
SCHOOL DISTRICT NO. 53 (OKANAGAN SIMILKAMEEN) DISCUSSION & ANALYSIS OF FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

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The following is a discussion and analysis of School District No. 53's financial performance for the fiscal year ended June 30, 2024. This report is a summary of the district's financial activities based on currently known facts, and conditions. The financial statements are a consolidation of the school district and transportation societies at the secondary schools. The results of the current year are discussed in comparison with current year's budget and prior year actual. This report should be read in conjunction with the School District's financial statements.

DISTRICT OVERVIEW

School District No. 53 serves over 2,425 student FTE in 8 schools (5 elementary and 3 secondary) and a distance learning centre, covering the communities of Cawston, Hedley, Keremeos, Okanagan Falls, Oliver, and Osoyoos.

All decisions made by the Board of Education (The Board) both educational and financial are guided by the districts strategic plan that includes these district goals:

- Create a positive culture
- Health and Well Being
- Support Student Achievement
- Support Truth and Reconciliation

The Board, it's employees and partners are driven by the district's Mission Statement to 'Provide all learners with relevant experiences that lead to responsible citizenship and life-long learning' and by the district Vision to 'Be an innovative learning community with strong relationships, partnerships and commitments'. Both the strategic plan and vision can be found on our website www.sd53.bc.ca

UNDERSTANDING SCHOOL DISTRICT FINANCIAL PERFORMANCE

Annual surplus and accumulated surplus are key financial statement performance indicators; however, interpreting the meaning of these figures is complicated by the use of funds and deferral accounting. The use of fund accounting means the financial statements of school districts are a consolidation of three separate funds (operating, special purpose & capital), and each of these funds differs with respect to the methods of accounting used and the legislative and other constraints on budgeting and financial results. Therefore, financial performance can only be understood by reviewing each fund separately.

Operating Funds – Operating Funds include grants and other revenues and are used to fund instructional programs; school and district administration; facilities operations; and transportation. The Ministry of Education provides 94.1% of these operating revenues. Program revenues and expenditures are reported with-in the operating funds. Annual and accumulated surplus with the funds are important indicators of financial performance and financial health. This is because school districts are not permitted to budget for or incur an accumulated deficit position. This means when a school district has accumulated operating surplus

available it can be used to budget for future expenditures and to reduce financial risk associated with unforeseen expenditures. (2024 Revenues – \$35.7 Million)

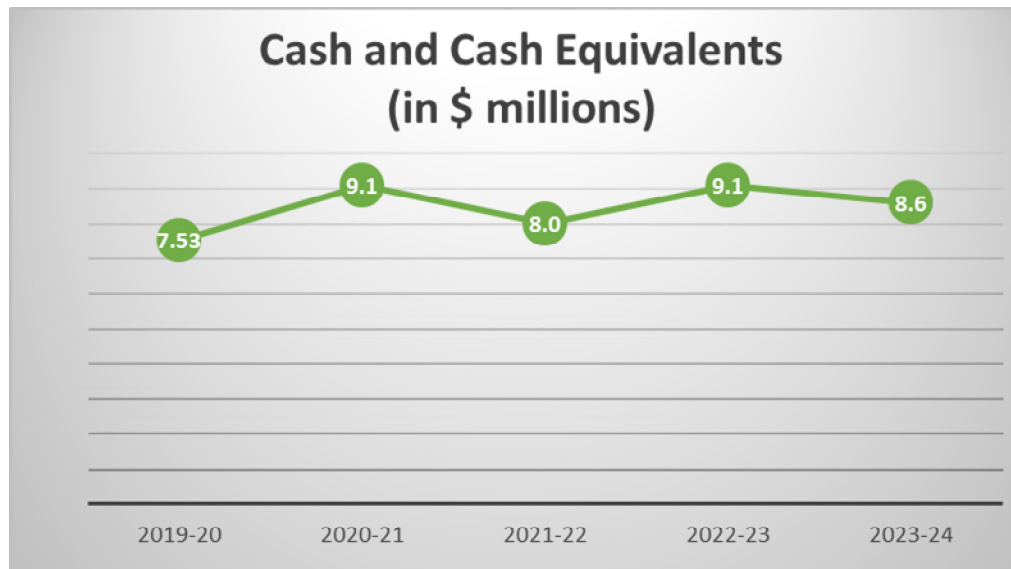
Special Purpose Funds – This fund includes grants and school generated funds that are restricted for a specific purpose. Annual and accumulated surplus is always zero because revenues are recognized only as related expenses occur (deferral method of accounting). If expenditures for a program within the special purpose fund exceed available revenues, the resulting deficit is transferred to operating fund reducing accumulated operating surplus. (2024 Revenues - \$6.5 Million)

