



FINANCIAL STATEMENTS DISCUSSION and ANALYSIS

Year ended June 30, 2022

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School District No. 58 (Nicola-Similkameen)

Financial Statements Discussion and Analysis

For the Year Ended June 30, 2022

INTRODUCTION

The following is a discussion and analysis of the financial performance of School District 58 (Nicola-Similkameen) (the “District”) for the fiscal year ended June 30, 2022. This report should be read in conjunction with the District’s consolidated financial statements of the same period and is meant to assist the reader.

The purpose of the Financial Statement Discussion and Analysis is to highlight information and provide explanations which enhance the reader’s understanding of the school district’s financial statements as well as the factors that influence the financial results presented in these statements. This report is a summary of the district’s financial activities, based on currently known facts, decisions and conditions. The statements illustrate, in financial terms, how resources have been allocated and consumed during the fiscal year.

The preparation of this financial statement discussion and analysis is management’s responsibility. All dollar amounts are reported to the nearest thousand.

OVERVIEW OF THE SCHOOL DISTRICT

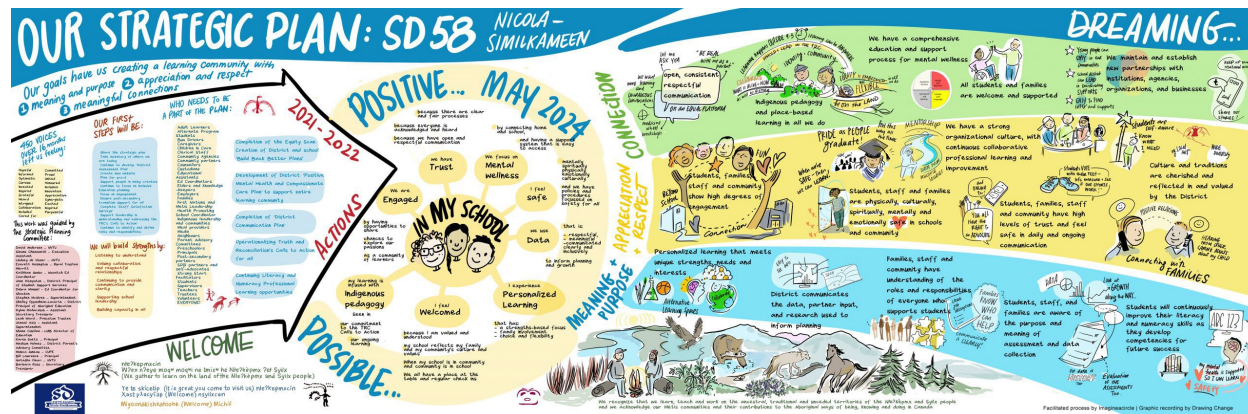
Located in the Similkameen and Nicola valleys, the District serves the two distinct communities of Merritt and Princeton. The district provides educational services to approximately 2,400 students. These services include: an Indigenous Education Program, late French Immersion, Distributed Learning and Alternative Programming. School District 58 is situated on the traditional and unceded territories of the Nl̓eʔkəpmx and Syilx people and acknowledges that we work alongside the Métis Nation of British Columbia to serve the children and youth of the Nicola-Similkameen region. The district strives to increase awareness, understanding and integration of Indigenous culture, history and language in all SD58 schools. It is part of our ongoing commitment to Truth and Reconciliation.

The governing body of the School District is a Board of Education made up of seven trustees who are each elected for a four-year term. The day-to-day matters are managed by the administrative staff of the School District, headed by the Superintendent of Schools.

Our Strategic Plan

In June 2021, the District completed its strategic plan, in consultation with all stakeholders. The three goal areas are:

- Meaning/Purpose
- Appreciation / Respect
- Connection



Our Mission

- Supporting excellent in teaching and learning
- Challenging and supporting staff and our students to pursue their personal best
- Recognizing and celebrating cultural diversity and the heritage of our communities
- Encouraging parental involvement with students at home and school through meaningful relationships with families and communities
- Fostering resilience, resourcefulness, respect and independence
- Inspiring curiosity, creativity and critical thinking in all students and staff to achieve their full potential
- Recruiting the best qualified personnel, providing ongoing, systematic professional development, and retaining outstanding staff
- Providing timely, relevant, and useful information and data to students, staff, parents, and partner groups.

