Financial Statement Discussion and Analysis

For the Year Ended June 30, 2023

SCHOOL DISTRICT

NECHAKO LAKES

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1.0 Overview

This document will discuss and analyze the financial performance of Nechako Lakes School District ("the District") for the fiscal year ending June 30, 2023, and will provide clarity to the variances from prior years. The financial statement represents the consolidation of three separate funds: operating, special purpose, and capital.

1.1 About Us

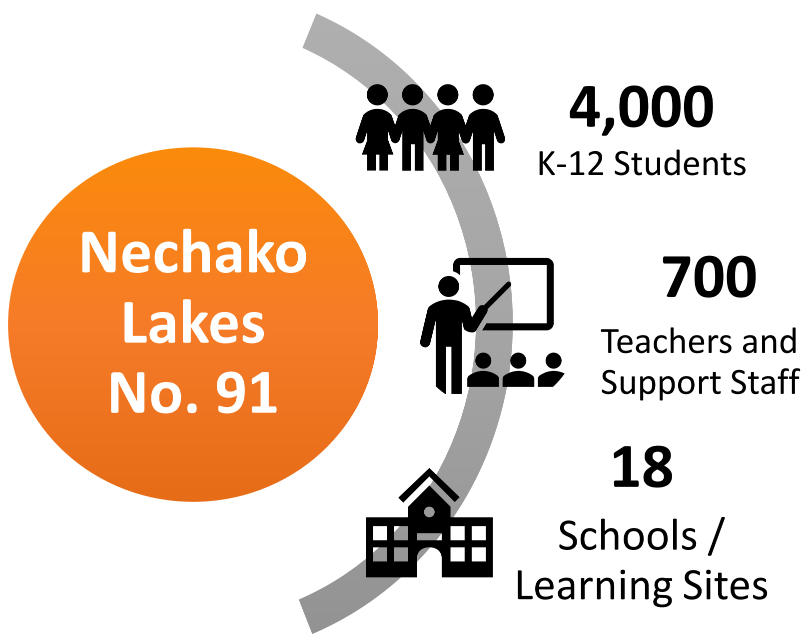
Nechako Lakes is situated on the traditional territories of fourteen First Nations encompassing the Dakelh, Nedut'en and Wet'suwet'en peoples.

The school district encompasses five municipalities: The Districts of Fort St. James and Vanderhoof, and the Villages of Fraser Lake, Burns Lake, and Granisle. Our region has been traditionally reliant on forestry, mining, agriculture, and an emerging tourism sector. This large geographic region has a population of just under 40,000 people; and, in the 2022/23 school year, we served 2,900 students in our community schools, with just over 33% of them being Indigenous.

Each of our communities had experienced declining enrolment for several years and we are now predicting stabilization and modest growth across the region.

We operate a total of 18 schools in our communities: 9 elementary schools, including a dual track school in Vanderhoof; 3 elementary – secondary schools; 3 secondary schools, and 3 alternate schools.

In addition to these 18 community schools, we also operate EBUS Academy, a non-standard, online learning school that enrols in excess of several thousand full and part time students. EBUS Academy is one of the largest online schools in British Columbia serving families and students across the province.