Capital Fund - Investments in capital assets and their related financing activities are reported in this fund. Capital funding from the province is accounted for using the deferral method of accounting, where recognition of capital revenue is spread out over the life of the related capital assets to match the amortization expense which reflects the use of asset over its useful life. This means that capital fund revenues are not a reflection of funding actually received in any given year. Capital revenues only offset amortization expense in the fund to the extent assets were funded by provincial capital grants. As many capital investments are funded by operating revenue (recorded as transfers of accumulated operating surplus to the capital fund), this fund may report an annual deficit. Typically, capital fund revenues, expenses and annual deficit are not a meaningful indicator of annual financial performance. (2024 Amortization recognized as Revenue - \$2.4 Million)

ANALYSIS OF FINANCIAL STATEMENTS

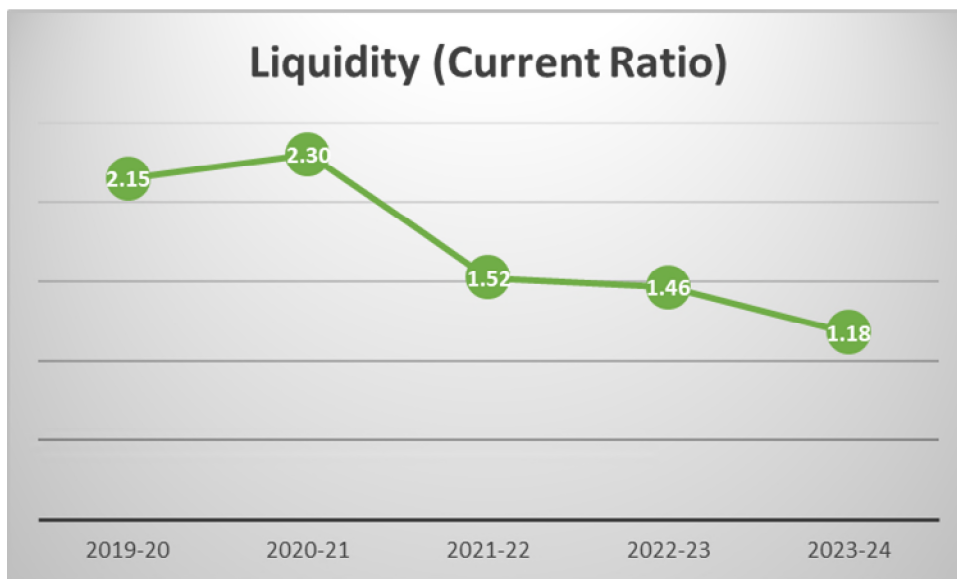
FIVE YEAR TREND – STATEMENT OF FINANCIAL POSITION (Statement 1 – All Funds)

Cash and cash Equivalents is down slightly from 2023, this was an expensive year on the operations side of the district. At June 30, 2024 the district is reporting \$8.86M in cash and cash equivalents.

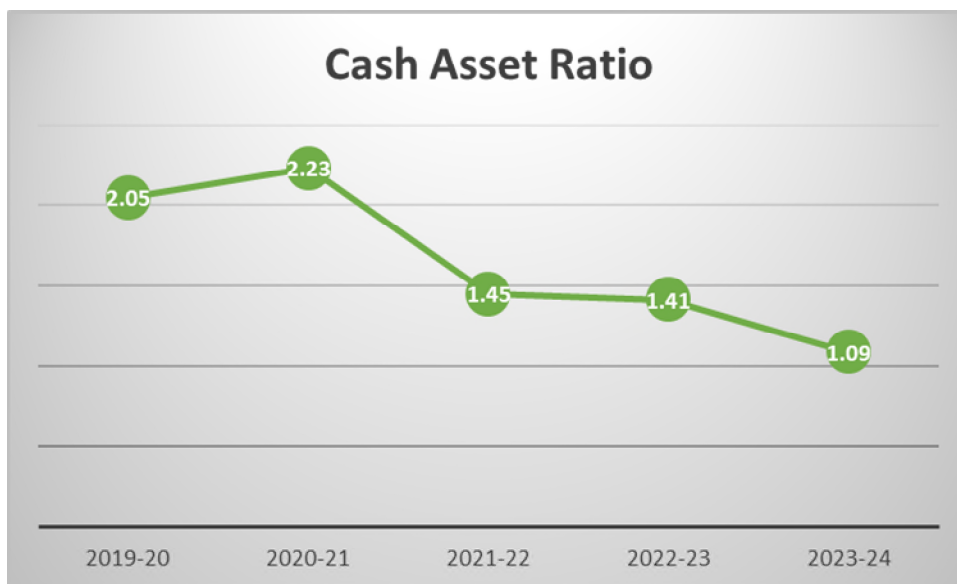


Cash on hand is not necessarily available for new initiatives as that portion only represents a small amount, a portion represents funds to be spent on capital projects and is represented in the Board's policy C-11 Accumulated Operating Surplus and another portion comes from the Special Purpose funds which is targeted for specific purposes.

