

Nicola-Similkameen Public Schools Financial Statement Discussion & Analysis

Year ended June 30, 2023

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INTRODUCTION

This is a discussion and analysis of the financial statements for Nicola-Similkameen Public Schools (SD No. 58, the 'District') for the fiscal year ended June 30, 2023. This report should be read in conjunction with the District's consolidated financial statements of the same period.

The purpose of the Financial Statement Discussion & Analysis is to highlight information and provide explanations which enhance the reader's understanding of the school district's financial statements as well as factors that influenced the financial results. 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.

SCHOOL DISTRICT OVERVIEW

Located in the Similkameen and Nicola valleys, the District serves six First Nations, the Metis peoples, amongst various communities throughout the Similkameen and Nicola valleys. The district provides educational services to approximately 2,400 students. These services include an Indigenous Education Program, late French Immersion, opportunities for youth work in trades and secondary apprenticeships, numerous sports, Distributed Learning and Alternative Programming. The district is situated on the traditional and unceded territories of the Nłe?kémx and Syilx people and it values the knowledge and contributions that our Métis Communities provide. The District strives to increase awareness, understanding and integration of Indigenous culture, history and language in all SD58 schools. It is part of the School District's 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, with three trustees elected in the Town of Princeton, three elected in the City of Merritt, and one trustee elected in the Thomson Nicola Regional District. The District's day-to-day operations are carried out by the administrative staff of the School District under the leadership of the Superintendent of Schools, the District's Chief Executive Officer, and, the Secretary Treasurer, the District's Chief Financial Officer.

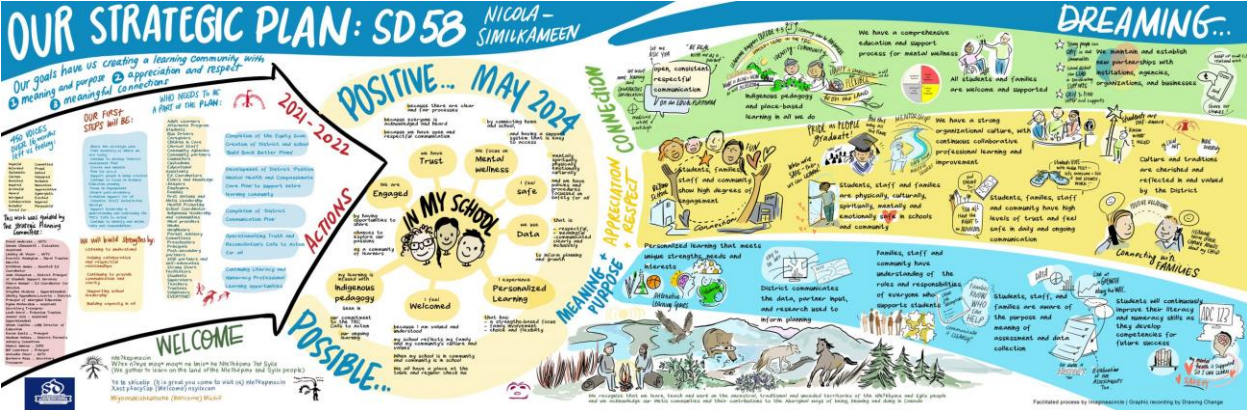
STRATEGIC PLAN

In June 2021, the School District completed its strategic plan, in consultation with all of its stakeholders—a group represented by more than 450 voices. While the full strategic plan is available on the School District's website, www.SD58.bc.ca, it's three priorities include:

1. Meaning & Purpose
 - Engage our learning community through a common understanding and commitment to the purpose and pursuit of student success.
2. Appreciation & Respect
 - Create a culture of care built on respect and appreciation
3. Connection
 - Build capacity by connecting students, families, staff and the greater community to learning.

GUIDING PRINCIPLES

1. Innovation & promising educational practices
2. Inclusion, equity, dignity and diversity
3. Relationships built on trust & mutual respect
4. The well-being of student, families, staff, and the community
5. The pursuit of excellence, personal best, and citizenship
6. The heritage and culture of Indigenous people and the recognition of the traditional territories of the Nê?kêpmx and Syilx peoples
7. The important role families have in their children’s education



VISION

Success for all learners, today and tomorrow.

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.

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 Nłeʔképmx 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.

SCHOOLS

Elementary Schools

- Diamond Vale Elementary School
- École Élémentaire Collettsville 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

- Community Learning Centre (Merritt Alternate)
- The Bridge (Princeton Alternate)

Distributed Learning (Online)

- South Central Interior Distance Education School (SCIDES)

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 regarding 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, 2023. 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, 2022 and June 30, 2023. 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 of Education and Child Care. 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 on Statement 1 into the three reporting areas: 1) operating, 2) special purpose, 3) capital.