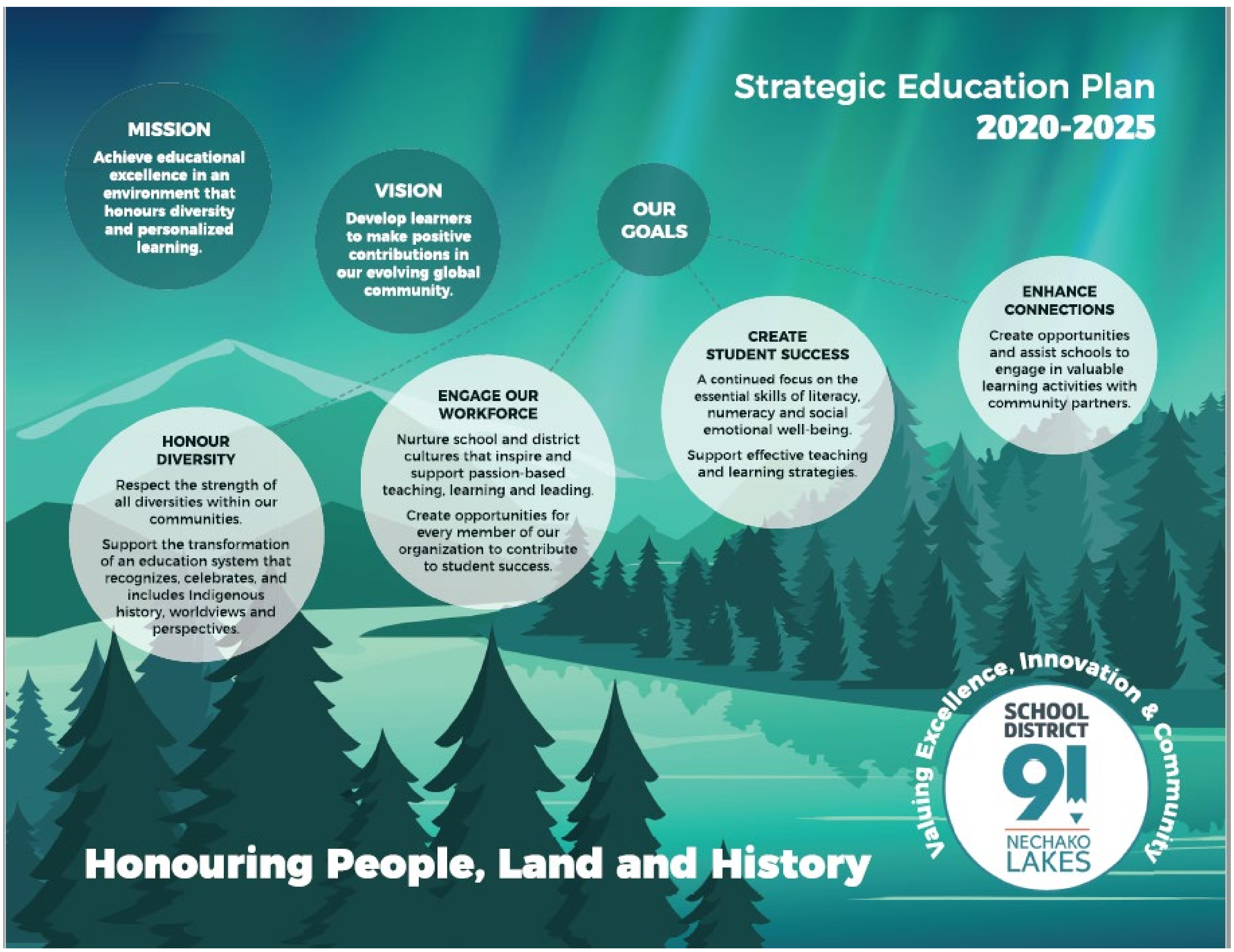


2.0 Strategic Plan

The Board of Education has a Strategic Plan that will take us from 2020 to 2025 along with an annual strategic workplan. The plan articulates four primary goals:

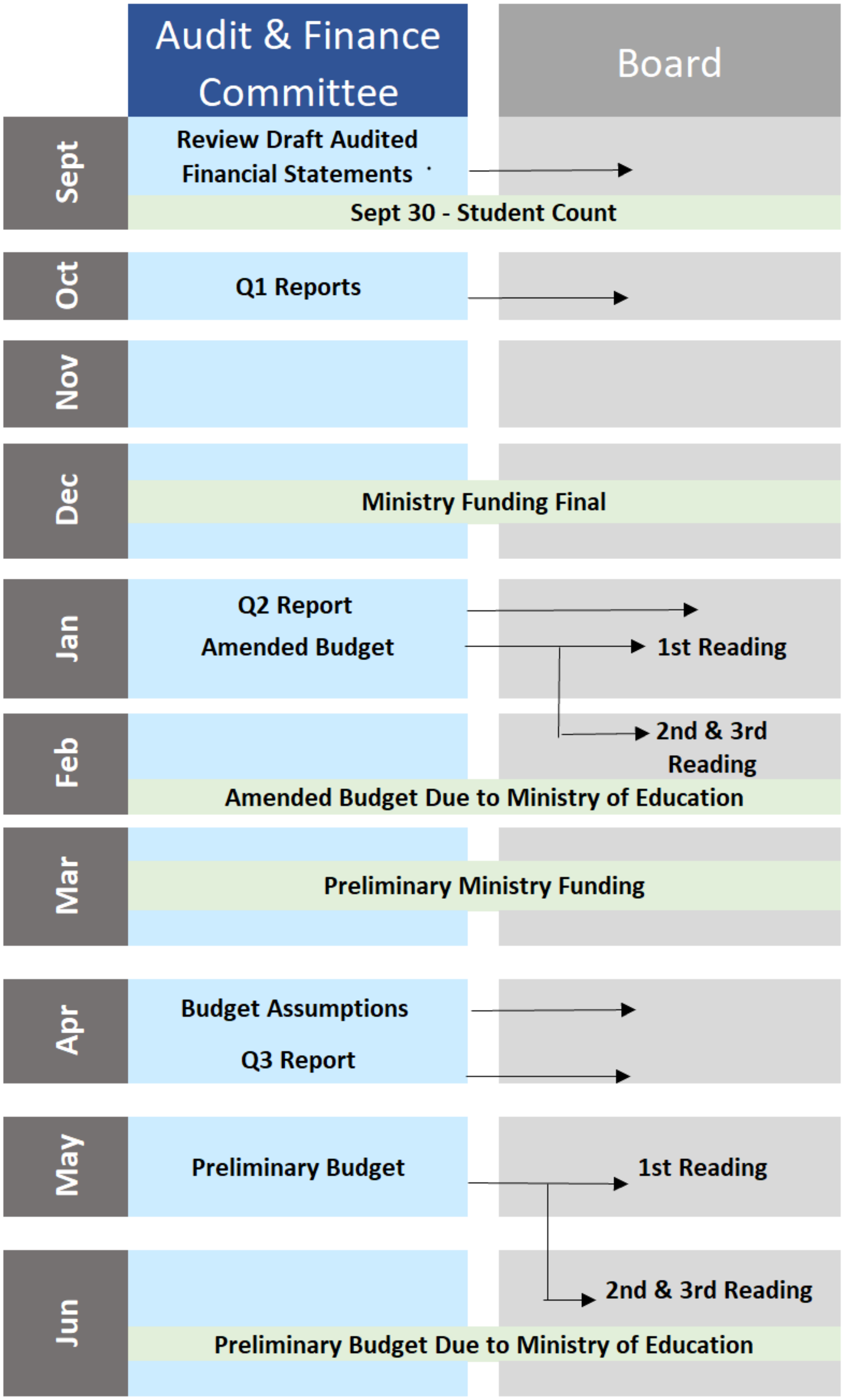
- Honour Diversity
- Engage our Workforce
- Create Student Success
- Enhance Connections

These goals are accompanied by a variety of objectives and activities that are guiding our work for the next several years. Monthly reporting to the Board is centred around these four strategic goals, and these reports are widely shared with our stakeholders, Indigenous communities, and parents.