Liquidity, or the current ratio, is calculated as current assets divided by current liabilities. If the current ratio is greater than or equal to 1, then there are sufficient assets on hand to meet current liabilities. In this case, current liabilities are equal to total liabilities less deferred capital revenue. As at June 30, 2024 the district is reporting a current ratio of 1.18. We will continue to note that the district has a long term liability in the Asset Retirement Obligation(\$1.82M) which came into effect in 2022 and therefore, the 2021-22 current ratio has been restated from 2.27 to 1.52



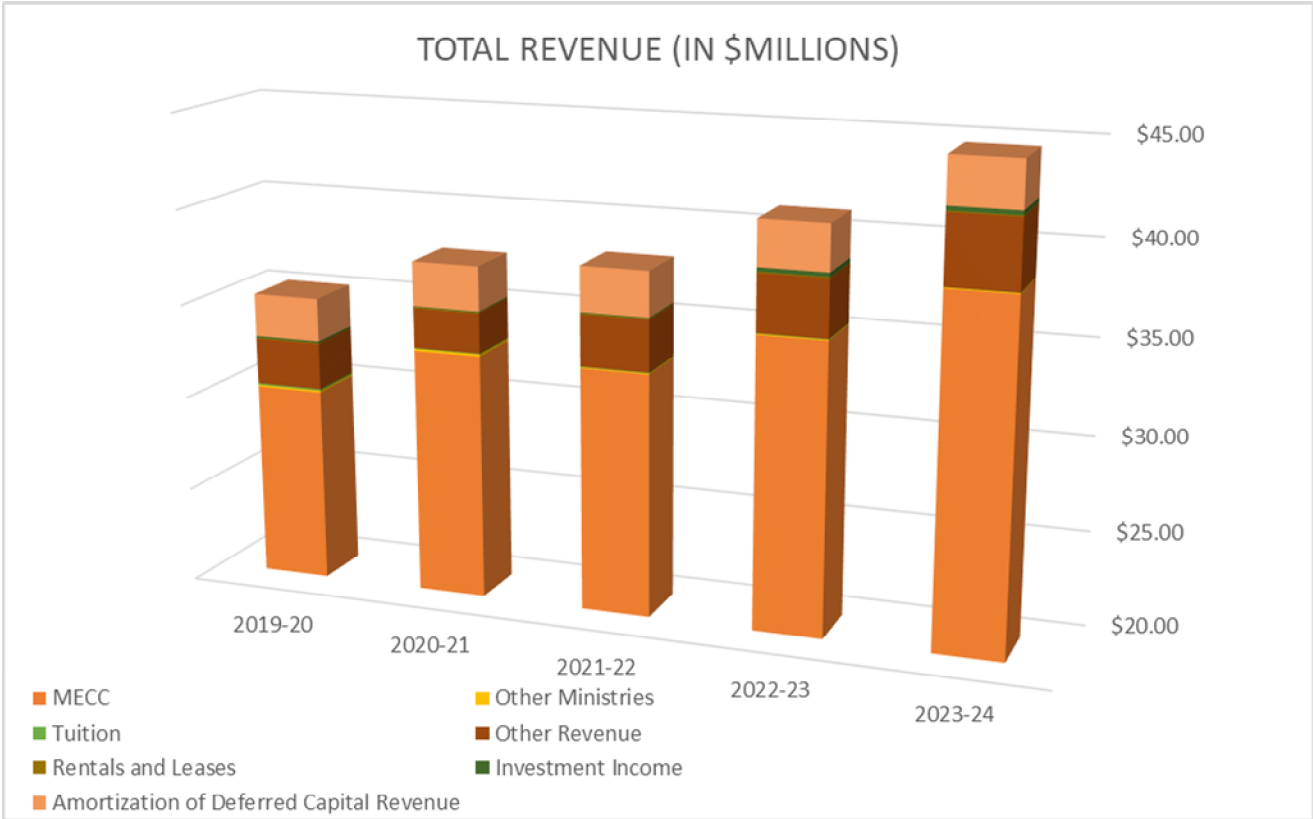
Cash Asset Ratio is another tool to assess the districts ability to meet their current liabilities. It is the result of cash and cash equivalents divided by current liabilities and determines how quickly obligations can be met.



As at June 30, 2024 the district reported a cash asset ratio of 1.09(109%) and can easily meet its obligations. Note: the 2021-22 was restated from 2.17 to 1.45 due to the addition in 2022 of the Asset Retirement Obligation(ARO).