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 expenditures do not exceed budgeted revenues, 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, typically connected to a third party agreement. 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. The various schedules in this section report on the acquisition, amortization and disposal of district's acquired assets, capital revenues and expenses, work in progress, and unspent revenue provided to the district for ongoing projects. All of the funds designated as capital in these schedules either represent the cost of assets the district has already acquired, or are restricted by the Board of Education or the Ministry of Education for future capital asset purchases.

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	2023	2022	Change
Cash and Cash Equivalents	\$ 8,868	\$ 10,118	\$ (1,250)
Accounts Receivable - Due from Ministry of Education and Child Care	455	1,454	(999)
Accounts Receivable - Due from Province - Other	-	-	-
Accounts Receivable - Due from First Nations	547	477	70
Accounts Receivable - Due from Other	598	510	88
Total	\$ 10,468	\$ 12,559	\$ (2,091)

At June 30, 2023, the District held \$8.8 million Cash and Cash equivalents, deposited in financial institutions and the Province's central deposit system. The District's cash balance offsets the liabilities of the School District and unspent funds restricted for use on specific projects. The decrease in the District's liabilities is the primary reason that the District's cash position decreased by \$1.2 million over the past year.

Accounts Receivable from the Ministry of Education and Child Care decreased by \$1.0 million, reflecting the flood-insurance proceeds that were received during the current year. The District has a Local Education Agreement (LEA) with its First Nations Rights Holders. The provisions of the LEA flow student funding from Indigenous Services Canada to each of the First Nations, and then to the School District—for students living on-reserve and attend public school. Accounts Receivable from First Nations increased slightly over last year, as did Other Receivables (GST Receivable).

Liabilities represent obligations that have been incurred by the School District. Total liabilities increased from the prior year by \$0.6 million.

In Thousands	2023	2022	Change
Accounts Payable and Accrued Liabilities	\$ 2,996	\$ 3,794	\$ (798)
Unearned Revenue	2	1	1
Deferred Revenue	1,415	1,280	135
Deferred Capital Revenue	24,090	22,841	1,249
Employee Future Benefits	1,308	1,318	(10)
Asset Retirement Obligation	2,535	2,535	-
Total	\$ 32,346	\$ 31,769	\$ 577

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

Unearned Revenue is represented by rental revenue received, that is for future periods.

Deferred Revenue is externally restricted, unspent, revenue for specific programs such as Community Link, Strong Start, Ready Set Learn, After School Sport and Arts, and includes School Generated Funds.

Deferred Capital Revenue is closely linked to the tangible capital asset balance. Revenue used in the acquisition of the School District's assets is amortized over the expected life of respective capital assets. Of the District's \$33.7 million in tangible capital assets (Statement 1), \$24 million represents capital revenue that is yet to be recognized, or amortized, over the remaining expected life of the

District's assets.

The employee future benefits liability of \$1.3 million is represented by the total benefits (For Example: retirement, vacation) owed to current employees, recognizing past work completed as well as an estimation for future expected payments. As employees leave the employment of the School District, this liability is reduced. An actuarial tool, that is updated every three years, is used to calculate this liability, factoring in assumptions such as total employees, age, length of service, amongst other established actuarial assumptions.

Asset Retirement Obligation (ARO) is a liability that is associated with the eventual retirement of a fixed asset. The liability for ARO is commonly a legal requirement to return a site to its previous condition. Some examples of these costs include the remediation of hazardous materials such as asbestos, vermiculite, and oil containers. The school district did not recognize an additional liability to ARO for the fiscal year.

Nonfinancial Assets

A nonfinancial asset is an asset that derives its value from physical traits. Some key examples include land, buildings, and equipment. For the fiscal year, the District's nonfinancial assets have increased by \$1.3 million, represented by tangible capital assets and prepaid expenses.

In Thousands	2023	2022	Change
Tangible Capital Assets	\$ 33,784	\$ 32,710	\$ 1,074
Prepaid Expenses	494	290	204
Total	\$ 34,278	\$ 32,932	\$ 1,278

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

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

The accumulated surplus for the School District is represented by the following funds:

In Thousands	2023	2022	Change
Operating Fund	\$ 2,289	\$ 2,825	\$ (536)
Special Purpose Funds	-	-	-
Local Capital Fund	2,168	2,915	(747)
Capital Fund	7,944	8,050	(106)
Total	\$ 12,401	\$ 13,790	\$ (1,389)

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 internally restricted, or has already been used to invest in buildings, equipment, and other capital assets. During the school year, the School District incurred extraordinary operating costs. To mitigate these extraordinary costs, the

District unrestricted dollars from its Local Capital Fund and transferred this amount to its operating fund. As a result, the local capital fund was reduced by \$182 thousand to offset these expenses. The remaining change in the Local Capital Fund is represented by planned capital asset purchases during the year. The accumulated operating surplus was reduced by budgeted amount of \$0.536 million. The accumulated surplus for the capital fund was reduced by \$0.106 million. This result is a combination of revenues and expenses that include: 1) Amortization of deferred capital revenue 2) amortization of tangible capital assets, 3) purchase of tangible capital assets using local capital, and 4) purchase of tangible capital assets from Special Purpose Funds.

