



SDIO SCHOOL
DISTRICT 10
ARROW LAKES

World Class Learning in a Rural Environment

2022-2023 Financials

Financial Statements Discussion & Analysis

Prepared September 22, 2023



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

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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 2022-2023 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) Meeting the Needs of Each Learner: Inclusive Education to ensure success for all student.
- (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 provide 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, 2023. This Financial Discussion is prepared based on known facts and conditions as of September 26, 2023, and should be read in conjunction with the District’s Audited Financial Statements for the year ended June 30, 2023 (the “**Financial Statements**”).

The financial results presented herein are discussed and compared to both the prior year ended June 30, 2022, and to the Budget for the year that was adopted by the Board of Education on April 19, 2022.

THE FINANCIAL PLANNING PROCESS

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

By February 15th of each year, the District submits forecast student enrolment for the upcoming school year to the Ministry of Education and Child Care. Provincial operating grant funding estimates are based on these initial student enrolment projections 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 30 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 during the school year un.

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 the District reports 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 Kindergarten through grade 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 2022-2023, basic enrolment-based funding was \$4,039,790, representing 38.7% of the \$10,430,972 the District received in provincial operating grants. This is also 34.0% of the District’s total operating and special purpose funds revenues of \$11,892,296.



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 \$4,361,940 Unique Geographic supplement, which is more than the basic per-pupil enrolment funding received by the District! This supplement represents 36.7% of the District’s \$11,892,296 operating and special purpose funds revenues.



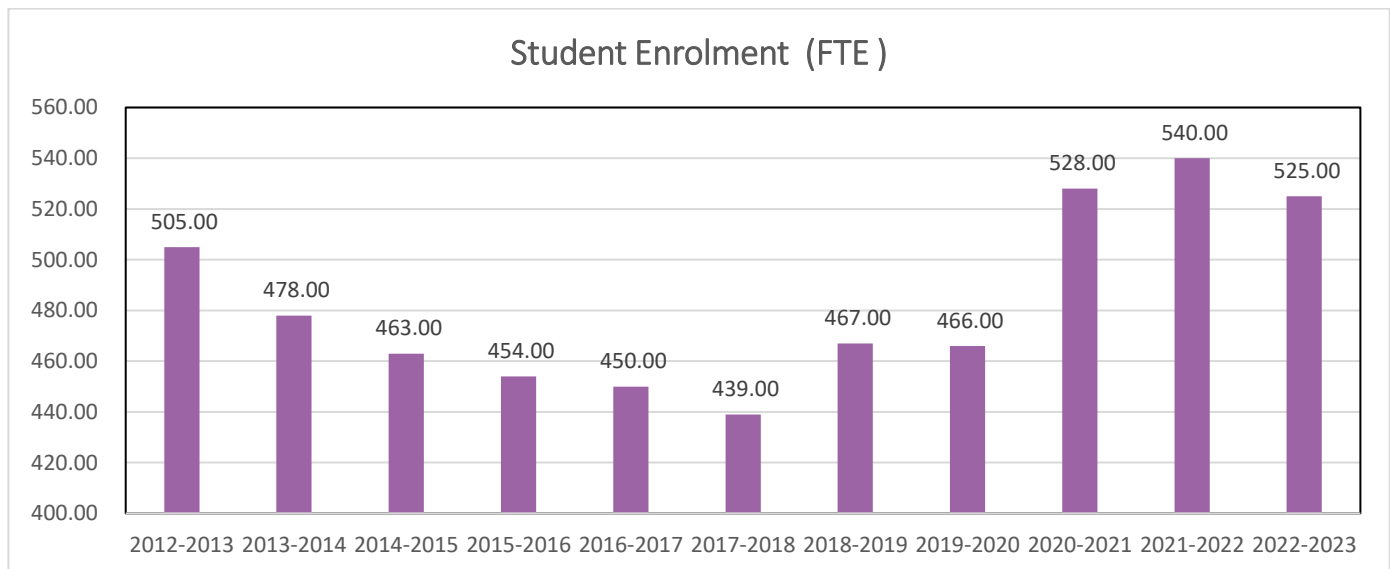
Operating Grants - Unique Needs Supplement & Targeted Funding

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 support to its diverse learners, not to be used for identified students only. In 2022-2023, the District received supplemental unique needs funding of \$1,240,862, representing 10.4% of the District's \$11,892,296 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 totalling \$949,832, representing 8.0 % of the District's \$11,892,296 operating and special purpose funds revenues.