FIVE YEAR TREND – STATEMENT OF OPERATIONS (Statement 2 – All Funds)

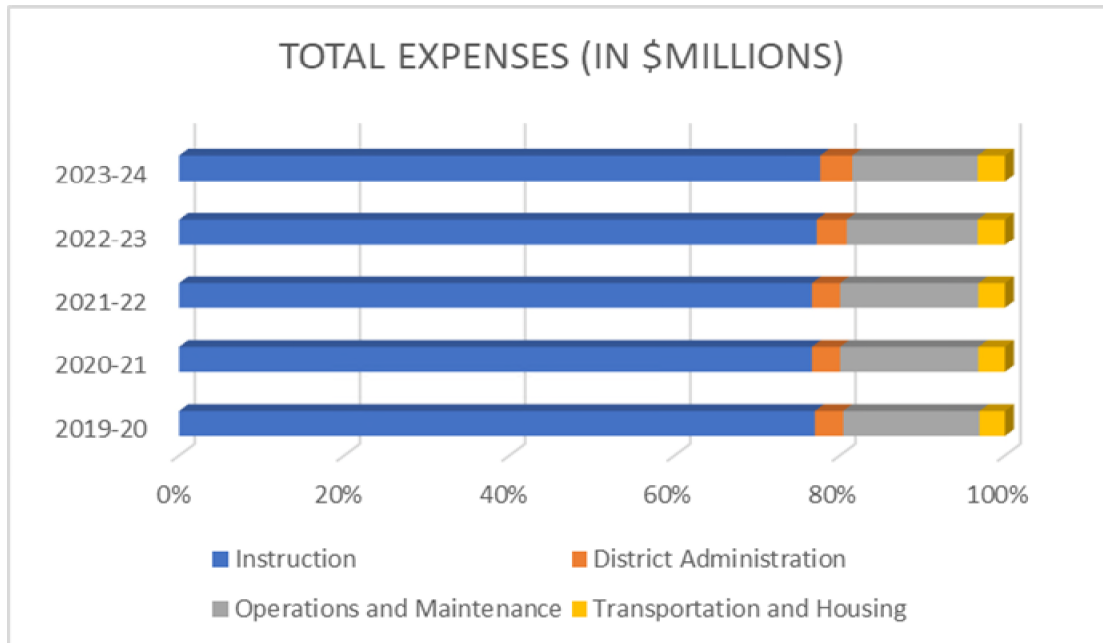
Total Revenues for all funds have been continually increasing over the past five years moving from \$35.23 in 2019-20 to \$44.68M in 2023-24. This is mainly due to the fact that 85.7% of all revenue is from the Ministry of Education and Child Care (MECC) with a large increase in general overall funding per student. This has resulted in this general trend.



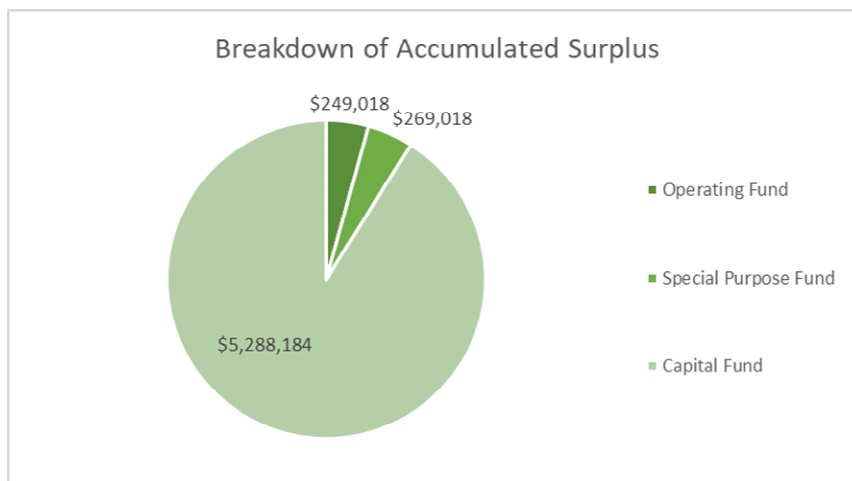
The second main source of revenue is called “Other” and consists of money received from the First Nations band, as well as, school generated funds, Ace IT and the Transportation Society. These make up 8.06%. The third main revenue amount is Amortization of Deferred Capital Revenue at 5.46%. It must be stated that this is not “real” money and is simply an accounting function that recognizes costs with the active life of an asset. Assets in this case are buildings; furniture and equipment; vehicles; and computer hardware and software as discussed in the capital fund descriptor above.

Expenses are the second trend to examine on Statement 2. As you can see below, spending has been fairly consistent over the 4 main expense areas (departments) with a very consistent 77.6% (2023 – 77.2%) on Instruction, 3.9% (2023-3.6%) on Administration, 15.2% (2023-15.8%) on Operations and Maintenance and 3.3% (2023-3.3%) on Transportation and Housing. Costs have fluctuated at essentially the same rate as increases in revenues, which is consistent when revenues are received in this grant format.

