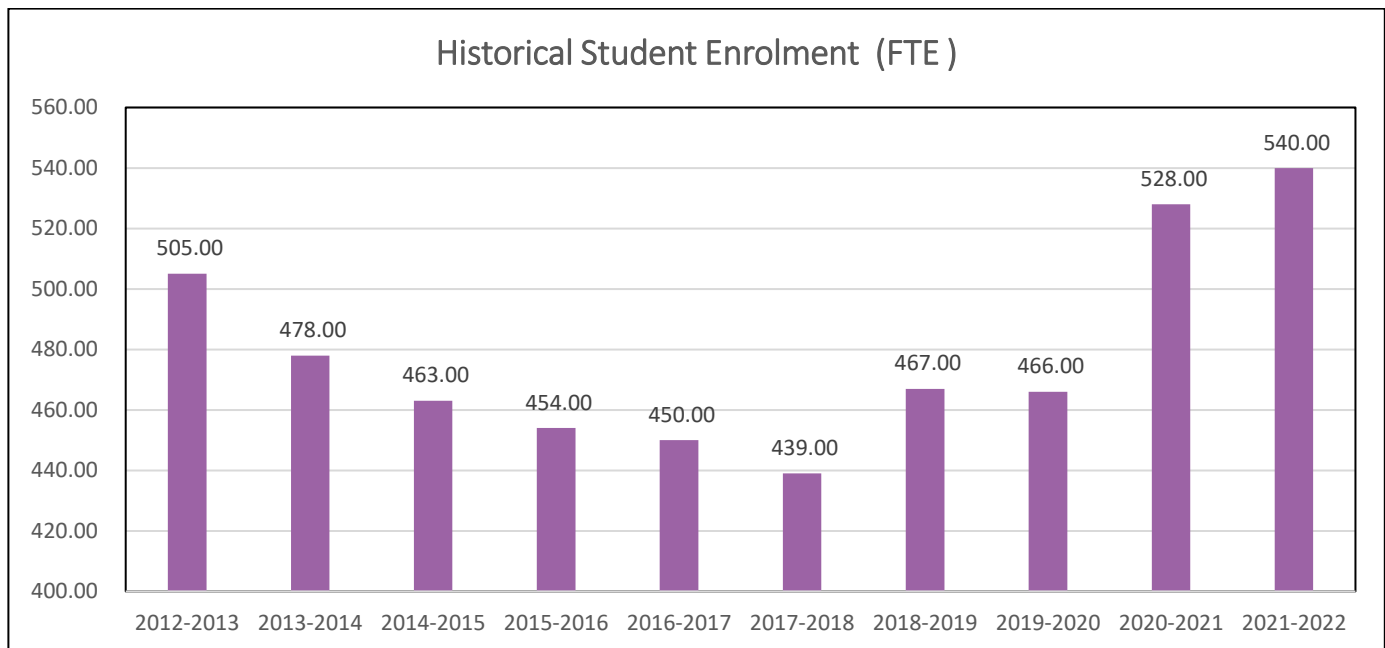
### Operating Grants - Unique Needs Supplement & Targeted Funding

The District receives supplementary operating grant funding based on identified student needs, providing additional financial resources to ensure schools can respond to the needs of diverse learners. The process of identifying and assessing students provides the MECC with a basis for estimating the resources needed in the District. This supplemental funding is intended to be used for *all* District students – with a focus on providing supports to its diverse learners, not to be used for identified students only. In 2021-2022, the District received supplemental unique needs funding of \$961,986, representing 8.9% of the District’s \$10,772,596 of operating and special purpose funds revenues.

### Special Purpose Grants

The District also receives various special purpose fund grants and contributions. These grants are listed in detail on page 9 of this Financial Discussion, and on page 32 in Schedule 3A of the Financial Statements. In 2020-2021, there were special purpose revenues totaling \$911,495, representing 8.5% of the District’s \$10,772,596 of operating and special purpose funds revenues.

## STUDENT ENROLMENT (FTE)



District enrollment has been increasing steadily for the past four years from a low reached in the 2017-2018 year, to the highest point in more than a decade.