STUDENT ENROLMENT (FTE)



District enrollment has generally increased for the past five years from a low reached in the 2017-2018 year.

STATEMENT OF OPERATIONS – ALL FUNDS

Year Ended June 30, 2023	Operating Fund	Special Purpose Funds	Capital Funds	All Funds Total	Of Revenue / Of Expenses
	\$	\$	\$	\$	%
Revenues					
Operating/Special Purpose Grants	10,430,972	949,832	-	11,380,804	90.1
Other Revenues	108,203	244,475	-	352,679	2.8
Investment Income	158,814	-	3,649	162,463	1.3
Amortization of Deferred Capital Revenue	-	-	729,638	729,638	5.8
Total Revenues	10,697,989	1,194,307	733,287	12,625,583	
Expenses					
Instruction	7,065,238	1,093,140	-	8,158,377	66.6
District Administration	1,261,573	-	-	1,261,573	10.4
Operations & Maintenance	1,371,580	101,168	787,529	2,248,476	18.4
Transportation	445,633	-	135,213	580,846	4.6
Total Expenses	10,144,024	1,194,307	910,941	12,249,272	
Surplus (Deficit)	553,965	-	(198,462)	376,311	2.9
Net Transfers to/from other Funds					
Tangible Capital Assets Purchased	(183,316)	-	183,316	-	
Total Net Transfers	(183,316)	-	183,316	-	
Surplus (Deficit) beginning of the year	2,835,206	-	1,302,390	4,137,596	
Total Net Surplus (Deficit) for the year	370,649	-	5,662	376,311	
Accumulated Surplus (Deficit) end of the year	3,205,855	-	1,308,052	4,513,907	

Operating fund revenues, totalling \$10,697,989, represent 84.7% of the District's total revenues, or 90.0% of the District's revenues, excluding deferred capital amortization. The District spent \$10,144,024 of these operating fund revenues and transferred \$183,316 to the capital to purchase vehicles, leaving a \$370,649 net surplus in the operating fund.

During the 2022-2023 year, the District collected \$1,242,603 in special purpose grants and spent/booked revenues for \$1,194,307 of it*, leaving \$48,295 in new deferred revenues until the following year. There were \$351,587 in deferred special purpose funding leftover from the prior year, leaving a total of \$399,882 of deferred special purpose revenues at the end of this year to carry-forward into 2023-2024.

**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 between the prior year and to the budget for Operating Fund revenues and expenses:

	2022-2023 Actual	2021-2022 Actual	Variance to 2021-2022	2022-2023 Budget	Variance to Budget
	\$	\$	\$	\$	\$
Operating Fund Revenues					
Provincial Operating Grants - MECC	10,430,972	9,741,898	689,074	9,623,784	807,188
Other Revenues	267,017	119,203	147,814	120,640	146,377
Total Operating Fund Revenues	10,697,989	9,861,101	836,888	9,744,424	953,565
Operating Expenses					
Instruction	7,065,238	6,637,500	427,738	7,014,143	51,095
District Administration	1,261,573	817,405	444,168	960,707	300,866
Operations & Maintenance	1,371,580	1,340,085	31,495	1,280,560	91,020
Transportation	445,633	650,718	(205,085)	489,014	(43,381)
Total Operating Fund Expenses	10,144,024	9,445,708	698,316	9,744,424	399,600

The \$689,074 increase in Provincial Operating Grants in the operating fund compared with the prior year was due to a \$314,192 increase in the Unique Needs supplement and a \$138,991 increase in the Unique Geographic supplement. The remainder of the increase can be attributed to labour settlement funding, offset by decreases in some of the minor segments within the Operating Grant block. Enrollment-based funding was flat compared to the prior year.