FIVE YEAR TREND – STATEMENT OF OPERATIONS (Statement 2 – All Funds)



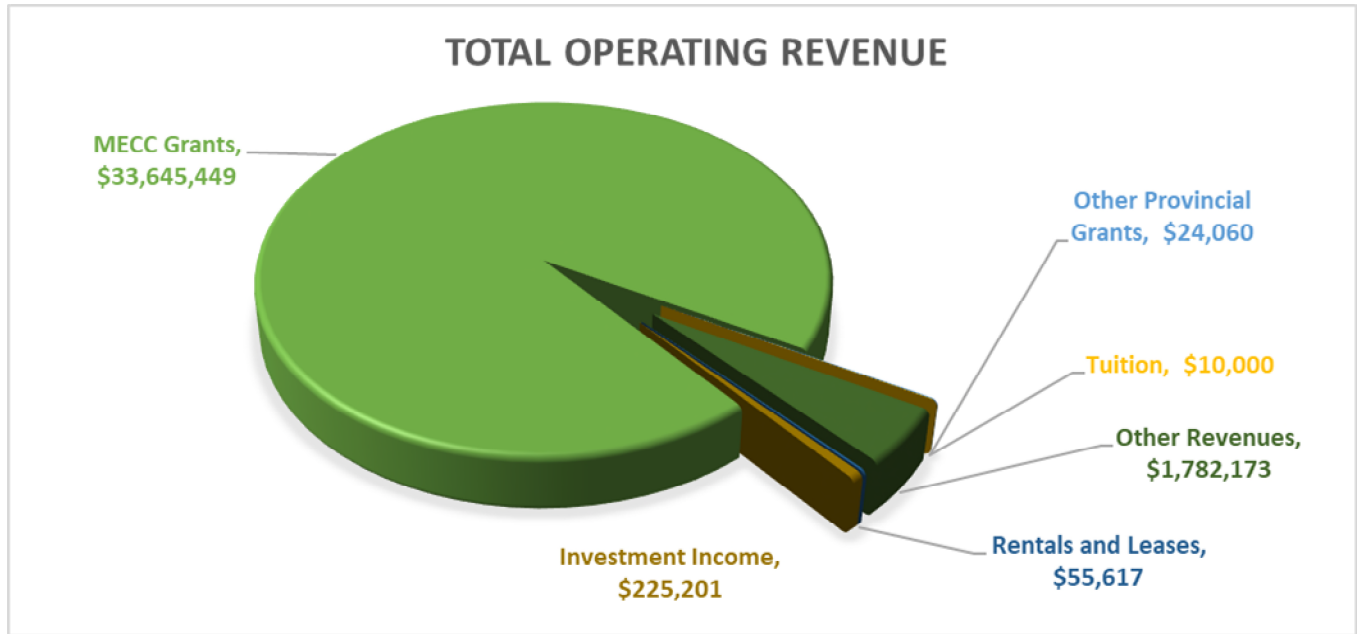
Accumulated surplus is the third item to examine on Statement 2, it is made up from all three funds. Capital funds are not “real money” as discussed above this is the difference between amortization recognition of revenue and costs over the useful life of assets plus local capital funds which are earmarked and should only be used on future capital projects. Special purpose fund surplus is also completely earmarked and cannot be used for general purpose operations of the district. This leaves the operating surplus of \$249K, this amount can be used for many purposes but must be approved by the Board, the Board has developed policy C-11 for this purpose.



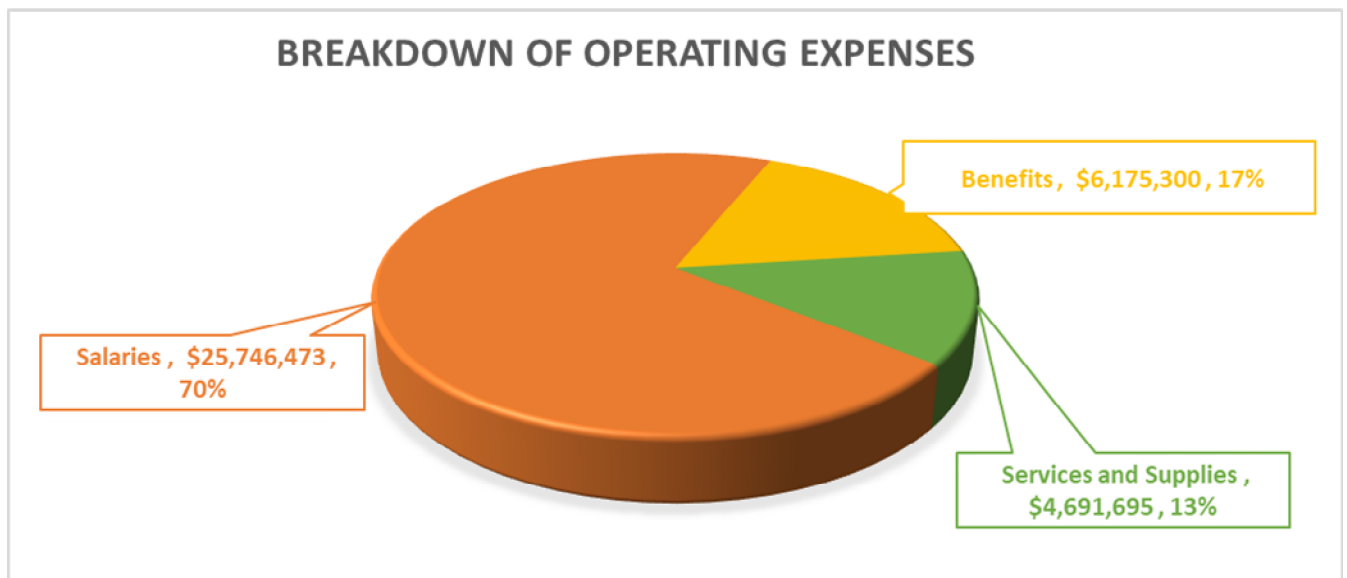
The balanced Annual budget was passed on June 21, 2023. The Amended Annual budget that was passed on February 22, 2024, only required \$149K of prior years surplus to balance.