3.0 Financial Governance and Planning Cycle

3.1 Planning Cycle (Timelines)



3.2 Audit and Finance Committee

Audit and Finance Committee

The Committee will provide input and feedback to the Board on matters related to the preparation and monitoring of the District's annual budget.

The current Committee consists of four (4) trustees of the Board: one (1) representative of the Principals' and Vice Principals' Association, and the District's management employees.

The Committee will carry out the following responsibilities:

a) **Preparation of Preliminary Budget**
   - To review enrolment and staffing projections.
   - To review preliminary budget documents.
   - To provide input to the Board of Education on the preliminary annual budget.

b) **Budget Monitoring**
   - To review quarterly financial statements relative to the annual budget.
   - To review revisions to the preliminary annual budget prior to the preparation of the amended annual budget.
   - To provide input to the Board of Education on the amended annual budget.

4.0 Financial Statement Composition Overview

The District uses fund accounting, and each of these funds has restrictions for each fund's revenues and expenditures. There are three funds that are reported in the financial statements:

OPERATING FUND

Includes revenue and expense related to the daily operation of the District, including school and administrative functions.

SPECIAL PURPOSE FUNDS

Funding is restricted for a specific purpose and includes School Generated Funds. These funds do not report a surplus as revenues are only recognized when the related expenditure occurs. There may be a deficit in this fund which is then transferred to the Operating Fund or Capital Fund depending on the nature of the expenditure.

CAPITAL FUND

This fund includes financial activities for tangible capital assets. The Ministry of Education and Child Care provides capital funding which is accounted for using the deferral accounting methodology whereby capital revenue is recorded over the life of the related asset to match the amortization expense recorded in the financial statements. Therefore, the revenue reported in the financial statements does not match the actual capital funding received in a year.

4.1 Statement of Financial Position

	2023	2022	Change	%
Financial Assets				
Cash and Cash Equivalents	16,435,142	16,087,180	347,962	2%
Accounts Receivable				
Due from Province - Ministry of Education	292,301	376,039	148,168	51%
Due from LEA/Direct Funding	615,771	26,581	194,503	32%
Other	232,767	242,385	(63,276)	-27%
Portfolio Investments	80,193	64,871	112	0%
Total Financial Assets	17,656,174	16,797,056	627,469	4%
Liabilities				
Bank Overdraft				
Due to Province - Ministry of Education	2,120	0	2,120	100%
Accounts Payable and Accrued Liabilities	5,134,122	5,035,400	98,722	2%
Unearned Revenue	0	3,450	-3,450	
Deferred Revenue	3,521,529	3,707,199	-185,670	-5%
Deferred Capital Revenue	43,036,386	41,052,865	1,983,521	5%
Employee Future Benefits	3,594,531	3,574,773	19,758	1%
Asset Retirement Obligation	6,462,634	6,462,634	0	0%
Capital Lease Obligations	8,001	32,005	-24,004	-300%
Total Liabilities	61,759,323	59,868,326	1,890,997	3%
Net Financial Assets (Debt)	(44,103,149)	(43,071,270)	(1,031,879)	2%
Non-Financial Assets				
Tangible Capital Assets	64,100,123	64,189,329	-89,206	0%
Restricted Assets Endowments	195,367	195,243	124	0%
Prepaid Expenses	360,850	437,671	-76,821	-21%
Total Non-Financial Assets	64,656,340	64,822,243	-165,903	0%
Accumulated Surplus (Deficit)	20,553,191	21,750,973	-1,197,782	-6%

Explanation of Components of Financial Position

Cash and Cash Equivalents represent funding available to meet short term obligations such as Accounts Payable.

Accounts Receivable are monies owed to the District that primarily consist of GST rebates and draw claims from the Ministry of Education for capital projects.

- **Due from Province** includes reimbursements for expenses made on capital projects.
- **Due from LEA/Direct Funding** relates to funding owed to the District from local First Nation Bands for their students attending District schools.
- **Other** receivables consist of GST rebates and other miscellaneous items.

Unearned Revenue is related to International Education tuition for subsequent years received in advance.

Deferred Revenue refers to the unused money in Special Purpose Funds. The majority of this balance consists of School Generated Funds.

Deferred Capital Revenue is money provided to the District from the Ministry for capital projects. This account will increase as new building projects are constructed and decrease to match the amortization on those buildings.

Employee Future Benefits relate to retirement payments to employees for years of service and are actuarial adjusted on an annual basis.

Tangible Capital Assets reflect the unamortized cost of land, buildings, and equipment owned by the District.