Instruction expenses in the operating fund increased by \$427,738, commensurate with the additional funding. District Administration expenses increased due to increased staffing and general salary increases, but also mainly because in the prior year, District Administration expenses reflected reduced staffing due to turnover and one-time salary and vacation pay accrual adjustments.

Operations & Maintenance expenses increased by \$31,495 due to general increases in all categories of expenses.

Transportation expenses decreased significantly by \$205,085, mainly due to transportation expenses being paid through alternate funding sources, rather than through operating fund, but also due to decreases in fuel costs due to use of new electric buses.

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:

	2022-2023 Actual	2021-2022 Actual	Variance to 2021- 2022	2022-2023 Budget	Variance to Budget
Special Purpose Revenues/Expenses*					
Provincial Grants - MECC					
Annual Facility Grant	62,150	61,136	1,014	62,454	(304)
Learning Improvement Fund	33,688	31,491	2,197	31,491	2,197
Strong Start	96,000	96,000	-	96,000	-
Ready, Set, Learn	9,800	12,250	(2,450)	12,250	(2,450)
OLEP	7,271	6,382	889	6,580	691
CommunityLINK	106,223	105,817	406	105,817	406
Classroom Enhancement Fund	139,020	206,222	(67,202)	183,526	(44,506)
Mental Health in Schools	57,000	134,657	(77,657)	-	57,000
Changing Results for Young Children	11,250	11,247	(3)	-	11,250
Provincial Safe Return Grant	-	21,886	(21,866)	-	-
Federal Safe Return Grant	39,018	10,982	28,036	39,018	-
Seamless Day Kindergarten	34,375	22,778	11,597	50,000	(12,625)
Early Care & Learning	175,000	-	175,000	-	175,000
Student & Family Affordability	179,037	-	179,037	-	179,037
Other Revenue					
School Generated Funds/other	244,475	190,647	53,828	206,000	38,475
Total Special Purpose Revenues/Expenses	1,194,307	911,495	282,812	789,629	404,678

Special purpose funds' revenues/expenses* in 2022-2022 increased by \$282,812 overall as compared to the prior year, largely due to new funding from the Early Care & Learning Fund and the Student & Family Affordability Fund. School Generated Funds also increased significantly by \$53,328, which was a continuation of a trend of increases first seen in the prior year, due to the resumption of student activities, field trips and extra-curricular activities post-pandemic during the year. This increases were offset by the \$77,657 decrease in Mental Health in Schools funding and the \$67,202 decrease in Classroom Enhancement Fund revenues.

**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 2021-2022, the District received \$48,295 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 30th, 2022, compared to June 30, 2021:

As at	June 30, 2022		Increase (Decrease)	
	June 30, 2023	(restated)		
	\$	\$	\$	%
Financial Assets				
Cash & Cash Equivalents	4,748,751	4,891,950	(143,199)	(2.92%)
Accounts Receivable	670,824	337,251	333,573	98.91%
Total Financial Assets	5,419,575	5,229,201	190,374	3.64%
Liabilities				
Accounts Payable and Accrued Liabilities	1,122,844	964,839	158,005	16.4%
Deferred Special Purpose Revenues	399,882	351,587	48,295	13.7%
Deferred Capital Revenues	16,968,852	14,557,746	2,411,306	16.6%
Asset Retirement Obligations	1,807,964	1,807,964	-	-
Total Liabilities	20,458,113	17,836,953	2,621,160	14.7%
Net Debt	(15,038,538)	(12,607,752)	(2,430,786)	(19.3)%
Non-Financial Assets				
Tangible Capital Assets	19,452,445	16,632,482	2,819,963	17.0%
Prepaid Expenses	100,000	112,866	(12,866)	(11.40%)
Total Non-Financial Assets	19,552,445	16,745,348	2,807,097	16.8%
Accumulated Surplus	4,513,907	4,137,596	376,311	9.09%