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 \$40.7 million in 2022 to \$42.6 million in 2023. 86% of total revenue is from the Ministry of Education and Child Care and the other 14% comes from several different sources, such as rentals and leases of school district property, investment income and amortization of deferred revenue.

In Thousands	2023		2022		Change
Ministry Grants	\$ 36,595	86%	\$ 35,535	87%	\$ 1,060
Grants from Other Ministries	55	0%	98	0%	(43)
Federal Grants	-	0%	18	0%	(18)
Other Revenue	4,497	11%	3,896	10%	601
Rentals and Leases	91	0%	65	0%	26
Investment Income	327	1%	96	0%	231
Amortization of Deferred Capital Revenue	1,063	2%	1,044	3%	19
Total	\$ 42,628	100%	\$ 40,752	100%	\$ 1,876

Operating Fund revenue

The 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. Unannounced labour settlement funding, along with a reduction in funding due to student enrolment, the net result is an increase in operation grant dollars over the amended annual budget. The remaining funding totaled \$3.6 million, which is primarily represented by the District's Local Education Agreement with First Nations.

In Thousands	2023	2022	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Ministry Grants	\$ 22,804	\$ 22,827	\$ 22,119	\$ (23)	\$ 685
Grants from Other Ministries	56	64	34	(8)	22
Federal Grants	-	18	-	(18)	-
Other Revenue	3,217	3,128	3,522	89	(305)
Rentals and Leases	91	65	74	26	17
Investment Income	278	78	148	200	130
Total	\$ 26,446	\$ 26,180	\$ 25,897	\$ 266	\$ 549

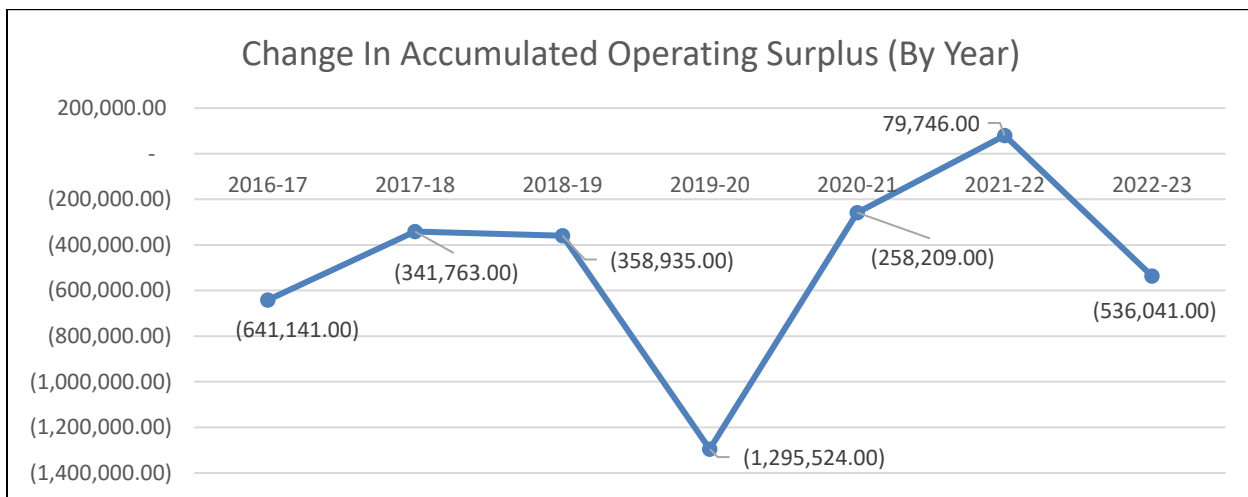
Operating Fund expenditures

Expenditures in the District's Operating Fund totaled \$27.2 million.

In Thousands	2023	2022	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Teachers	\$ 8,685	\$ 8,392	\$ 8,592	\$ 293	\$ 93
Principals and Vice-Principals	2,089	2,072	2,231	17	(142)
Educational Assistants	2,612	2,442	2,356	170	256
Support Staff	3,193	2,970	2,739	223	454
Other Professionals	1,253	1,073	1,314	180	(61)
Substitutes	1,050	1,021	1,322	29	(272)
	18,882	17,970	18,554	912	328
Employee Benefits	4,107	4,102	4,273	5	(166)
Services and Supplies	4,175	3,524	3,605	651	570
Total	\$ 27,164	\$ 25,596	\$ 26,432	\$ 1,568	\$ 732

Overall, salaries and benefits were underbudget however, Education Assistants and Support Staff were over budget due to labour settlement costs that were unannounced and therefore, not captured in the amended annual budget. Services and Supplies were over budget due to extraordinary operating costs incurred by the School District through the school year.