## STATEMENT OF OPERATIONS – ALL FUNDS

Year Ended June 30, 2022	Operating Fund	Special Purpose Funds	Capital Funds	All Funds Total	Of Revenue / Of Expenses
	\$	\$	\$	\$	%
<b>Revenues</b>					
Operating/Special Purpose Grants	9,741,898	720,848	-	10,462,746	92.2
Other Revenues	67,264	190,147	-	257,411	2.3
Investment Income	51,939	500	1,342	53,781	0.5
Loss on Disposal of Tangible Capital Assets	-	-	(23,733)	(23,733)	(0.2)
Amortization of Deferred Capital Revenue	-	-	587,030	587,030	5.2
<b>Total Revenues</b>	<b>9,861,101</b>	<b>911,495</b>	<b>564,639</b>	<b>11,337,235</b>	
<b>Expenses</b>					
Instruction	6,637,502	817,493	-	7,454,995	67.0
District Administration	817,405	-	-	817,405	7.3
Operations & Maintenance	1,340,082	94,002	-	1,434,084	12.9
Transportation & Housing	650,718	-	-	735,954	6.6
Amortization of Tangible Capital Assets	-	-	772,384	772,384	6.9
<b>Total Expenses</b>	<b>9,445,707</b>	<b>911,495</b>	<b>772,384</b>	<b>11,129,586</b>	
<b>Surplus (Deficit)</b>	<b>415,394</b>	<b>-</b>	<b>(207,745)</b>	<b>207,649</b>	<b>1.8</b>
<b>Net Transfers to/from other Funds</b>					
Tangible Capital Assets Purchased	(41,553)	-	41,533	-	
<b>Total Net Transfers</b>	<b>(41,533)</b>	<b>-</b>	<b>41,533</b>	<b>-</b>	
<b>Surplus (Deficit) beginning of the year</b>	<b>2,461,366</b>	<b>-</b>	<b>3,276,546</b>	<b>5,737,912</b>	
<b>Total Surplus (Deficit) for the year</b>	<b>373,841</b>	<b>-</b>	<b>(166,192)</b>	<b>207,649</b>	
<b>Accumulated Surplus (Deficit) end of the year</b>	<b>2,835,207</b>	<b>-</b>	<b>3,110,354</b>	<b>5,945,561</b>	

Operating fund revenues, totaling \$9,861,101, represent 87% of the District's total revenues, or 91.5% of the District's revenues excluding deferred capital amortization. The District only spent \$9,445,707 of these operating fund revenues, leaving a \$415,394 surplus in the operating fund.

During the 2021-2022 year the District collected \$1,092,409 in special purpose grants and spent/booked revenues for \$911,495 of it\*, leaving \$141,914 deferred revenues until the following year. There were \$249,175 in deferred special purpose funding leftover from the prior year, leaving a total of \$391,089 of deferred special purpose revenues at the end of this year, to carry-forward into 2022-2023.

\*Note: Since special purpose funds revenues are deferred revenues (you only count them if they are spent during the year, otherwise they are deferred until the following year and counted in the period when they are spent), special purpose revenues equal special purpose expenses.

## FUNDING SOURCES & EXPENSES BREAK-DOWN

### Operating Fund

The following table shows variances to prior year and to the budget for Operating Fund revenues and expenses:

	2021-2022 Actual	2020-2021 Actual	Variance to 2020- 2021	2021-2022 Budget	Variance to Budget
	\$	\$	\$	\$	\$
<b>Operating Fund Revenues</b>					
Provincial Operating Grants - MECC	9,741,898	9,270,064	471,834	9,131,969	609,929
Other Revenues	119,203	126,064	(6,861)	87,329	31,874
<b>Total Operating Fund Revenues</b>	<b>9,861,101</b>	<b>9,396,128</b>	<b>464,973</b>	<b>9,205,969</b>	<b>655,132</b>
<b>Operating Expenses</b>					
Instruction	6,637,502	6,152,473	485,029	6,867,985	(230,483)
District Administration	817,405	823,750	(6,345)	910,022	(92,617)
Operations & Maintenance	1,340,082	1,129,670	210,412	1,474,700	(134,618)
Transportation	650,718	392,254	258,464	444,260	206,458
<b>Total Operating Fund Expenses</b>	<b>9,445,707</b>	<b>8,498,147</b>	<b>947,560</b>	<b>9,696,967</b>	<b>(251,260)</b>

