
SCHOOL DISTRICT NO. 53 (OKANAGAN SIMILKAMEEN)

DISCUSSION & ANALYSIS OF FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2023

DISTRICT OVERVIEW	2
UNDERSTANDING SCHOOL DISTRICT FINANCIAL PERFORMANCE	2
Operating Funds	2
Special Purpose Funds	3
Capital Fund	3
ANALYSIS OF FINANCIAL STATEMENTS	3
<i>FIVE YEAR TREND – STATEMENT OF FINANCIAL POSITION (Statement 1 – All Funds)</i>	<i>3</i>
Cash and Cash Equivalents	3
Liquidity	4
Cash Asset Ratio	4
<i>FIVE YEAR TREND – STATEMENT OF OPERATIONS (Statement 2 – All Funds)</i>	<i>5</i>
Total Revenues	5
Expenses	6
Accumulated Surplus	6
OPERATING FUND ANALYSIS (Schedule 2 to 2C)	7
SPECIAL PURPOSE FUND ANALYSIS (Schedule 3 & 3A)	10
CAPITAL FUND ANALYSIS (Schedule 4 to 4 D)	11
CONTACTING THE DISTRICT’S MANAGEMENT	11

The following is a discussion and analysis of School District No. 53's financial performance for the fiscal year ended June 30, 2023. 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 2,450 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:

- To create a positive culture
- To provide diverse opportunities and experiences for students
- To provide diverse opportunities for all district staff
- To enhance positive educational experiences for aboriginal students

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 94.4% 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. (2023 Revenues – \$33.4 Million)

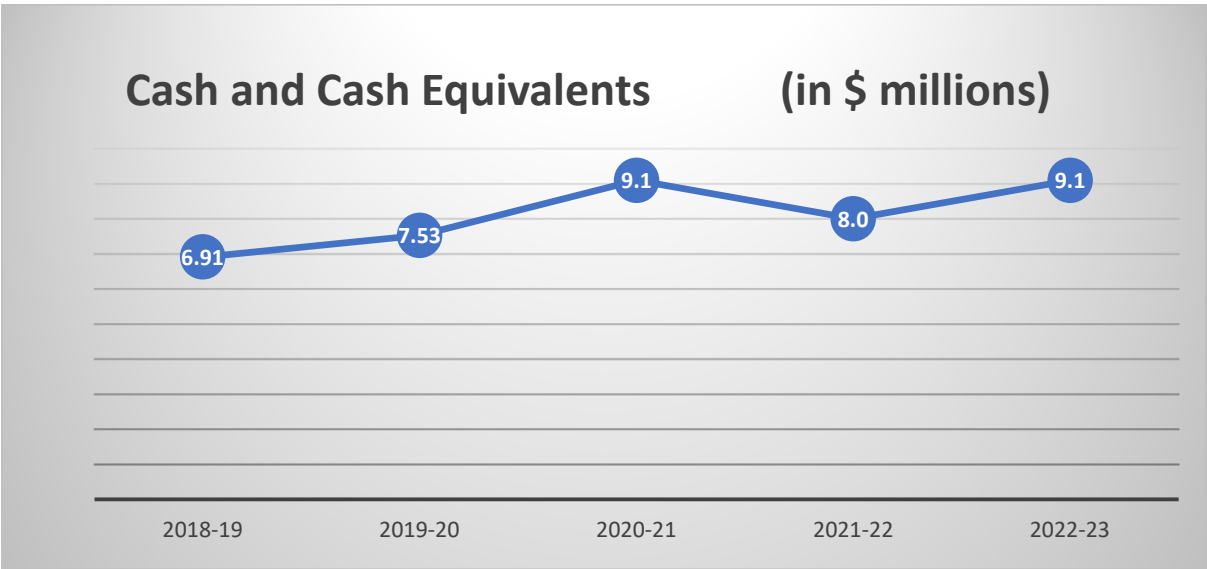
Special Purpose Funds – This fund includes grants and school generated funds that are restricted for a specific purpose. Annual and accumulated surplus is always zero because revenues are recognized only as related expenses occur (deferral method of accounting). If expenditures for a program within the special purpose fund exceed available revenues, the resulting deficit is transferred to operating fund reducing accumulated operating surplus. (2023 Revenues - \$5.24 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. (2023 Amortization recognized as Revenue - \$2.4 Million)

