

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

For the year ended June 30, 2020



School District 59 ~ Peace River South

School District No. 59
Peace River South



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Introduction

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2020. It is based on currently known facts, decisions, and conditions. This report should be read in conjunction with the District's financial statements for the same period.

The School District

School District No. 59 (Peace River South) has approximately 3,600 students and serves the communities of Chetwynd, Dawson Creek, and Tumbler Ridge.

The governing body of the School District is a Board of Education 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 Mission

To embrace, inspire, and value learning, meaningful communication, and integrity for each individual and for the communities we serve.

Composition of Financial Statements

The financial statements are prepared using fund accounting, they are a consolidation of three separate funds (operating, special purpose and capital). Each fund differs with respect to the accounting methods used. Financial performance is difficult to ascertain in the audited statements as the three funds are all combined. Financial details of each fund are reported in the supplementary schedules that follow the notes of the financial statements.

Key Audited Statements

1. Statement of Financial Position (Statement 1) summarizes financial assets, liabilities and accumulated surplus as at June 30, 2020.
2. Statement of Operations (Statement 2) summarizes revenues received and expenses incurred between July 1, 2019 and June 30, 2020.



Schedule 2 – Operating Fund

The Operating Fund accounts for the district’s daily operating transactions. Annual and accumulated surplus within the operating fund are an important indication of financial health. School districts are unable to incur an accumulated deficit position. When the district has an available accumulated surplus balance, those funds are available to use for future expenses and to reduce the financial risk of unforeseen circumstances.

The operating fund is where most of the district’s operations are reported therefore considerable focus and analysis of the operating fund has been provided.

Schedule 3 – Special Purpose Funds

Special purpose funds are funds that are restricted for a specific purpose. These funds do not result in an accumulated surplus position but instead are accounted as deferred revenue (deferral method). This is because revenue is only recognized as related expenses are incurred. If expenses for a program within a special purpose fund exceed the revenues received the deficit must be transferred to the operating or capital fund depending on the nature of the expenditure.

Schedule 4 – Capital Fund

The capital fund reports investments in and financial activities related to tangible capital assets, including land, buildings, furniture, computers and equipment. Capital contributions are accounted for using the deferral method. Recognition of the capital funding revenue is spread out over the life of the related capital asset to match the amortization expense. Therefore, capital fund revenues reflected in the financial statements are not a reflection of actual funding received in a year.

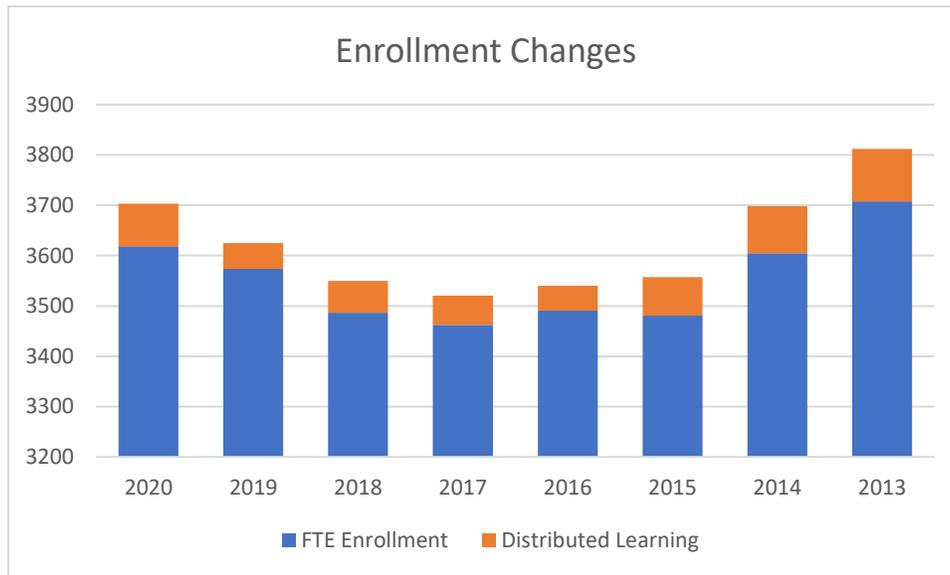
District Enrollment

The district had been in a steady enrollment decline for over 10 years. Since the 2016/2017 school year, the district has seen modest increases as the kindergarten enrollment exceeded the exit of the graduating class.