The \$471,834 increase in Provincial Operating Grants in the operating fund compared with the prior year, was due in part to a \$170,526 increase in the Unique Geographic supplement. The remainder of the increase can be attributed to increases in enrolment-based funding, due to an increase of 12FTE student FTE compared to the prior year, as well as increases in the per pupil funding amounts.

Instruction expenses in the operating fund increased by \$485,613, commensurate with the additional funding, whereas District Administration and Operations & Maintenance expenses decreased measurably due to staffing turnover as well as savings on operations costs due to some maintenance expenses and projects being paid for by alternate funding, rather than from the operating fund.

Transportation expenses increased significantly by \$206,458, including a \$104,855 increase for increased bus usage post-pandemic (increased bus driver salaries and fuel expenses), and a \$101,603 increase in maintenance and repair costs, attributable to two of the District's buses that were at the end of their service lives, requiring major repair work. These buses are being replaced in 2022-2023.



## FUNDING SOURCES & EXPENSES BREAK-DOWN (Continued)

### Special Purpose Funds

The following table shows variances to prior year and to the budget in the special purpose funds:

	2021-2022 Actual	2020-2021 Actual	Variance to 2020- 2021	2021-2022 Budget	Variance to Budget
<b>Special Purpose Revenues/Expenses*</b>					
<b>Provincial Grants - MECC</b>					
Annual Facility Grant	61,136	62,454	(1,318)	62,454	(1,318)
Learning Improvement Fund	31,491	29,448	2,043	31,491	-
Strong Start	96,000	96,000	-	96,000	-
Ready, Set, Learn	12,250	12,250	-	12,250	-
OLEP	6,382	6,580	(198)	6,580	(198)
CommunityLINK	105,817	105,604	213	105,817	-
Classroom Enhancement Fund	206,222	197,784	8,438	183,526	22,696
Mental Health in Schools	134,657	57,000	77,657	-	134,657
Changing Results for Young Children	11,247	11,250	(3)	-	11,247
Provincial Safe Return Grant	21,886	46,588	(24,702)	-	21,886
Federal Safe Return Grant	10,982	330,000	(319,018)	-	10,982
Seamless Day Kindergarten	22,778	-	22,778	-	22,778
<b>Other Revenue</b>					
Scholarships & Bursaries	500	-	500	-	-
School Generated Funds	190,147	111,895	78,252	185,000	5,147
<b>Total Special Purpose Revenues/Expenses</b>	<b>911,495</b>	<b>1,066,853</b>	<b>(155,358)</b>	<b>683,118</b>	<b>228,377</b>

Special purpose funds' revenues/expenses\* in 2021-2022 declined by \$155,358 overall as compared to the prior year, largely due to the \$319,018 decrease in Federal Safe Return grants. This decrease was partially offset by the \$77,658 increase in the Mental Health grants and a \$78,252 increase in School Generated Funds. The latter increase was majorly due to the resumption of student activities, field trips and extra-curricular activities post-pandemic during the year.

\*Note: Recall that the special purpose funds' revenues equal their expenses, and any special purpose funds collected during the year that are unspent during that year are deferred into the following year. In 2020-2021, the District received \$141,000 in its special purpose funds that it did not spend and were not counted as revenues. Spending of these funds is deferred to 2022-2023.