ANALYSIS OF FINANCIAL STATEMENTS

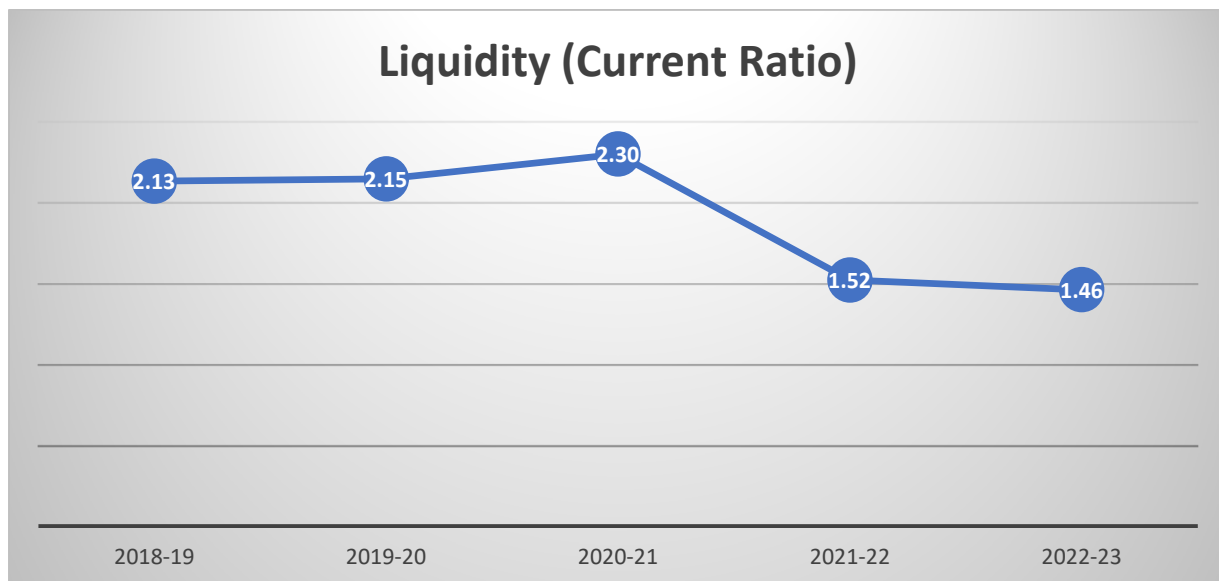
FIVE YEAR TREND – STATEMENT OF FINANCIAL POSITION (Statement 1 – All Funds)

Cash and cash Equivalents have been building over the past five years, this is in conjunction with new Ministerial guidelines for surplus policies and building of contingency funds (Internally Restricted Surplus). At June 30, 2023 the district is reporting \$9.1M in cash and cash equivalents.