	2019/2020 Actual	2019/2020 Budget	2018/2019 Actual	Variance to Budget	Variance to 2018/2019
School Age	3618.5625	3525	3573.5	93.5625	45.0625
DL	84.9375	65	51.125	19.9375	33.8125
Total FTE	3703.5	3590	3624.625	113.5	78.875



Distributed Learning (DL) counts are done three times in the year, September, February and May. Historically, the district has budgeted to receive 1.0 FTE in September, 10.0 FTE in February, and 54.0 FTE in May. In recent years we are seeing students completing more of the course work earlier in the year which results in a higher DL count in February and a lower count in May, this year it was 27.6875 FTE in February. Due to the global pandemic declared in March 2020 the Ministry of Education honoured the budget estimate for the May DL count and therefore the district received funding for 54.0 FTE, this resulted in a favourable DL enrollment variance as compared to budget and prior years.



Employees

Salaries are the highest operational expense of the school district. The table summarizes the number of employees reported annual to the Ministry of Education.

	2019/2020	2018/2019	Variance
Teachers	189.941	189.84	0.101
Education Assistants	105.803	87.51	18.293
Support Staff	109.948	106.047	3.901
Principals and Vice Principals	28.9901	26.25	2.7401
Other Professionals	25.4209	24.9531	0.4678
Total Staffing	460.103	434.6001	25.5029

The increase in education assistants as compared to the prior year was required to support the additional 42 students that qualify for supplement funding for unique needs.



Statement of Financial Position

	June 30, 2020	June 30, 2019	Increase	Increase
	Actual	Actual	(Decrease)	(Decrease)
	\$	\$	\$	%
Financial Assets				
Cash & Cash Equivalents	12,567,585	11,921,861	645,724	5%
Accounts Receivable				
Due from Province - Ministry of Education	178,048	268,437	(90,389)	-34%
Other	207,291	231,344	(24,053)	-10%
Total Financial Assets	12,952,924	12,421,642	531,282	4%
Liabilities				
Accounts Payable and Accrued Liabilities				
Other	3,507,631	3,231,346	276,285	9%
Unearned Revenue	96,331	403,270	(306,939)	-76%
Deferred Revenue	1,024,704	821,410	203,294	25%
Deferred Capital Revenue	27,480,346	26,645,750	834,596	3%
Employee Future Benefits	907,677	775,695	131,982	17%
Total Liabilities	33,016,689	31,877,471	1,139,218	4%
Net Financial Assets (Debt)	(20,063,765)	(19,455,829)	(607,936)	3%
Non - Financial Assets				
Tangible Capital Assets	38,541,368	36,591,385	1,949,983	5%
Prepaid Expenses	167,229	76,250	90,979	119%
Total Non-Financial Assets	38,708,597	36,667,635	2,040,962	6%
Accumulated Surplus (Deficit)	18,644,832	17,211,806	1,433,026	8%

Assets

Cash & Cash Equivalents has increased in line with the current year's operating surplus. The Due from Province – Ministry of Education decreased due to eliminating the pay equity accrual of \$236,099 and recording a bylaw accrual of \$144,918 as at June 30, 2020. Other Accounts Receivable are amounts owed to the District and primarily consist of GST rebates and reimbursements from PAC's towards the purchase of playground equipment.

Liabilities

Accounts Payable is comprised of amounts the district owes and primarily consist of salaries and benefits payable and accrued vacation pay. Unearned revenue decreased from the prior year due to an additional \$250,000 grant from the DCSS PAC received as at June 30, 2019. Deferred revenue refers to



unused funds from the Special Purpose Funds. The majority of this balance consists of school generated funds, Community Links and the Annual Facilities Grant.

Accrued future employee benefits (liabilities) is actuarial calculated and includes vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance, vacation, overtime and death benefits.

Non-Financial Assets

Tangible capital assets reflect the unamortized cost of land, buildings, furniture, computers and equipment. Prepaid expenses are result of making advance payments for a good or service that will be received in the future; a common occurrence for the district is insurance premiums that are paid in advance.