Our Vision

- Success for all learners, today and tomorrow

Our School District Values

- inclusive education and partnerships
- The diversity of our communities
- Fairness and due process in decision making
- The heritage and culture of Aboriginal (Inuit, Indian and Metis) and First Nations people, with recognition of the traditional territory of the local Nl̓eʔkəpmx and

- Syilx people
- The dignity of all individuals
- The important role of parents and caregivers in support of their child's education
- The pursuit of excellence and personal best
- The well-being of students and staff
- Parental and student choice with respect to how, when, and where learning takes place
- Responsible Citizenship
- Regular, effective, and relevant communications
- Positive relationships based on trust and mutual respect
- Innovation and promising educational practices

Our Schools

Elementary Schools

- Diamond Vale Elementary School
- École Élémentaire Colletville School
- John Allison Elementary School
- Merrit Bench Elementary School
- Merritt Central Elementary School
- Nicola Canford Elementary School
- Vermillion Forks Elementary School

Secondary Schools

- Merritt Secondary School
- Princeton Secondary School

Alternate Programs

- Kengard Learning Centre (Merritt Alternate Program)
- South Central Interior Distance Education School (SCIDES)
- The Bridge (Princeton Alternate Program)

COMPOSITION OF THE FINANCIAL STATEMENTS

School district financial statements are prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This Section requires that the financial statements be prepared in accordance with Canadian public sector accounting standards, except in regard to the accounting for government transfers.

The two key audited statements are:

- The **Statement of Financial Position** summarizes the school district's assets and liabilities at June 30, 2022. This provides an indication of the financial health of the school district.
- **The Statement of Operations** summarizes the revenues received and expenses incurred between July 1, 2021 and June 30, 2022. This statement provides an indication of the funding received by the school district and how that funding was spent.
- The **Statement of Changes in Net Financial Assets (Debt)**, the **Statement of Cash Flows** and the **Notes to the Financial Statements** are also audited and provide further analysis of the District's finances.

Financial performance is difficult to ascertain in the audited Financial Statements, as they are a consolidation of three distinct areas:

- The Operating Fund (Schedule 2);
- Special Purpose Funds (Schedule 3); and the
- Capital Fund (Schedule 4).

The schedules are included at the end of the financial statements, following the Notes to the Financial Statements, in a format prescribed by the Ministry. The schedules include more details specific to each of the three areas, providing increased transparency and accountability. The balances reported in the schedules, when consolidated, are consistent with the balances reported in the statements.

- **Schedule 1** illustrates a breakdown of the accumulated surplus (deficit) on Statement 1 into the three reporting areas.
- **Schedule 2** provides detail on the Operating Fund, which accounts for the operating grants and other operating revenues. Legislation requires that the School District present a balanced budget for the Operating Fund, whereby budgeted expenditure does not exceed budgeted revenue, and any surplus used to balance the budget is appropriated from surpluses carried forward in previous years.
- **Schedule 3** provides detail on the Special Purpose Funds, which are grants and contributions that are directed towards specific activities. As these are targeted grants, any unspent funding is accounted for as deferred revenue, not as accumulated surplus.
- **Schedule 4** provides detail on the Capital Fund, which accounts for the capital

assets and capital revenues.

STATEMENT OF FINANCIAL POSITION

Financial Assets are assets available to discharge existing liabilities or finance future operations. Overall, there was no significant change from the prior year's overall balances.

In Thousands	2022	2021	Change
Cash and Cash Equivalents	\$ 10,118	\$ 9,843	\$ 275
Accounts Receivable - Due from Ministry of Education and Child Care	1,454	-	1,454
Accounts Receivable - Due from Province - Other	-	252	(252)
Accounts Receivable - Due from First Nations	477	1,076	(599)
Accounts Receivable - Due from Other	510	213	297
Total	\$ 12,559	\$ 11,384	\$ 1,175

Cash and Cash equivalents increased by \$0.3 million. Accounts Receivable from the Ministry of Education and Child Care increased by \$1.45 million reflecting timing of year-end funding for flood related expenses. Accounts Receivable from First Nations decreased by \$0.3 million. Accounts Receivable – Other, increased by \$0.3 million.

Liabilities represent obligations that have been incurred by the School District. Total liabilities increased from the prior year by \$2.2 million.