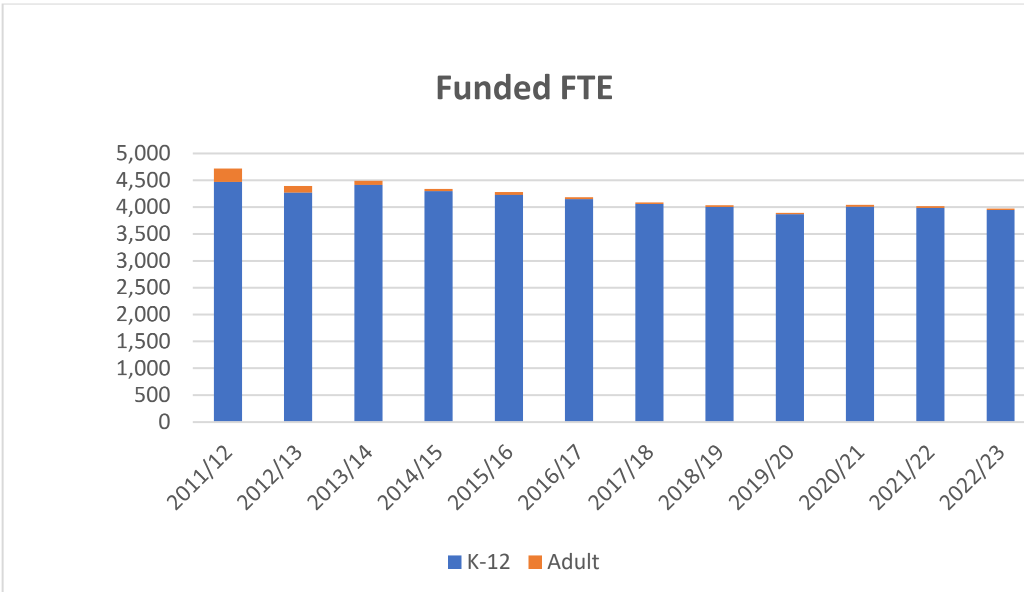
Restricted Assets – Endowments are funds given to the District to earn investment income. The income can be used for scholarships and bursaries; however, the initial investment cannot be spent.

Prepaid Expenses are expenditures that have been made for a future period (e.g., next year's insurance premiums paid in advance).

5.0 Financial Highlights

5.1 Enrolment

The district had experienced declining enrolment for several years. The past three school years have stabilized, and we are predicting modest growth across the region.



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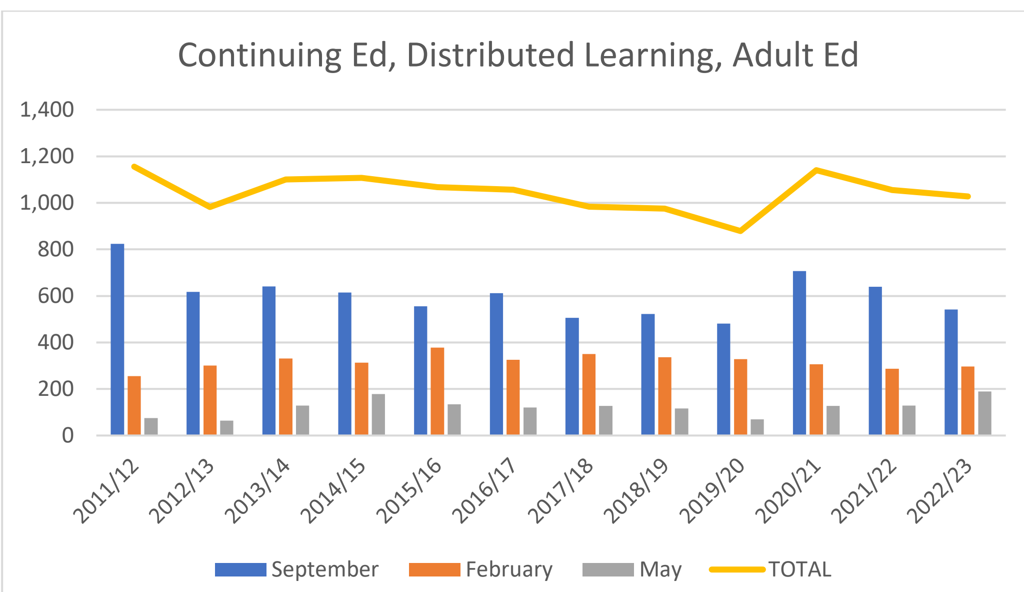
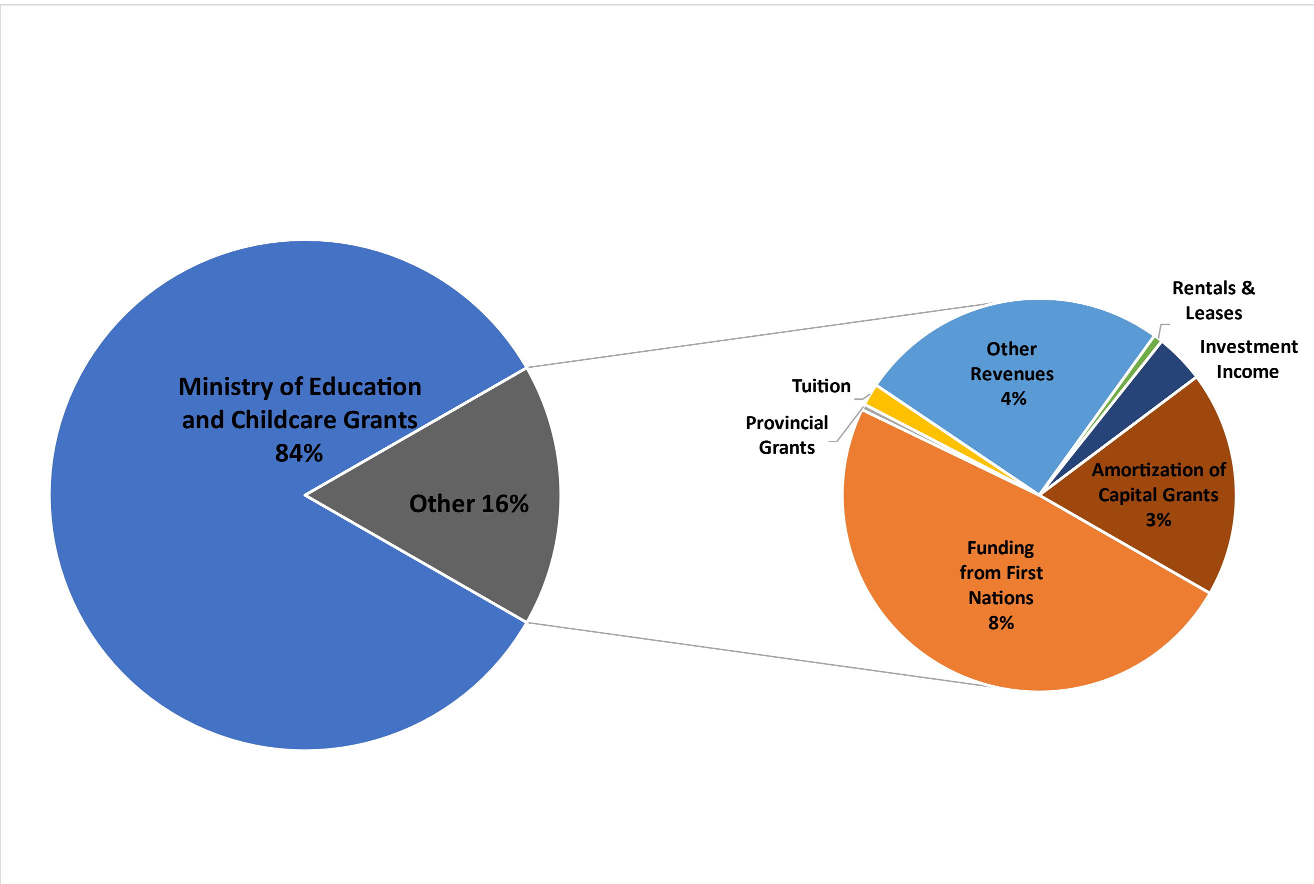