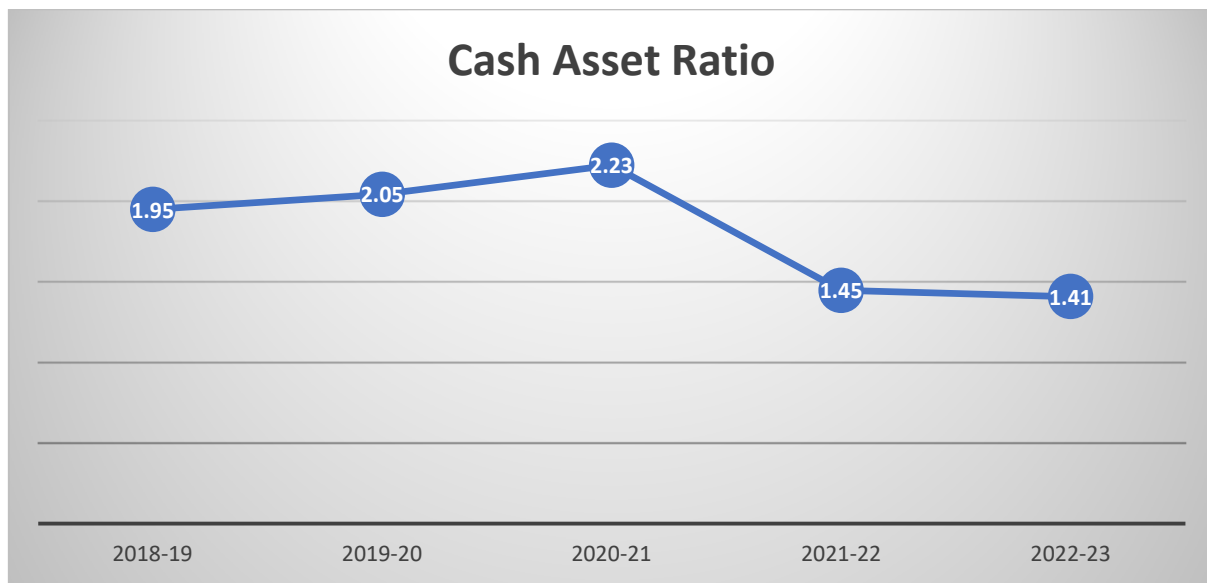


Cash on hand is not necessarily available for new initiatives as that portion only represents a small amount, a portion represents funds to be spent on capital projects and is represented in the Board's policy C-11 Accumulated Operating Surplus and another portion comes from the Special Purpose funds 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, 2023 the district is reporting a current ratio of 1.46. It should be noted that the district now has a new 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



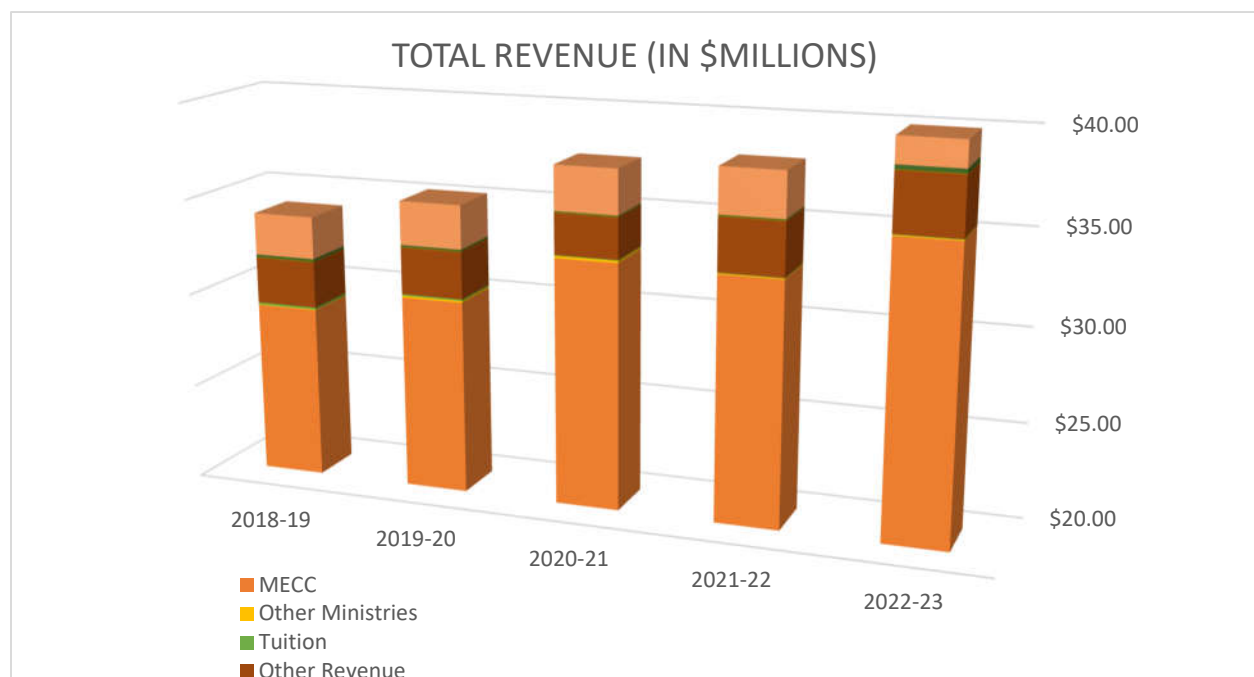
Cash Asset Ratio is another tool to assess the districts ability to meet their current liabilities. It is the result of cash and cash equivalents divided by current liabilities and determines how quickly obligations can be met.



As at June 30, 2023 the district reported a cash asset ratio of 1.41 (141%) and can easily meet its obligations. This ratio is also affected by the new liability and 2021-22 has also been restated from 2.17 to 1.45.