In Thousands	2022	2021	Change
Accounts Payable and Accrued Liabilities	\$ 3,794	\$ 2,364	\$ 1,430
Unearned Revenue	1	6	(5)
Deferred Revenue	1,280	1,012	268
Deferred Capital Revenue	22,841	22,462	379
Employee Future Benefits	1,318	1,287	31
Total	\$ 29,234	\$ 27,131	\$ 2,103

Accounts Payable and Accrued Liabilities is mainly comprised of employee remittances for payroll deductions, accumulated employee vacation, flood related, accrued wages and trades payable, which includes a significant amount for capital projects and flood related expenses.

Unearned Revenue represents revenues received for future periods in the areas of rental revenue.

Deferred Revenue is externally restricted revenue for specific programs such as Community Link, Strong Start, Ready Set Learn, After School Sport and Arts and includes School Generated Funds. Deferred revenue is not recognized until related expenses are incurred.

Deferred Capital Revenue is revenue to be amortized over the life of the related capital assets.

Non-Financial Assets have increased by \$0.9 million.

In Thousands	2022	2021	Change
Tangible Capital Assets	\$ 32,642	\$ 31,639	\$ 1,003
Prepaid Expenses	290	347	(57)
Total	\$ 32,932	\$ 31,986	\$ 946

Capital Assets include land, buildings, construction projects in progress, furniture, equipment, vehicles and computers.

Prepaid Expenses represent costs that have been paid in advance of the next fiscal year and will become expenses in a future period.

Accumulated Surplus

In Thousands	2022	2021	Change
Operating Fund	\$ 2,825	\$ 2,745	\$ 80
Special Purpose Funds	-	-	-
Capital Fund	13,433	13,494	(61)
Total	\$ 16,258	\$ 16,239	\$ 19

Accumulated surplus represents the Board's residual interest in its assets after deducting liabilities. Most of this balance is unavailable to fund operations as it is either restricted, or has already been used to invest in buildings, equipment and other capital assets.

STATEMENT OF OPERATIONS

The Statement of Operations is a consolidation of revenues and expenditures in the operating, special purpose and capital funds. Each of these funds is discussed separately below.

Consolidated revenues from all sources increased from \$32.4 million in 2021 to \$40.7 million in 2022. 87% of total revenue is from the Ministry of Education and Child Care and the other 13% comes from several different sources, such as rentals and leases of school district property, investment income and amortization of deferred revenue.

In Thousands	2022		2021		Change
Ministry Grants	\$	35,535 87%	\$	27,386 84%	\$ 8,149
Grants from Other Ministries		98 0%		92 0%	6
Federal Grants		18 0%		14 0%	4
Other Revenue		3,896 10%		3,760 12%	136
Rentals and Leases		65 0%		117 0%	(52)
Investment Income		96 0%		98 0%	(2)
Amortization of Deferred Capital Revenue		1,044 3%		1,019 3%	25
Total	\$	40,752 100%	\$	32,486 100%	\$ 8,266

Operating Fund revenue

This District received \$22.8 million from the Ministry of Education and Child Care in the form of the operating grant, which is based on student enrolment and other student, staffing and geographical factors. The remaining funding totaled \$3.3 million.

In Thousands	2022	2021	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Ministry Grants	\$ 22,827	\$ 22,419	\$ 21,982	\$ 408	\$ 845
Grants from Other Ministries	64	63	39	1	25
Federal Grants	18	14	18	4	-
Other Revenue	3,128	3,028	3,336	100	(208)
Rentals and Leases	65	117	54	(52)	11
Investment Income	78	77	58	1	20
Total	\$ 26,180	\$ 25,718	\$ 25,487	\$ 462	\$ 693

Operating Fund expenditures

Expenditures in the Operating Fund totaled \$25.6 million.

In Thousands	2022	2021	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Teachers	\$ 8,392	\$ 9,382	\$ 8,484	\$ (990)	\$ (92)
Principals and Vice-Principals	2,072	2,002	2,108	70	(36)
Educational Assistants	2,442	2,430	2,348	12	94
Support Staff	2,970	2,789	2,726	181	244
Other Professionals	1,073	1,009	1,063	64	10
Substitutes	1,021	1,051	943	(30)	78
	17,970	18,663	17,672	(693)	298
Employee Benefits	4,102	4,243	4,064	(141)	38
Services and Supplies	3,524	2,953	3,446	571	78
Total	\$ 25,596	\$ 25,859	\$ 25,182	\$ (263)	\$ 414

Salaries were underbudget in all areas other than substitutes, and consequently employee benefits were underbudget.