OPERATING FUND ANALYSIS (Schedule 2 to 2C)

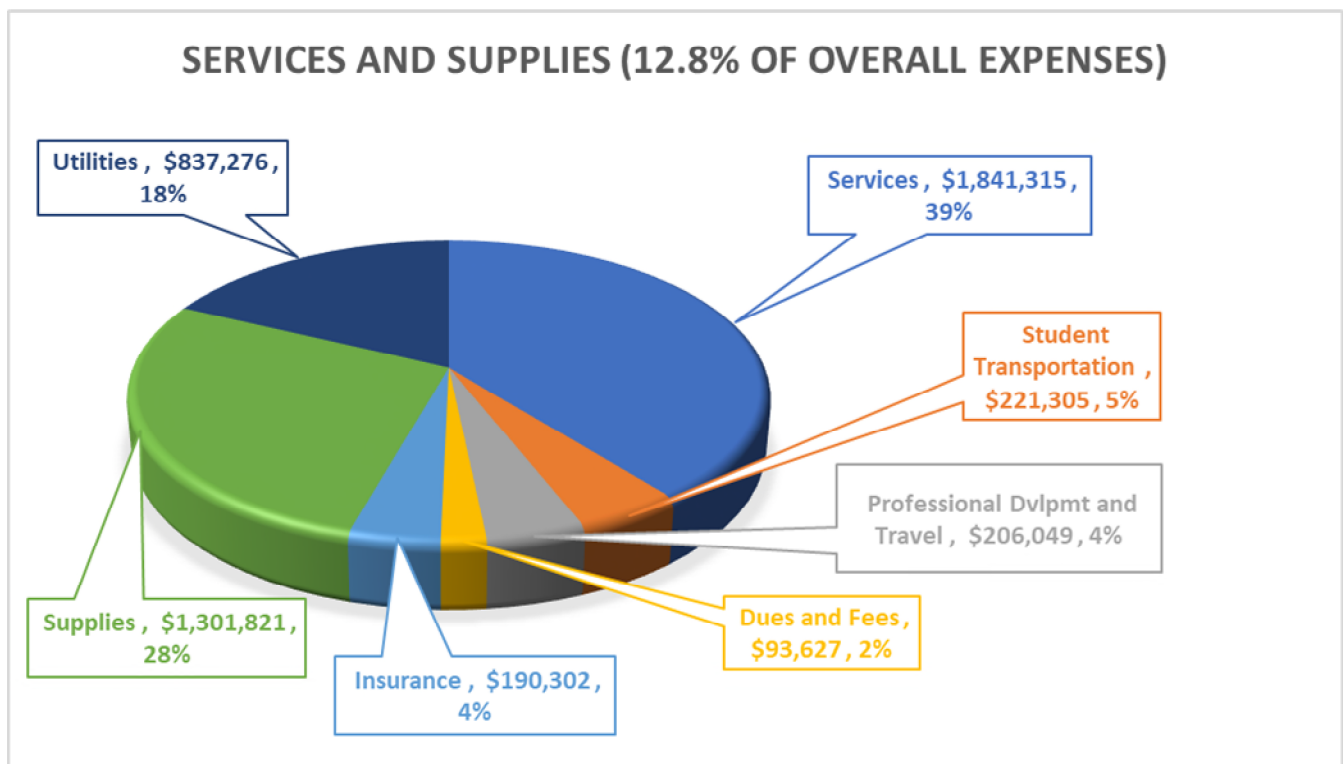
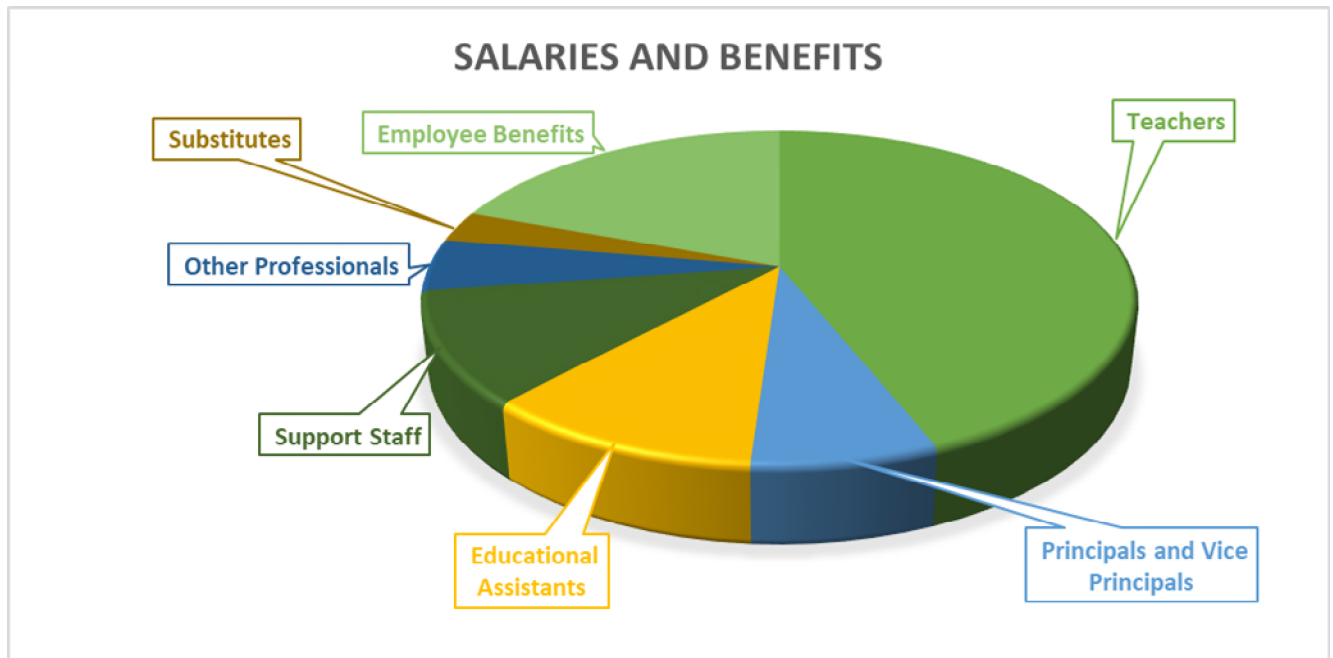
Total operating revenue received from all sources was \$35,742,500 (\$33,388,271 in 2022-23). The variance is explained by an increase in total provincial grants from the MECC per student funding and all Other Revenue sources are up approximately \$200K.