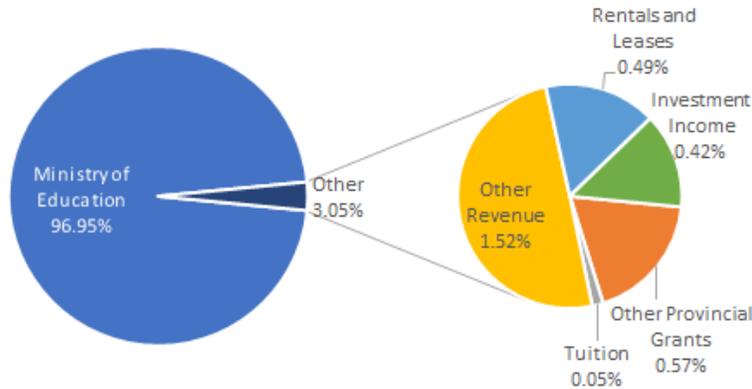
Operating Fund – Schedule 2

	2019/2020 Actual	2019/2020 Budget	2018/2019 Actual	Variance to Budget	Variance to 2018/2019
	\$	\$	\$	\$	\$
Revenues					
Provincial Grants					
Ministry of Education	44,345,626	43,675,657	41,709,207	669,969	2,636,419
Other	260,602	264,348	276,363	(3,746)	(15,761)
Tuition	22,128	22,128	32,673	-	(10,545)
Other Revenue	694,790	482,204	579,811	212,586	114,979
Rentals and Leases	226,339	170,000	166,523	56,339	59,816
Investment Income	191,996	230,000	252,967	(38,004)	(60,971)
Total Revenue	45,741,481	44,844,337	43,017,544	897,144	2,723,937
Expenses					
Instruction	31,953,499	32,997,858	31,491,356	(1,044,359)	462,143
District Administration	2,011,577	2,049,824	1,886,068	(38,247)	125,509
Operations and Maintenance	6,829,921	6,853,307	6,372,585	(23,386)	457,336
Transportation and Housing	3,084,571	3,514,436	3,327,581	(429,865)	(243,010)
Total Expense	43,879,568	45,415,425	43,077,590	(1,535,857)	801,978
Operating Surplus (Deficit)	1,861,913	(571,088)	(60,046)	2,433,001	1,921,959
Budget Appropriation of Surplus		1,853,088			
Net Transfers from other funds					
Tangible Capital Assets Purchased	- 1,119,862	- 1,282,000	- 520,607	162,138	- 599,255
Total Operating Surplus	742,051	-	580,653	2,595,139	1,322,704



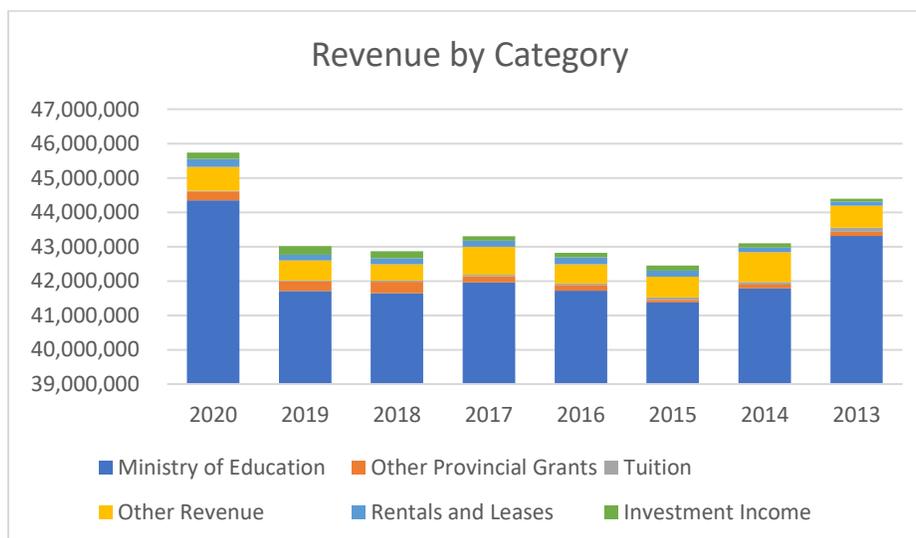
Revenues

Total operating revenues for the district were \$45.7 million for the 2019/2020 school year. The Ministry of Education funding makes up 97% of total operating revenue for the school district, this means we are heavily reliant on the Base Operating Grant which is calculated mainly on student enrollments.



The Ministry of Education Grant increased 1.5% as compared to budget. The majority of the increase is due to teacher collective agreement funding (\$382,000), support staff collective agreement funding (\$185,000) and the February recount adjustment (\$315,000). Other revenue was overbudget due to an additional \$250,000 grant received towards the Unchagah Hall upgrades. An increase in rental income was recorded due to additional rental payments on a property that was anticipated to sell earlier in the fiscal year and investment income decreased given the current lower interest rate.

Revenue increased as compared to the prior year mainly due to increases in government grants for enrollment increases, collective agreement wage increases and geographical factors.