The District ended the fiscal year with a total operating surplus of \$2,824,943, of which \$79,746 was generated in that year. The Amended Annual Budget of that year planned to draw down the Operating Surplus by \$198,547. This was a planned reduction of reserves to support board approved initiatives.

Special Purpose Funds

Special Purpose Fund's revenues are restricted grants designated for specific purposes or programs. Revenue is recognized only when it is expended, not when it is received. Balances can often be deferred to subsequent years for the intended purpose. Some funds require Ministry approval to carry forward and other funds that carry a surplus at the end of the year reduce the funding received in the next fiscal year.

In Thousands	2022	2021	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Ministry of Education and Child Care	\$ 4,996	\$ 4,967	\$ 5,273	\$ 29	\$ (277)
Grants from Other Ministries	35	30	43	5	(8)
Other Revenue	768	733	640		
Investment Income	1	-	2	1	(1)
Total	\$ 5,800	\$ 5,730	\$ 5,958	\$ 35	\$ (286)

The District expended \$5.8 million in Special Purpose Funds in the year.

In Thousands	2022	2021	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Instruction	\$ 5,487	\$ 5,028	\$ 5,669	\$ 459	\$ (182)
District Administration	-	11	-	(11)	-
Operations and Maintenance	106	464	11	(358)	95
Transportation and Housing	55	50	125	5	(70)
Total	\$ 5,648	\$ 5,553	\$ 5,805	\$ 95	\$ (157)

Capital Fund

Revenues are represented through the amortization of deferred capital revenue.

In Thousands	2022	2021	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Ministry of Education and Child Care	\$ 7,712	\$ -	\$ -	\$ 7,712	\$ 7,712
Investment Income	17	21	25		
Amortization of Deferred Capital Revenue	1,044	1,019	995	25	49
Total	\$ 8,773	\$ 1,040	\$ 1,020	\$ 7,737	\$ 7,761

Expenditures include the amortization of tangible capital assets and flood restoration costs.

In Thousands	2022	2021	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Amortization of Tangible Capital Assets					
- Operations and Maintenance	\$ 1,795	\$ 1,724	\$ 1,789	\$ 71	\$ 6
Flood Restoration	7,695	-	-	7,695	7,695
Total	\$ 9,490	\$ 1,724	\$ 1,789	\$ 7,766	\$ 7,701

The School District received \$1.4 million in capital grants in 2021/22, as well as \$7.7 million for flood restoration.

The School District invested \$2.1 million in capital building additions.

Furniture and equipment assets of \$12.8 k, vehicles of \$45.6 k, computer software of \$229.5 k and computer hardware of \$411.7 k were also purchased with Special Purpose Funds Local Capital.

SUMMARY OF OTHER SIGNIFICANT MATTERS

The School District submitted a balanced budget to the Ministry of Education for the 2021/22 Fiscal Year that will continue to deliver the mix of programs and services currently offered to students in our schools. Moving into 2022/23 and beyond, there are several factors that may impact the School District's operations and financial position.

Bargaining

The School District's unionized staff are currently in bargaining. Until an agreement is reached, potential job action is a possibility that could have significant impact on operations. In addition, while labour settlement funding is provided by the Ministry for unionized employees, there is no additional funding for exempt staff and any resulting increases must be absorbed internally.

Replacement Costs / Availability / Employee Wellness

While the impact of the COVID-19 pandemic on replacement costs has decreased, it is still too early to assess the long-term effect on employee wellness.

Amendments to the Employment Standards Act, that came into force in April 2022, will place an additional load on the School District's finances and its capacity to provide adequate staffing levels in an already strained area.

CONTACTING MANAGEMENT

This financial report is designed to provide a general overview of the School District's finances and to demonstrate accountability for the public fund received by the school district.

If you have questions about the financial report, please contact the Office of the Secretary Treasurer/CFO at 250-378-5161.

You can also find additional information on the district, and its strategic vision, on our website: www.SD58.bc.ca.