5.2 Revenues

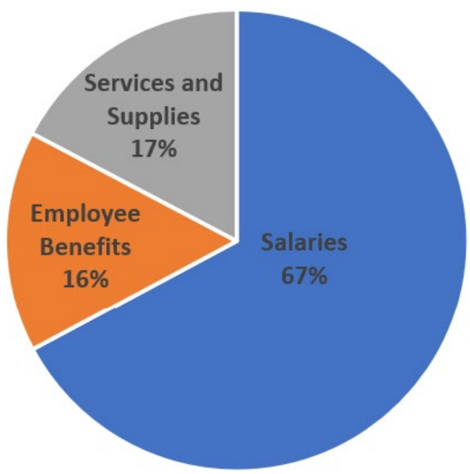
Total revenues for the District were $70.5 million for 2022/23. Revenue is heavily reliant upon funding from the Provincial government. The grant is based on student enrolment compiled through a data collection process called 1701 in September, February, May, and July. The District receives a fixed amount per full-time equivalent student (FTE). The District also receives supplementary grants for students who are identified as having unique needs and for other demographic and geographical factors.

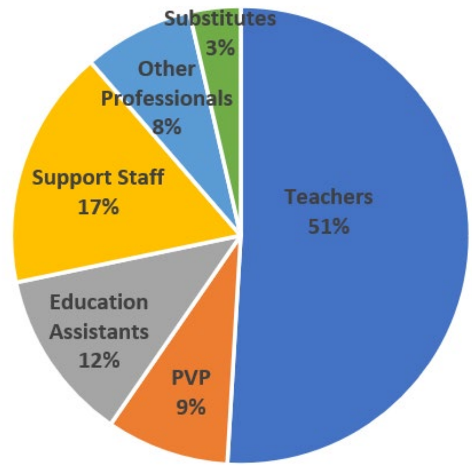
84% of the District's revenue is from Ministry of Education funding, 8% is funding from First Nations, 3% is associated with the recognition of deferred capital grants, and the balance of 5% through other revenue such as other facility rentals, premium holiday, bottle depot and investment income.



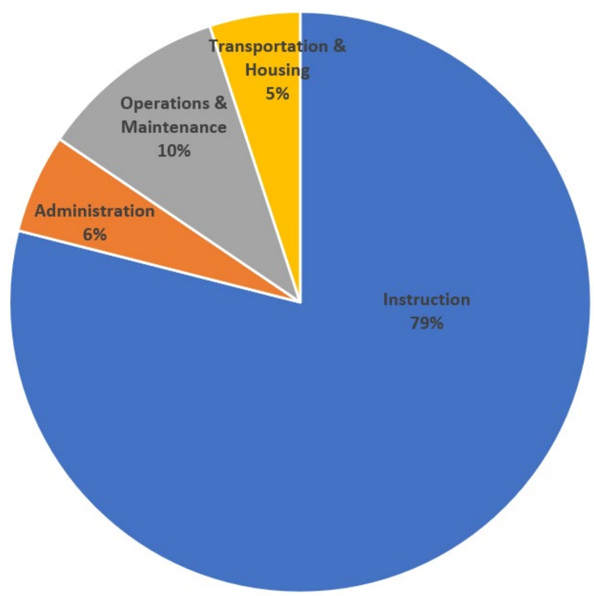
5.3 Expenditures

83% of the District's operating expenditures are associated with salaries and benefits. The balance of expenditures is related to supplies and services including utilities, professional development, and maintenance.