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

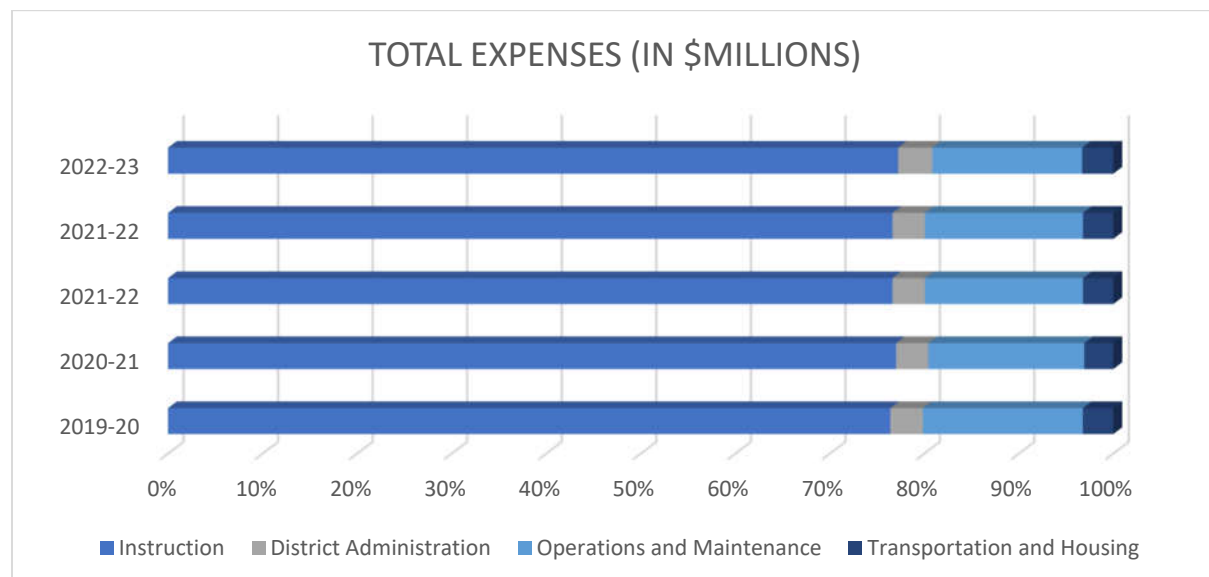
Total Revenues for all funds have been continually increasing over the past five years moving from \$34.01M in 2018-19 to \$41.05M in 2022-23. This is mainly due to the fact that 85.99% of all revenue is from the Ministry of Education and Child Care (MECC) with small funding increases over the last years and this year we have a large increase for labour settlement agreements. 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 7.31%. The third main revenue amount is Amortization of Deferred Capital Revenue at 5.85%. 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. Also of note is the huge increase in Investment Income that rose from approximately \$50,000 in 2021-22 to over \$210,000 in 2022-23.

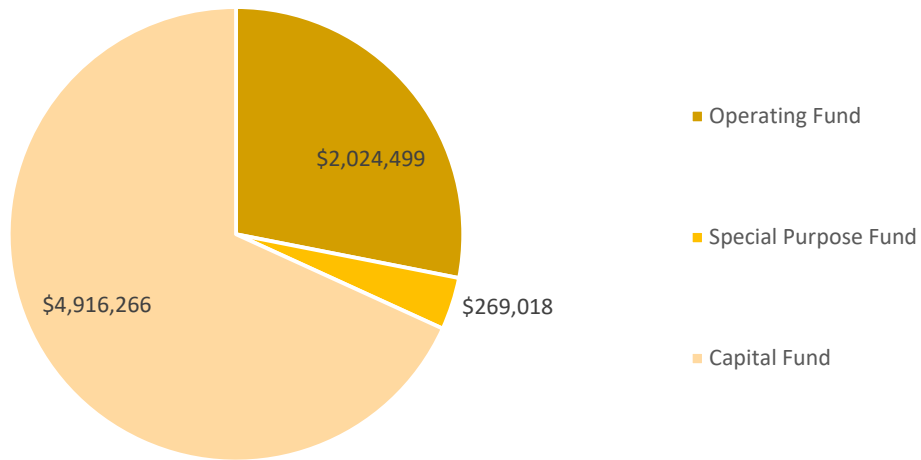
Expenses are the second trend to examine on Statement 2. As you can see below, spending has been fairly consistent over the 4 main expense areas (departments) with a fairly consistent 77.2% (2022 – 76.6%) on Instruction, 3.6% (2022-3.4%) on Administration, 15.8% (2022-16.8%) on Operations and Maintenance and 3.3% (2022-3.2%) 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 \$2.02M, 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.