The School District's operating fund finished the year with a deficit of \$0.732 million, and with the transfer in of unrestricted local capital dollars, the operating deficit is reduced to \$0.536 million. The District started the year with an accumulated operating surplus of \$2.8 million; after applying the deficit of \$0.536 million, the accumulated operating surplus at the end of the year is, \$2.2 million. With the exception of 2021-22, the School District has been intentional about using its accumulated operating surplus for the past several years, as expressed in the chart below. Looking ahead at the 2023-24 Annual Budget, the District is budgeting a drawdown of \$0.504 million.



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. Special purpose funds are typically connected to an agreement with a third party, with guidelines for how respective funds are to be disbursed.

In Thousands	2023	2022	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Ministry of Education and Child Care	\$ 5,520	\$ 4,996	\$ 5,755	\$ 524	\$ (235)
Grants from Other Ministries		35		(35)	-
Other Revenue	1,279	768	655		
Investment Income		1		(1)	-
Total	\$ 6,799	\$ 5,800	\$ 6,410	\$ 488	\$ (235)

The District expended \$6.8 million in Special Purpose Funds in the year. Examples of the District's special purpose funds include: classroom enhancement fund, learning improvement fund, Community LINK, Student Family & Affordability, Strong Start, Early Learning, Seamless Day Kindergarten, Just B4, Strengthening Early Years to Kindergarten Transitions, scholarships & bursaries, school generated funds.

In Thousands	2022	2022	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Instruction	\$ 6,565	\$ 5,487	\$ 5,995	\$ 1,078	\$ 570
District Administration	-	-	116	-	(116)
Operations and Maintenance	29	106	144	(77)	(115)
Transportation and Housing	90	55	115	35	(25)
Total	\$ 6,684	\$ 5,648	\$ 6,370	\$ 1,036	\$ 314

Capital Fund

Capital revenues are represented in part by the amortization of deferred capital revenue – this is the current year's recognition of Deferred Capital Revenue for the district's assets. Deferred Capital Revenue is amortized (taken into revenue) over the useful life of the district's capital assets, and not necessarily when the money is received. \$8.2 million recognizes the ongoing insurance claims for the overland flooding events of November 2021, while \$1 million recognizing the amortization of deferred capital revenue for respective capital projects completed throughout the school year.

In Thousands	2023	2022	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Ministry of Education and Child Care	\$ 8,271	\$ 7,712	\$ 9,288	\$ 559	\$ (1,017)
Investment Income	49	18	10		
Amortization of Deferred Capital Revenue	1,063	1,044	1,019	19	44
Total	\$ 9,383	\$ 8,774	\$ 10,317	\$ 578	\$ (973)

The recognition of capital revenue has a close nexus with the capital expenditures carried out by the School District. Below are capital expenditures include the amortization of tangible capital assets and flood restoration costs.

In Thousands	2023	2022	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Amortization of Tangible Capital Assets					
- Operations and Maintenance	\$ 1,881	\$ 1,795	\$ 1,853	\$ 86	\$ 28
Flood Restoration	8,288	7,695	9,288	593	(1,000)
Total	\$ 10,169	\$ 9,490	\$ 11,141	\$ 679	\$ (972)

The School District received \$2.2 million in capital grants in 2022/23, as well as \$8.3 million for flood restoration.

The School District invested \$1.67 million in capital building additions, and \$0.674 million for work in progress. Building capital additions including roofing and window roll shutters projects under the SEP capital program, and building maintenance projects under the AFG program. Work in progress includes the start of various AFG projects for the 23/24 school year, and HVAC and major electrical projects under the SEP and CNCP capital programs.

Furniture and equipment assets of \$187k, computer software of \$154k and computer hardware of \$272k 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 2022/23 Fiscal Year that will continue to deliver the mix of programs and services currently offered to students in our schools. Moving into 2023/24 and beyond, there are several factors that may impact the School District's operations and financial position.

Replacement Costs / Availability / Employee Wellness

While the impact of the COVID-19 pandemic and the subsequent overland flooding events on replacement costs has decreased, it is still too early to assess the long-term effect on employee wellness. In addition, the unavailability of relief staff, due mainly to labour shortages, made it challenging for employees to take time off to be away from work.

Inflation & the cost of doing business

Inflation continues to play a significant factor in the day-to-day operations of the School District. With Canada's inflation rate at 6.8%, 3.4% for 2022 and 2021 respectively, combined with a steady increases in the Bank of Canada's key lending rate, signs of inflationary easing remain to be seen. Add onto this supply-chain and labour-shortage constraints, it is likely that the District will be faced with these challenges heading into the new school year.

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.