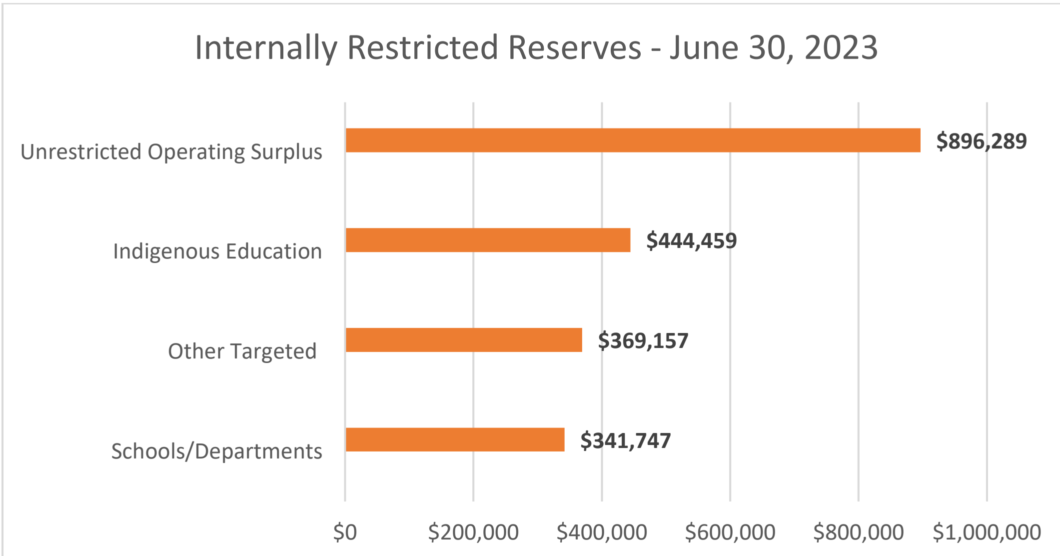


Looking at expenditures by program, 79% of expenditures are on Instruction, 6% on District Administration and 15% on Operations, Maintenance, and Transportation.



5.4 Reserves

Internally Restricted Surplus decreased by $648,368 in 2022/23 from $2,700,020 to $2,051,652. The $648,368 was used to fund expenditures and capital in the 2022/23 fiscal year.



6.0 Financial Analysis of the School District

6.1 Analysis of Operating Results to Budget and Last Year

The following is a discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2023. This section of the report is a summary of its financial activities based on currently known facts, decisions, or conditions. The results of the current year are discussed in comparison with the prior year. These sections are broken down into three areas: Revenues, Salaries and Benefits, and Services and Supplies. This is only an introduction and should be read in conjunction with the District's financial statements.

Revenues

Operating Budget	2022/23		2021/22	Increase (Decrease) vs. BUDGET		Increase (Decrease) from PRIOR YEAR	
	BUDGET	ACTUAL	ACTUAL	$	%	$	%
REVENUE							
Provincial Grants - MOECC	52,157,366	53,430,244	51,213,649	1,272,878	2%	2,216,595	4.15%
Provincial Grants - Other	30,215	52,020	16,900	21,805	72%	35,120	67.51%
Funding - First Nations	5,390,407	5,720,562	5,149,603	330,155	6%	570,959	9.98%
Tuition	257,437	212,984	266,918	(44,453)	(17%)	(53,934)	(25.32%)
Other Revenue	538,251	618,464	866,369	80,213	15%	(247,905)	(40.08%)
Rentals and Leases	104,580	87,343	109,442	(17,237)	(16%)	(22,099)	(25.3%)
Investment Income	350,000	404,266	100,861	54,266	16%	303,405	(17.2%)
Total Revenue	**58,828,256**	**60,525,883**	**57,723,742**	**1,697,627**	**3%**	**2,802,141**	**5.0%**

Revenue came in $1,697,627 higher than budget

Increases from Budget

- February and May student count provided additional funding of $922,129
- Provincial Grants increased by $21,805
- Additional Labour Settlement Funding received after budget was submitted $608,856
- Investment Income higher by $54,266
- Other revenue higher by $196,289
- PLN was not included in budget - $62,412

Decreases from Budget

- $90,309 less of the premium holiday was used
- Tuition was $44,453 lower
- Rentals & Leases lower by $17,237
- Variance on LEA Recovery $16,131

Revenue in 2022/23 was $2,802,141 higher than 2021/22

Increase from Prior Year

- Labour Settlement Funding $1,976,748
- Operating Grant increase of $881,925
- Investment Income $303,405
- Other revenue higher by $69,577

Decreases from Budget

- $111,991 less of the premium holiday
- Tuition $53,934 lower
- Rentals & Leases lower by $22,099
- Variance on LEA Recovery $16,131
- Other revenue lower by $176,231
- PLN $49,128

6.1 Budgetary Highlights / Analysis of Operating Results to Budget and Last Year

(continued)

Expenses

Operating Budget	2022/23		2021/22	Increase (Decrease) vs. BUDGET		Increase (Decrease) from PRIOR YEAR	
	BUDGET	ACTUAL	ACTUAL	$	%	$	%
EXPENSE							
Salaries							
Teachers	21,070,171	20,903,156	20,871,862	(167,015)	(1%)	31,294	0%
Principals & VP's	3,566,998	3,554,347	3,478,759	(12,651)	(0%)	75,588	2%
Education Assistants	5,097,701	4,972,144	4,759,799	(125,557)	(2%)	212,345	4%
Support Staff	6,589,198	6,950,207	6,588,503	361,009	5%	361,704	5%
Other Professionals	3,140,395	3,179,943	2,714,291	39,548	1%	297,115	15%
Substitutes	1,421,938	1,476,981	1,451,665	55,043	4%	25,316	2%
Total Salaries	40,886,401	41,036,778	39,864,879	150,377	0%	1,171,899	3%
Employee Benefits	9,405,986	9,502,263	9,097,412	96,277	1%	404,851	4%
Total Salaries & Benefits	**50,292,387**	**50,539,041**	**48,962,291**	**246,654**	0%	**1,576,750**	3%
Services and Supplies	11,100,941	10,561,073	9,082,513	(539,868)	(5%)	1,478,560	14%
Total Expense	**61,393,328**	**61,100,114**	**58,044,804**	**293,214**	**0%**	**3,055,310**	**5%**

Total Expenditures: within .5% of budget.