Breakdown of Accumulated Surplus

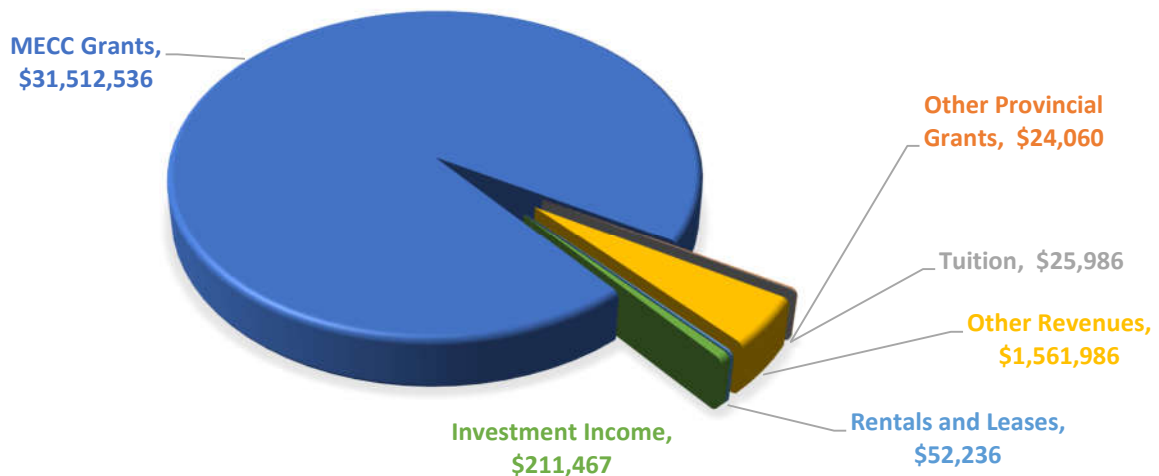


OPERATING FUND ANALYSIS (Schedule 2 to 2C)

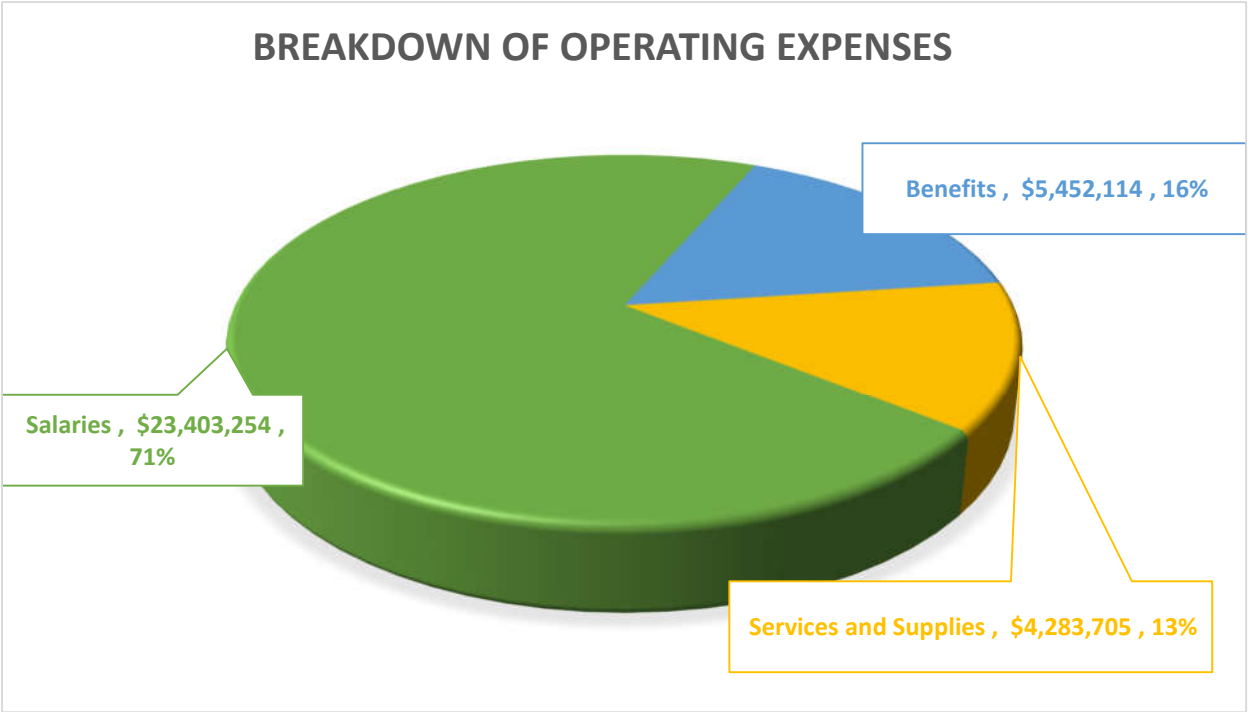
The balanced Annual budget was passed on June 21, 2022 using \$628K to balance the budget, upon completing the Amended Annual budget that was passed on February 22, 2023, only \$35K was required to balance.