Total operating expenses were \$36,613,468 (\$33,139,073 in 2022-23). Operating expenses in all salary and benefit categories were higher compared with 2022-23. Services and supplies were also a bit higher than in the prior year, this is representative of the high costs associated with the economy.



Salaries and Benefits total 87.2% of Expenses and are controlled by contracts and provincial negotiations and not directly by the Board.



Services and supplies make up the remaining 12.8% of expenses, however there are further expenses here that the Board also has no control over, such as, Insurance and Utility costs, so if these amounts are removed the Board really only has control of 10% or \$3.66M. With this amount they are expected to efficiently run this district and meet the needs of all students.

Internally Restricted (appropriated) for:	2024	
	\$	
School Surplus carried forward	106,344	
Roots of Empathy	5,000	
Skills Canada Competition	2,361	
Take A Risk Grant	10,000	
Technology Upgrades	40,000	
Maintenance Requirements	35,313	
District Initiatives	25,000	
Staffing	25,000	
Subtotal Internally Restricted	249,018	
Unrestricted Surplus	-	
Total Surplus Available for Future Operations	249,018	\$ 249,018
Special Purpose Fund	269,018	\$ 269,018
Capital Fund	5,288,184	\$ 5,288,184
Accumulated Surplus (Deficit) end of year		\$ 5,806,220

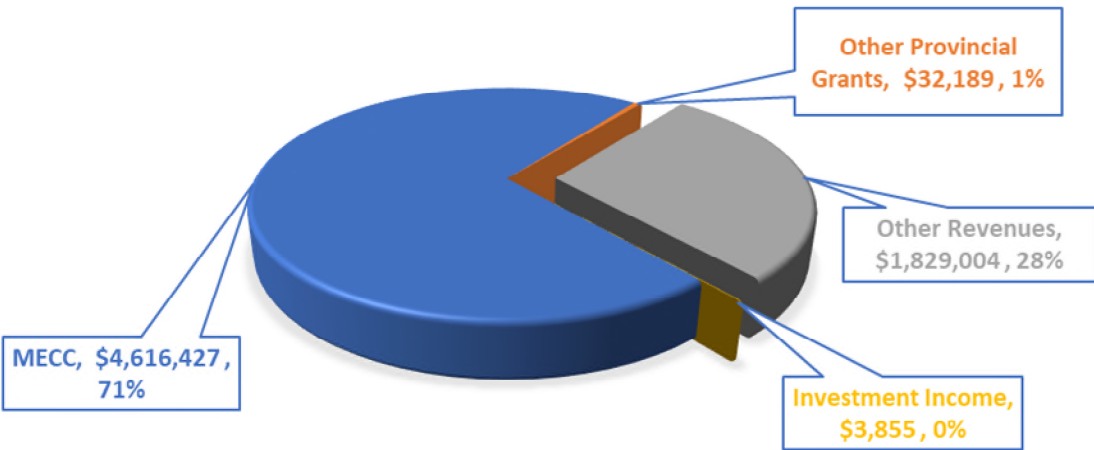
As noted above, accumulated operating surplus has been restricted by the Board of Education as per Board Policy (as outlined in Policy C-11 on the school district website) The above table explains the intended uses of the restricted surplus over the next year.