Salaries & Benefits: .5% over budget - $246,654

Teachers, Principals & VP and Education Assistants came in under budget due to staffing shortage, difficulty filling vacancies, and timing of hiring.

Support Staff came in over budget due to CUPE wage increases. The district had not received the funding for increases at the time the budget was submitted therefore did not increase the budget.

Substitutes: Teacher Replacement was over budget $155,718 and CUPE Replacement was under budget $(100,675) net $55,043.

Services and Supplies: 5% under budget $539,868

Net of $293,214 under budget,.5% variance.

Total Expenditures: 5% higher than previous year.

Salaries & Benefits: 3% higher than 2021/22 - $1,576,750

The increase of $1,576,750 can be contributed to various factors such as wage increases, grid movement, increase in paid leaves, additional positions hired to meet specific needs, base wage increase with numerous positions that were reviewed through the Joint Job Evaluation Committee process.

Services & Supplies: 14% higher than 2021/22 - $1,478,560

The three main areas of increase in Services and Supplies are as follows:

Pro D $311,195
Supplies $836,719
Utilities $181,420

6.2 Special Purpose Funds

Special Purpose Fund balances represent funding for a specific purpose. The majority of funding is from the Ministry of Education and Child Care. Revenues match expenditure for specific program. Any Special Purpose Funds that are unspent at the end of the year remain as deferred revenues and are only to be spent in accordance with their original intended purpose.

The following table summarizes the transactions for the year.

GRANT	SOURCE	OPENING	REVENUE	EXPENSE	CLOSING JUNE 30,2023	DISCUSSION
Annual Facility Grant (AFG) Operating Portion	Ministry of Education	$0	$289,483	($289,483)	$0	Please see discussion in the Capital Projects section under "Annual Facility Grant (AFG) Funding."
Learning Improvement Fund (LIF)	Ministry of Education	$73,681	$186,616	($224,317)	$35,980	Funding used specifically to augment EAs hours providing additional support to complex learners.
Scholarships and Bursaries	Other and Investment Income	$39,975	$1,340	($5,100)	$36,215	Funds collected from donors which are awarded to graduating students in the district to attend post-secondary schools.
School Generated Funds	Other and Investment Income	$1,782,179	$1,805,656	($1,918,939)	$1,668,896	Fees and contributions raised at a school level. These amounts are targeted and used for the purpose that they were provided to the school.
Strong Start	Ministry of Education	$216,798	$160,000	($223,137)	$153,661	Strong Start early learning centres provide school- based, drop-in programs for children from birth to age five and their parents or caregivers.
Ready, Set, Learn	Ministry of Education	$86,473	$26,950	($33,563)	$79,860	Eligible RSL events for 3 to 5-year-olds and their parents are hosted to support early learning and facilitate a smooth transition to Kindergarten.
Official Languages in Education French Programs (OLEP)	Ministry of Education	$13,744	$241,281	($129,660)	$125,365	Funding for core French language programs and curriculum resources.
Community LINK	Ministry of Education	$0	$540,388	($503,282)	$37,106	Funding for programs and initiatives to improve the education performance of vulnerable students, including both academic achievement and social functioning.
Classroom Enhancement Fund (CEF) Overhead, Staffing and Remedies	Ministry of Education	$0	$3,221,522	($3,221,522)	$0	Eligible expenses include teacher staffing, overhead staffing and equipment costs resulting from restoration of class size and composition language.
First Nation Student Transportation	Ministry of Education	$213,094	$124,740	($11,803)	$326,031	Funding to assist on-reserve First Nation students with transportation to/from school and extra-curricular activities.
Mental Health in Schools	Ministry of Education	$39,942	$55,000	($88,310)	$6,632	Fund for Mental Health literacy activities with a goal to build a safe, caring, and inclusive environment in schools.
Changing Results for Young Students (CR4YC)	Ministry of Education	$10,380	$6,000	($3,474)	$12,906	Collaborative professional learning for early learning educators focused on improving social-emotional outcomes for young children.

Student & Family Affordability	Ministry of Education	$0	$515,019	($400,664)	$114,355	Fund to directly support parents & guardians of K-12 students with costs associated with school supplies, education-related fees, and dealing with food insecurity.
Just B4	Ministry of Education	$0	$25,000	($7,095)	$17,905	Licensed preschool programs (30 months to school age) that operate within the school setting.
Seamless Day Kindergarten	Ministry of Education	$6,767	$67,516	($74,283)	$0	Program within the school that incorporates before-and-after school care in a licensed Kindergarten classroom.
Early Care & Learning	Ministry of Education	$0	$175,000	($173,618)	$1,382	Supports and resources that enable educators working in the early years to explore emerging practices and research.
Literacy Now Stewardship	Ministry of Education	$47,077	$36,671	($46,608)	$37,140	Donations/Grants received by various donors, used to promote literacy learning in the District.
Fort St. James Woodlot	Other and Investment Income	$1,170,905	$40,780	($353,661)	$858,024	Revenue consists of monies earned from harvest of trees grown on the woodlot and is used to purchase trade and technological educational equipment for Fort St. James Secondary School.
Endowment Income	Other and Investment Income	$6,184	$9,237	($5,350)	$10,071	Interest earned by invested endowment contributions, used to pay scholarships/bursaries for those endowments.
Total		$3,707,199	$7,528,199	($7,713,869)	$3,521,529	

6.3 Capital Fund Accounts

Capital Fund schedules provide information on the District's tangible capital acquisitions and the net book value of these acquisitions. The Capital Fund includes capital expenditures related to land, buildings, computer hardware and software, vehicles and equipment that are funded from Ministry of Education and Child Care capital grants, land capital, local capital, the Operating Fund, and Special Purpose Funds.