Total operating revenue received from all sources was \$33,388,271 (\$31,260,355 in 2021-22). The variance is explained by an increase in total provincial grants from the MECC per student funding and a slight increase in student numbers. The main increase in revenue from MECC was for Labour Settlement Funding.

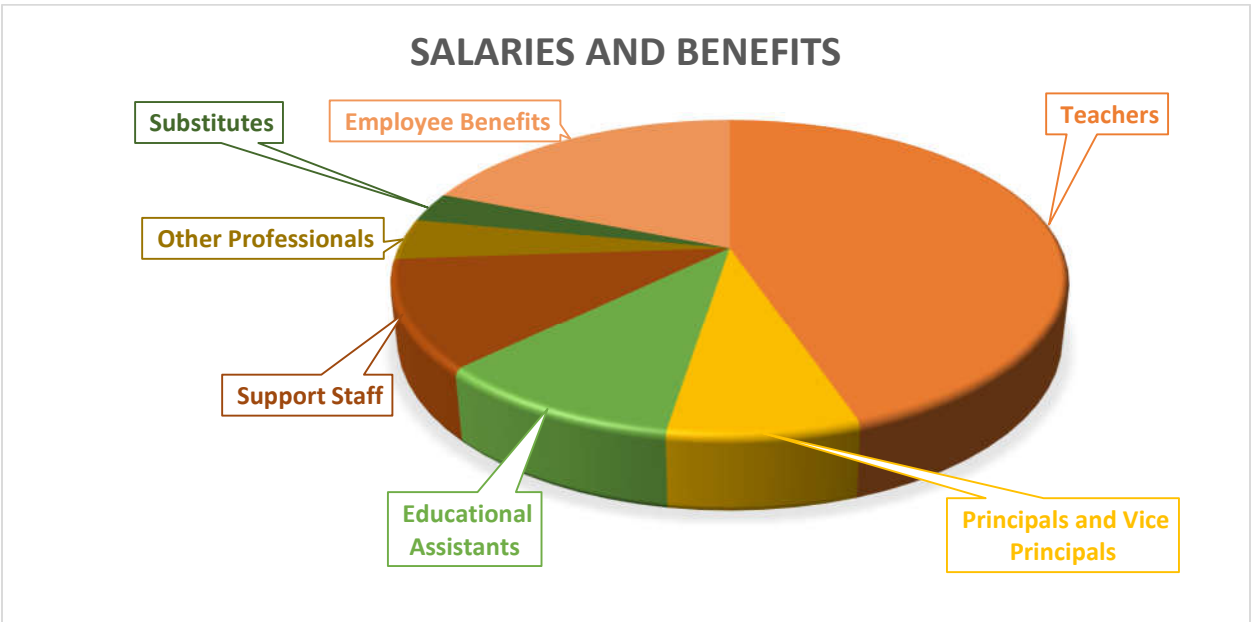
TOTAL OPERATING REVENUE



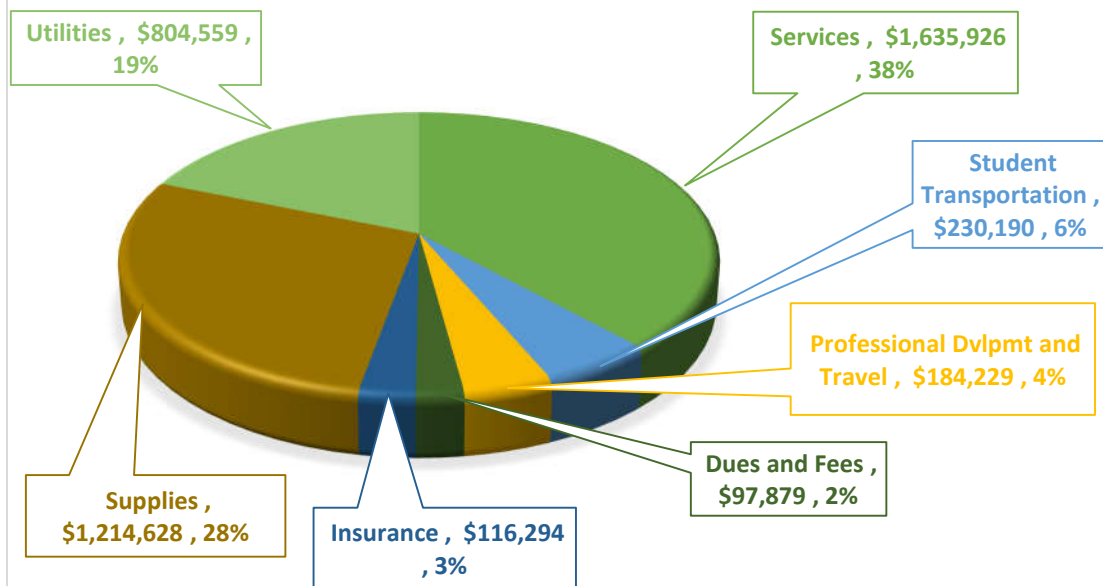
Total operating expenses were \$33,139,073 (\$31,134,116 in 2021-22). Operating expenses in all salary categories were higher compared with 2021-22 as should be with this years Labour Settlement. Services and supplies were virtually identical to the prior year.



