



## Regular Board Meeting September 22, 2020

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Date Prepared: September 15, 2020

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

Subject: 2020 Draft Financial Statements

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### **Purpose**

To respectfully request that the Board receive and approve the 2020 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 2020 Financial Statements the statements will be submitted to the Ministry accordingly.

Attached for your information are the 2020 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, 2020 compared to the previous year. The District's financial assets of \$3,982,992 are comprised mostly of the general bank account and portfolio investments and increased by \$678,690 compared to last year's balance of \$3,304,302. The Statement of Cash Flows on page 8 provides a detailed summary of the changes in the District's cash position (bank balance) and Note 4 on page 16 references its portfolio investments. The cash balance increase of \$1,185,252 results from two main items. Cash on hand for unfinished capital projects as of June 30, 2020 increased (i.e. Goat Mountain Project \$559,601) and increased funds were held in the general bank instead of in portfolio investments for the budgeted use of surplus. The budgeted annual deficit (use of



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surplus) of (\$331,169) did not materialize. Instead, the District realized a surplus of \$188,528 – a difference of \$519,697. This was mainly due to receipt of unplanned revenues for contract settlements and lower spending from the shutdown related to the COVID 19 pandemic.

Portfolio investments decreased by \$551,696 from \$2,005,965 to \$1,454,269 and are held in the general bank at yearend as described above. Interest earned on investments and the general bank account amounted to approximately \$60,624. Interest rates decreased marginally, down from 2.4% to 2.0% for most of the term deposits on hand at yearend.

Total Liabilities of \$10,488,650 increased by \$1,668,047 from \$8,820,603 and the change relates mostly to deferred capital revenue. 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 just over \$1.7M in capital assets only \$432,416 of the funding that paid for them is recognized as revenue.

The narrative above explains the increase of \$989,357 in the District's Net Financial Deficit of \$6,505,658 compared to \$5,516,301 last year. 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 \$2,775,690 compared to \$2,146,255 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 \$78,772, supplies inventory \$1,773 and deferred expenses (\$32,449 spent on the Fauquier Subdivision application to be recovered when the property is sold) and approximately \$11.3M in capital assets comprised mainly of its school buildings. Note 10 provides the detail related to the changes in capital assets for the year.

In summary, the District's Financial Position as of June 30, 2020 is strong with sufficient resources to cover both current liabilities and any unexpected expenditures which is beneficial to deal with the increased 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 the previous year.

Actual revenues of \$9,325,232 were up by \$715,411 compared to \$8,609,21 last year and \$290,331 higher than the original budget. Note 14 on page 22 highlights the changes from the Original Budget to the Amended Budget with the major change relating to Provincial operating grants relating to increased revenue from labor settlements and additional special purpose



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funding. Actual revenues compared to the Amended Budget were higher by \$147,256. Schedule 2A on page 26 shows a detailed list of the District's revenue.

Actual expenses of \$9,136,704 increased by \$467,177 compared to \$8,669,527 last year and were \$322,821 (3.4%) lower than the original budget and \$476,166 (5.0%) lower than the amended budget. The amended budget is used more so than the original budget as it is adjusted for mid-year FTE funding and programming changes, however because of the pandemic, many of the program changes were not realized. All function expense categories came in lower than the original and amended budgets. All the variances were analyzed and documented during the audit process.

Alternatively, Schedule 2B shows spending by object. Amounts spent on salaries \$5,417,688, increased by \$445,603 (9%) compared to last year at \$4,972,085. The increase is a combination of higher teacher FTE, the addition of the teaching vice-principal at LESS and contract increases. Amounts spent on benefits \$1,206,286 increased by \$133,536 (12.4%) compared to last year of \$1,072,750 and are directly related to the increased salary amounts. Actual benefits were \$149,039 under the amended budget of \$1,355,325. This gap was evident in last years results suggesting that the budgeted rate for benefits can be reduced to better align with actual results. Amounts spent on services and supplies of \$1,217,342 were \$137,938 (10%) less than last year at \$1,355,280 and \$318,518 less than the amended budget. These results can be directly attributed to the effects of the COVID 19 shutdown from March to June. 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 coding allocations to Ministry reporting definitions.

Schedule 2C on page 28 and 29 shows the detail of the operating fund expenses by function, program, and object. Current year spending was up by \$441,201 from last year with increases in Instruction \$438,955 and Operations and Maintenance \$81,810 and decreases in District Administration (\$34,746) and Transportation and Housing (\$44,818).

Schedule 3 on page 31 shows the Special Purpose Operations which include targeted provincial funds and school-based trust funds. Provincial revenues amounted to \$579,194 compared to \$529,966 last year with the increase attributed to extra funding for Mental Health in Schools \$32,500 and Changing Results for Young children \$13,867 and marginal changes in other special purpose programs. School-based trust revenues amounted to \$178,053 compared to \$224,032, down by \$45,979 from last year. The decrease in school trust fund revenues can be directly attributed to reduced activities related to the pandemic shutdown in March. Special Purpose fund expenses for the year were \$698,780 compared to \$696,860 down marginally by \$1,920 from last year. Page 31 and 32 show the provincial revenues and expenses for each special purpose fund which are required to be spent by the end of the year.



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In summary, with the extra revenues and reduced spending, the district's consolidated surplus amounted to \$188,528 compared to a planned deficit of \$424,624, a difference of \$613,152. \$150,000 of the extra surplus was set aside in internally restricted funds and the remainder can be used for future budgets as described below.

Refer to Note 16 - Internally Restricted Surplus - Operating Fund on Page 22 which identifies the balance of the District's operating surplus of \$1,687,900 including \$1,270,000 of internally restricted surplus and \$417,900 in unrestricted surplus. This surplus balance is supported by the District's portfolio investments and is fully funded. Internally restricted surplus was increased by \$150,000 with an offset decrease to unrestricted surplus. The change was made to increase funds set aside for the planned cost of the financial software upgrade. The Superintendent/Secretary Treasurer has reviewed and approved the appropriations for the current year in accordance with Policy 622.

### **Capital**

The District invested \$1,727,120 in capital additions during the current year. The Province approved \$1,551,657 in capital funding for the year through the SEP, BUS and AFG programs. The District contributed \$111,696 through the operating fund. Unspent SEP capital funding amounted to \$292,210 and unspent AFG funding amounted to \$226,709. Combined with the District's shared capital reserve of \$213,955 the District has \$732,874 in carry forward capital funding going into 2021. Additionally, \$559,601 in MCFD/CBT funding will be carried forward to complete the Goat Mountain Childcare facility.

### **COVID**

During the current year, the Ministry implemented "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, 2020, the District reported \$72,155 in incremental spending/lost revenue and approximately \$30,000 in cost savings related to the event. An additional Ministry report is required for September 30, 2020.

In conclusion, the District's financial position is strong, positioning it well to deal with the high level of uncertainty over the next year.

Thank you to the District Auditor, Dave Bond and his team and District staff for their assistance and support throughout the audit process.