Financial assets totalling \$5,419,575 at the end of the year were similar 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 3.38 (= \$5,419,575 current assets / \$1,522,726 current liabilities), which indicates that the District has more than four 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 increase 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 due to the construction of numerous capital projects during the year and the purchase of two buses and one van. 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, 2022 Opening Balance	2023-2024 Restriction	Planned 2023- 2024	Planned 2024- 2025	Planned 2025- 2026	Currently Planned Balance
	\$	\$	\$	\$	\$	\$
Donations	-	20,000	10,000	10,000		
Restricted – Funding constraints	-	20,000	10,000	10,000	-	-
Contractual Obligations	48,000	-	-	-	-	-
Professional Learning	21,000	-	-	-	-	-
Strategic Planning	70,000	23,000	23,000	-	-	-
Website & Visual Identity	20,000	20,000	20,000	-	-	-
Anticipated Unusual Expenses	159,000	43,000	43,000	-	-	-
Software Transitions	15,000	100,000	65,000	35,000	-	-
Restricted - Multi-Year Operations	15,000	100,000	65,000	35,000	-	-
Vehicles – Vans	140,000	168,056	168,056	-	-	-
Vehicles – Mower	60,000	47,488	47,488	-	-	-
Student Technology Devices	-	45,000	45,000	-	-	-
IT Infrastructure & Equipment	100,000	113,000	113,000	-	-	-
Nakusp Elementary Playground	-	240,000	240,000	-	-	-
Charging Infrastructure	-	50,000	50,000	-	-	-
District Classroom Improvement	-	100,000	35,000	35,000	30,000	-
Restricted - Capital Projects	300,000	763,544	698,544	35,000	30,000	-
Total Restricted Operating Surplus	474,000	926,544	816,544	80,000	30,000	
Unrestricted Surplus (Contingency)	2,361,206	2,279,311	1,572,767	1,502,767	1,502,767	1,502,767
TOTAL Accum. Operating Surplus	2,835,206	3,205,855	2,389,311	2,319,311	2,319,311	2,319,311

ACCUMULATED CAPITAL SURPLUSES

The District has a local capital surplus totalling \$95,021. Use of these funds will be determined as needs or opportunities arise. At this stage there are no plans for the use of these funds. Overall, including all tangible capital assets and deferred capital revenues, there is a capital surplus totalling \$1,308,052. 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

2022-2023 was a year of major capital investments for the District. The District capitalized \$3,730,904 of expenditures during the year. Facilities projects totalling \$2,266,606 on projects were incurred in construction of the Nakusp Early Learning Childcare Centre (NELCC), to upgrade the Nakusp Secondary School heating, ventilation and air conditioning (HVAC) system, and for various smaller projects at all schools in the District. Furniture and equipment expenses totalling \$218,529 were incurred in the furnishing of the NELCC. Three electric buses were purchased at a cost of \$1,171,733, and a student passenger van was purchased for \$74,503.

The development of the NELCC was funded by the Ministry of Education and Childcare (MECC) in the amount of \$3,000,000, plus an additional \$1,500,000 was provided by Columbia Basin Trust. The centre opened in March, 2023, and some of the construction and furnishing of continued since then. As of the date of this Financial Discussion, the construction and furnishing of the centre is complete.



The funding for the Nakusp Secondary School HVAC upgrade project came from the MECC's School Enhancement Program fund, and the funding for the various other capital projects came from the MECC's Annual Facilities Grant funding.

The funding for the purchase of the three electric buses and the student passenger van came from MECC's Bus Program, Clean BC grants, District restricted and operating surplus.

FUTURE CONSIDERATIONS – RISKS

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

Economic Dependence

The School District's operations depend on continued funding from the MECC and various governmental agencies to carry out its programs. See the 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 the 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 reallocating existing funds, implying 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. In grades ten through twelve, students are funded at the secondary level based on the percentage of full-time enrolment. As a result, there is variation in funding for secondary students, as they will often 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 continue to face significant challenges in recruiting and retaining qualified staff. School District No. 10 is the largest employer in the middle-Arrow Lakes region centred 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.