Salaries and Benefits total 87.1% of Expenses and are controlled by contracts and provincial negotiations and not directly by the Board.



SERVICES AND SUPPLIES (12.9% OF OVERALL EXPENSES)



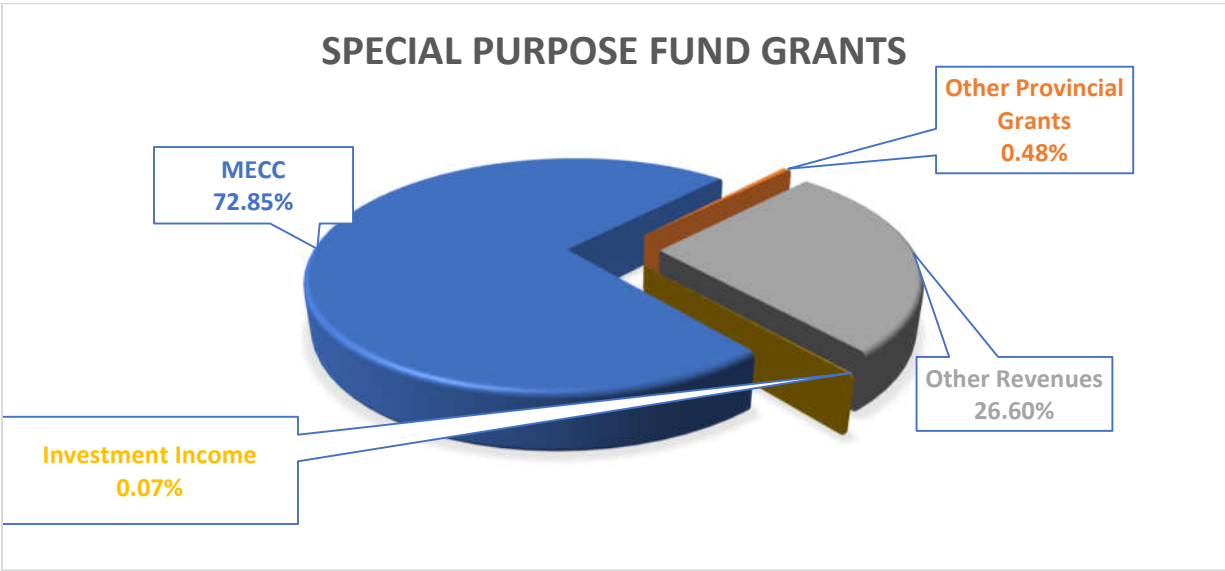
Services and supplies make up the remaining 12.9% of expenses, however there are further expenses here that the Board also has no control over, such as, Insurance and Utility costs, so if these amounts are removed the Board really only has control of 10.1% or \$3.36M. With this amount they are expected to efficiently run this district and meet the needs of all students.