## STATEMENT OF FINANCIAL POSITION

The following table shows variances in the District's Statement of Financial Position (i.e. its assets and liabilities) on June 30<sup>th</sup>, 2022, compared to June 30, 2021:

As at	June 30, 2021		Increase (Decrease)	
	June 30, 2022	(restated)	\$	%
	\$	\$	\$	%
<b>Financial Assets</b>				
Cash & Cash Equivalents	4,891,951	5,202,465	(310,514)	(6.4%)
Accounts Receivable – Due from MoE	337,251	173,367	163,884	48.6%
<b>Total Financial Assets</b>	<b>5,229,202</b>	<b>5,375,832</b>	<b>(146,630)</b>	<b>(2.8%)</b>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	1,080,154	1,393,475	(313,321)	(29.0%)
Deferred Special Purpose Revenues	391,089	209,761	181,328	46.4%
Deferred Capital Revenues	14,557,746	10,935,229	3,622,517	24.9%
<b>Total Liabilities</b>	<b>16,028,989</b>	<b>12,538,465</b>	<b>3,490,524</b>	<b>21.8%</b>
<b>Net Debt</b>	<b>(10,799,787)</b>	<b>(7,162,633)</b>	<b>(3,637,154)</b>	<b>33.7%</b>
<b>Non-Financial Assets</b>				
Tangible Capital Assets	16,632,482	12,677,375	3,955,107	23.8%
Prepaid Expenses	112,866	223,170	(110,304)	(97.7%)
<b>Total Non-Financial Assets</b>	<b>16,745,348</b>	<b>12,900,545</b>	<b>3,844,803</b>	<b>23.0%</b>
<b>Accumulated Surplus</b>	<b>5,945,561</b>	<b>5,737,912</b>	<b>207,649</b>	<b>3.5%</b>

Financial assets totalling \$5,229,902 at the end of the year were basically unchanged compared with the prior year. When comparing to total annual operating expenses, this quantity of short-term assets, is very healthy. The current ratio is 4.84 (= \$5,229,202 current assets / \$1,080,154 current liabilities), which indicates that the District has almost five times more cash than needed to pay all existing short-term obligations. (In general, for most organizations, a ratio over 1:1 is considered healthy.)

The decrease in accounts payable and accrued liabilities during the year mainly reflects the timing of the payroll cycle; at June 30, 2022 there was a larger, unpaid accrued payroll liability than in the prior year.

The increase in Tangible Capital Assets is mainly due to the construction of numerous capital projects during the year, as well as some vehicle and computer hardware purchases. There was a corresponding increase in Deferred Capital Revenues during the year. For more information on these projects, see Capital Funding and Investments section below on page 12.

## ACCUMULATED OPERATING SURPLUS

The District has a large accumulated operating surplus for its size of budget, when comparing to the surpluses other Districts in the province.

During the 2022-2023 year the Board is planning to develop a new strategic plan and expects that, based on the new strategic direction to be taken, the use of this accumulated operating surplus will be thoughtfully planned. The table below shows the prior year and current restrictions:

	July 1, 2021 Opening Balance	June 30, 30, 2022 Closing Balance	Planned 2022- 2023	Planned 2023- 2024	Planned 2024- 2025	Currently Planned Balance*
	\$	\$	\$	\$	\$	\$
Contractual Obligations	-	-	48,000	-	-	-
Professional Learning	-	-	21,000	-	-	-
Software Transitions	-	-	15,000	-	-	-
Strategic Planning & Reconfig	-	-	70,000	-	-	-
Website & Visual Identity	100,000	20,000	20,000	-	-	-
Vehicles & Equipment	-	-	200,000	-	-	-
IT Infrastructure & Equipment	100,000	100,000	100,000	-	-	-
Other Restrictions	926,000	-	-	-	-	-
<b>Total Restricted –</b>	<b>1,126,000</b>	<b>474,000</b>	<b>474,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Anticipated Unusual Expenses						
Restricted – Funding constraints	-	-	-	-	-	-
Restricted - Multi-Year Operations	-	-	-	-	-	-
Restricted - Capital Projects	-	-	-	-	-	-
<b>Unrestricted Surplus (Contingency)</b>	<b>1,335,366</b>	<b>2,361,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Accumulated Operating Surplus</b>	<b>2,461,366</b>	<b>2,835,207</b>	<b>2,361,207</b>	<b>2,361,207</b>	<b>2,361,207</b>	<b>2,361,207</b>

## ACCUMULATED CAPITAL SURPLUSES

The District has a local capital surplus totalling \$91,372. Additionally, there is a MECC Restricted Capital balance of \$221,227, which can be used for capital projects in the District, subject to the approval of the MECC. Currently the District has no plans for the use of Local or MECC Restricted Capital. Use of these funds will be determined as needs or opportunities arise. At this stage there are no plans for use of these funds.