During the year ended June 30, 2023, the District invested $2.97 million in capital additions, as follows:

	2022/23
AFG - Various Projects	$ 1,466,540
CNCP HVAC Upgrades - FLESS	$ 78,499
CNCP Elevator - NVSS	$ 245,335
SEP Elevator - NVSS	$ 311,358
SEP Roof Upgrade - NVSS	$ 196,345
SEP Building Envelope Phase II - FLES:	$ 453,912
Furniture, Equipment & Vehicles	$ 219,126
	$ 2,971,114

6.4 Major Capital Projects

No major capital projects.

6.5 Capital Fund Balances

Specific balances in the Capital Fund are as follows:

Capital Funds	June 30, 2023	June 30, 2022	Change
Bylaw Capital	$ 551,046	$ 34,875	$ 516,171
MECC Restricted Capital	674,541	374,541	300,000
Other Provincial Capital	771,314	-	771,314
Other Capital	9,995	12,295	(2,300)
Local Capital	1,675,575	1,761,574	(85,999)
	$ 3,682,471	$ 2,183,285	$ 1,499,186

Bylaw Capital

Bylaw Capital represents Ministry of Education and Child Care capital grants drawn on Certificates of Approval (COA) for capital projects and includes amounts for specific capital projects funded by the Ministry of Education and Child Care, capital portion of the Annual Facility Grant, carbon neutral capital project funding, playground equipment funding, and other project funding paid through a COA.

MECC Restricted Capital

Ministry of Education and Child Care (MECC) restricted capital represents the Ministry's portion (usually 75%) of the proceeds on disposal of land and buildings, and any bylaw project surpluses on completed projects. The Ministry's permission must be received to spend these funds. There is currently a balance of $674,541 at June 30th, 2023.

Other Capital

Other Capital is comprised of funds from other non-provincial government sources such as municipal grants, PAC contributions for playgrounds, etc. All of the current balance is funding raised for the LDSS track.

Local Capital Reserve

The Board's Local Capital Reserve is designated for local capital expenditures.

6.6 Reserves – Operating, Special Purpose and Capital Balances

Reserves

		June 30, 2023		June 30, 2022
Operating Fund Accumulated Surplus				(Restated)
Internally Restricted				
Schools/Departments	$	341,747	$	533,865
Indigenous Education		444,459		452,448
Other Restricted - 2022/2023 Budget Deficit		0		595,591
Other Targeted		369,157		407,467
Unrestricted Operating Surplus		896,289		710,649
Total Operating Fund Accumulated Surplus	$	2,051,652	$	2,700,020
Special Purpose Funds Surplus	$	195,367	$	195,243
Capital Fund Accumulated Surplus				
Contingency Reserve-Local Capital	$	1,675,575	$	1,761,574
Investment in Tangible Capital Assets		16,630,597		17,094,136
Total Capital Fund Accumulated Surplus	$	18,306,172	$	18,855,710
Total Accumulated Surplus	$	20,553,191	$	21,750,973

Operating Fund Surplus

The Board of Education is responsible for ensuring the District is protected financially from forecasting risk and unforeseen circumstances. Therefore, they have established an Accumulated Operating Surplus Policy that allows the District to budget for an accumulated operating surplus to serve as a contingency reserve for the risks associated with unexpected increases in expenses and/or decreases in revenues related to major emergent operating issues, one-time costs and intermittent projects.

The current balance is $2,051,652.

Special Purpose Fund Surplus

This amount of $195,367 is for endowments where the original donors have stipulated that the principal amounts cannot be spent. Investment income earned on the balances can be paid out as scholarships.

Capital Fund Surplus

There are two categories of Capital Fund Surpluses:

Local Capital Reserve represents a portion of accumulated operating surpluses designated to fund the purchase of Tangible Capital Assets. Local Capital Reserve is increased if the Board of Education passes a motion to transfer operating surpluses to Local Capital. The current balance is $1,675,575.

The **Invested in Tangible Capital Assets reserve** represents capital investments that are funded by operating revenues (recorded as transfers of accumulated operating surplus to the capital fund). Then, as assets are amortized, a deficit is incurred in the capital fund which is applied against the Invested in Tangible Capital Assets reserve. Therefore, the balance in this fund is to cover future amortization costs and is not available for other purposes.

7.0 Factors Bearing on the School District's Future / Other Potentially Significant Matters

Strategic Plan

The Board of Education has a Strategic Plan that will take us from 2020 to 2025, along with an annual strategic workplan. The plan articulates four primary goals. These goals are accompanied by a variety of objectives and activities that are guiding our work for the next several years. Monthly reporting to the Board is centred around these four strategic goals, and these reports are widely shared with our stakeholders including municipalities, Indigenous communities, and parents.

Child Care Programs

The Board of Education has applied for and has been approved for the creation of new licensed child care spaces.

WKE Preschool Washroom - $78,000 – estimated completion date: September 2023
EDS Before/After School Care - $26,400 – estimated completion date: November 2023
Grassy Renovation - $1.8 million – estimated completion date: September 2024
MMNLC Before/After School Care – application in progress

8.0 Contacting School District Financial Management

This financial report is designed to provide the District's stakeholders with a general overview of its finances and to demonstrate increased accountability for the public funds received by the District.

If you have questions about this financial report or need additional financial information, please contact the Secretary Treasurer's office at 250-567-2284.

SCHOOL DISTRICT 91

NECHAKO LAKES