Internally Restricted (appropriated) for:	2023
	\$
School Surplus carried forward	188,161
Aboriginal Program Funds	30,487
Roots of Empathy	5,000
Skills Canada Competition	2,361
Take A Risk Grant	10,000
Technology Upgrades	125,000
Maintenance Requirements	121,140
District Initiatives	100,000
Staffing	150,000
Leadership Initiatives/New Curriculum	125,000
Local Capital Allocation	550,000
Subtotal Internally Restricted	1,407,149
Unrestricted Surplus	617,350
Total Surplus Available for Future Operations	2,024,499

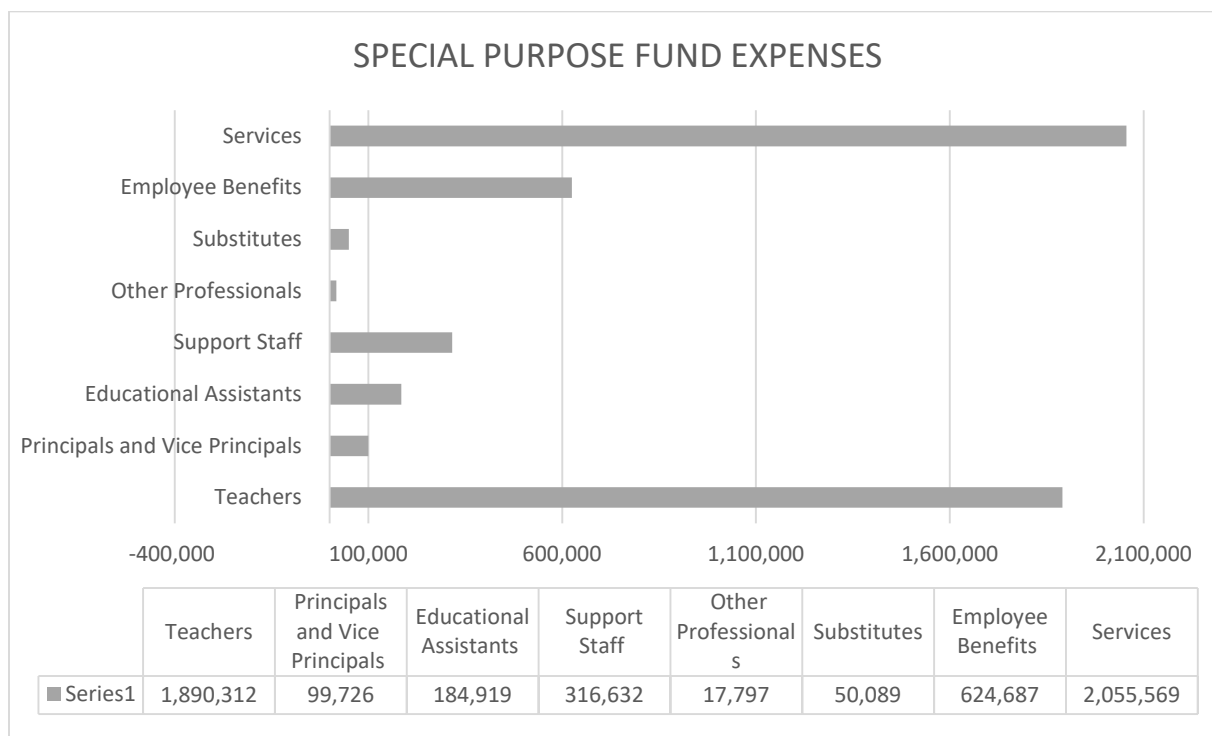
As noted above, accumulated operating surplus has been restricted by the Board of Education as per Board Policy (as outlined in Policy C-11 on the school district website) The Board (in compliance with Policy C-11) has moved monies into Local Capital in the amount of \$550,000. This calculation is because the surplus amount is above the 4% contingency and unrestricted surplus levels as stated in the policy. 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 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 \$5,609,670 (\$4,673,871 in 2021-22). Funding for CEF continued in the 2022-23 year. New programs funded by MECC include the Student & Family Affordability Grant, JUST B4, Early Years to Kindergarten (SEY3KT) and Early Care and Learning (ECL) initiatives. Together these grants totalled more than \$500K.



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 \$2.75 Million; capital additions for the year amounted to \$3.0 Million (schedule 4A). These additions were as a result of works conducted at various schools on a number of capital projects such as the Osoyoos Secondary and Osoyoos Elementary Geothermal projects. The SOSS Geothermal project has encountered some supply change issues which has resulted in deferred capital totals seen on Schedule 4D; there were also roofing, grounds, carpentry and many more upgrade projects (AFG) throughout the district.

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