SPECIAL PURPOSE FUND ANALYSIS (Schedule 3 & 3A)

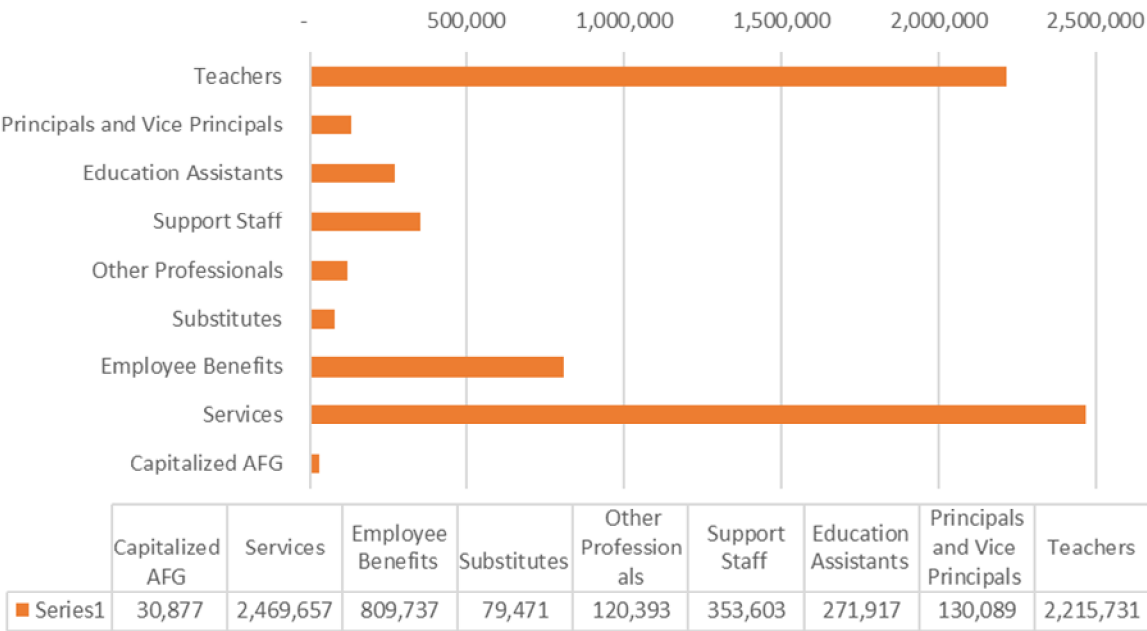
This fund shows amounts received for targeted programs such as annual facility grants, learning improvement funds, community links, official language education program, CEF, Feeding Futures amongst others. A deferral accounting approach is taken with revenues matched to expenses. This fund can show neither a surplus nor a deficit on an annual basis but does show a surplus on an accumulated basis for student bursary (endowment) funds.

Actual special purpose grants received of \$6,481,475 (\$5,239,731 in 2022-23). Funding for CEF continued in the 2023-24 year. New programs funded by MECC include the Feeding Futures and Health Career Dual Credit programs. Together these grants totalled more than \$375K.

SPECIAL PURPOSE FUND GRANTS



SPECIAL PURPOSE FUND EXPENSES



Total expenses were in line with funding received and used for targeted purposes.

CAPITAL FUND ANALYSIS (Schedule 4 to 4 D)

Capital fund revenues are a blend of cash and non-cash items. The district received bylaw capital funding for projects as well as an annual facilities funding of \$3.16 Million; capital additions for the year amounted to \$4.5 Million (schedule 4A). These additions were as a result of works conducted at various schools on a number of capital projects such as, completion of district Geothermal projects; Kitchen upgrades at several sites; e-charging infrastructure at OES; purchase of 2 buses; and also roofing, grounds, carpentry and many more upgrade projects (AFG) throughout the district. The district also received a separate New Spaces grant, the work is progressing.

The non-cash portion reflects the annual revenue recognition of Deferred Capital Revenue (DCR) and amortization of tangible capital assets (schedule 4). Both items are consistent with budget and with prior year.

CONTACTING THE DISTRICT'S MANAGEMENT

This report is designed to provide the reader with an overview of the school district's finances and to demonstrate the district's accountability for the funding it receives. If you need additional information or have questions about this report, please contact the Secretary Treasurer at 250-498-3481 or visit our website at www.sd53.bc.ca