Overall, including all tangible capital assets and deferred capital revenues, there is a capital surplus totalling \$3,110,354. This includes the local capital balance above, but is mainly the surplus caused by the difference in amortization of tangible capital assets and deferred capital revenues (i.e. there has been greater deferred capital revenues amortization revenues than the corresponding tangible capital assets amortization expense), and therefore this is not a surplus that can be used by the District; the surplus balance will decrease over time, unless there is new capital spending.

## CAPITAL FUNDING & INVESTMENTS

2021-2022 was a year of major capital investments for the District. The District invested \$4,751,225 in capital facilities projects overall, including \$1,952,000 on the Nakusp Childcare Centre, \$1,212,000 on the Nakusp Elementary exterior wall system, \$438,000 on the Nakusp Secondary School HVAC upgrade project, \$271,000 on the Burton roofing upgrade, \$385,000 on the Bus Garage, and numerous other smaller projects.

The development of the Nakusp Childcare Centre was funded by the former Ministry of Children and Families (now part of the combined MECC) to the amount of \$3,000,000, plus an additional \$1,500,000 was provided by Columbia Basin Trust. As of the date of this Financial Discussion the centre is nearly complete, with opening planned within a few months.



The remainder of the funding for the various other capital projects came from the MECC's "annual minor capital projects" funding allocations.

As can be seen on Schedule 4A of the Financial Statements, in addition to these investment in District facilities, there was the \$168,000 investment in a new, universally accessible playground at Burton Elementary School (see photo inlaid above), as well as \$41,000 in new computer hardware purchases.

## FUTURE CONSIDERATIONS – RISKS

The following are some considerations regarding the crucial risks faced by the District:

### *Economic Dependence*

The operations of the School District are dependent on continued funding from the MECC and various governmental agencies to carry out its programs. See next section on the Funding Formula Review.

### *Funding Formula Review*

The District has significant fixed costs. These include maintenance and operations of facilities, class size and composition staffing requirements and administrative functions to support School District operations. As a result, the District is reliant on a stable, predictable funding stream, to ensure consistent delivery of services from year to year across the District.

The MECC is in process of considering the impacts of changes it may make to the funding model. Throughout this process, the MECC has clearly articulated that the Funding Model Review will not result in any new injections of cash into BC's public education system. Changes, if any, will result in a reallocation of existing funds, which implies that some Boards may gain additional funding, while others may lose. The Provincial Government has not announced any decisions.

### *Fluctuations in Student Enrolment*

In grades Kindergarten through nine, one student equates to one FTE. At the secondary level, in grades ten through twelve, students are funded based on the percentage of full-time enrolment. As a result, there is variation in funding for secondary students, as often they will take less than a full course load or seek learning opportunities and experiences outside of school to meet their credit requirements. This funding model for secondary students can pose a challenge for the District in estimating the size of and planning the use of financial resources. Management considers the impact throughout the financial planning process, and, each year, the impact of fluctuating student enrolment influences decisions regarding course offerings, staffing levels, and predictions of future capacity requirements of the District's two secondary and four elementary schools.

### *Recruitment & Retention*

School Districts across the Province are continuing to face significant challenges in the recruitment and retention of qualified staff. School District No. 10 is the largest employer in the middle-Arrow Lakes region centered on Nakusp, with over 100 employees, and faces consistent shortages of personnel in various employee groups. The District uses various strategies to ensure it continues to attract and retain qualified, excellent personnel, to ensure it has adequate personnel to carry out its mission.