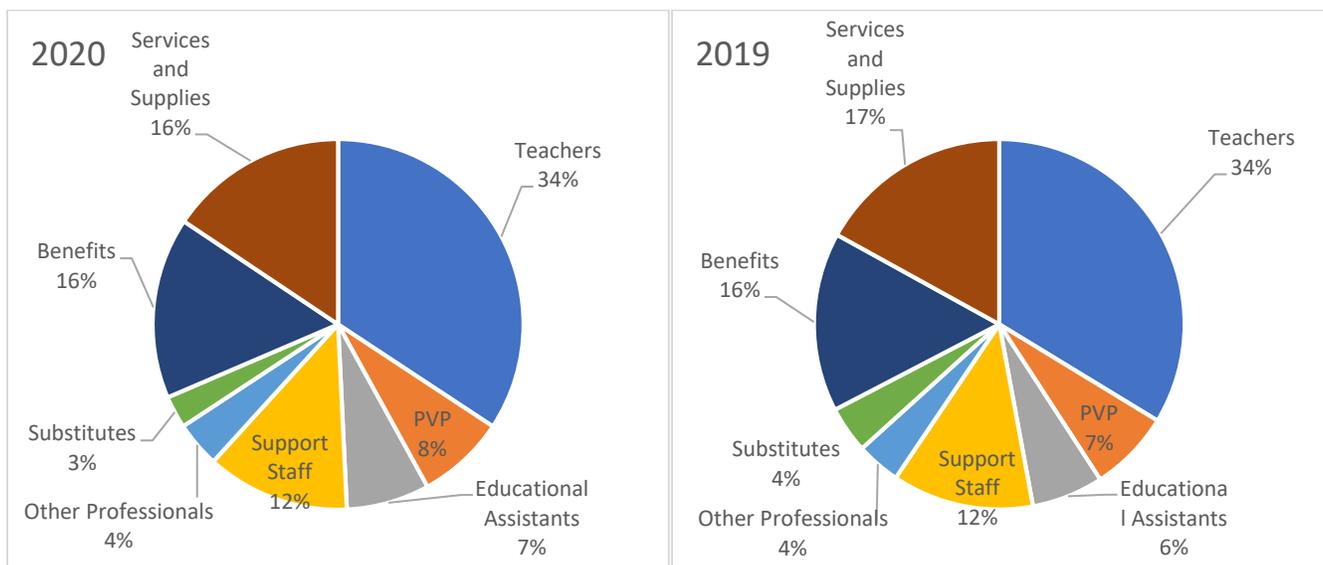
Expenses

84% of the School District’s expenses are related to salaries and benefits, most salaries (50%) are paid to teachers. The remaining 16% of operating expenses are related to supplies and services including professional development, student transportation, utilities, and insurance.

The COVID-19 pandemic had a significant impact on operating expenses as compared to budget, expenses decreased by 3.38% as compared to budget. With schools closed for over two months and a partial return in June 2020, the district saw reduced costs for supplies, services, travel, transportation, and replacement staff. Additional resources were required for increased cleaning that was required.

Overall operating expenses are up 1.86% as compared to last year. This is due to increased staffing to support the higher enrollment and collective agreement increases.

Expenses by Object

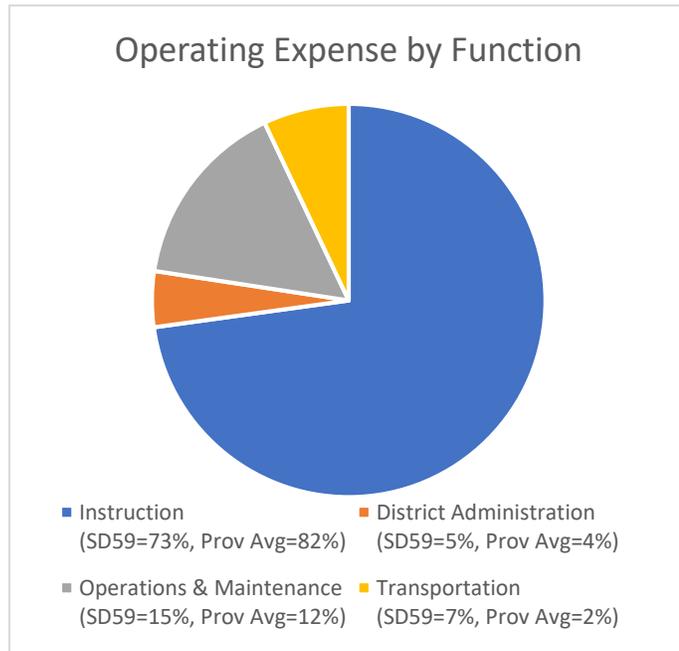




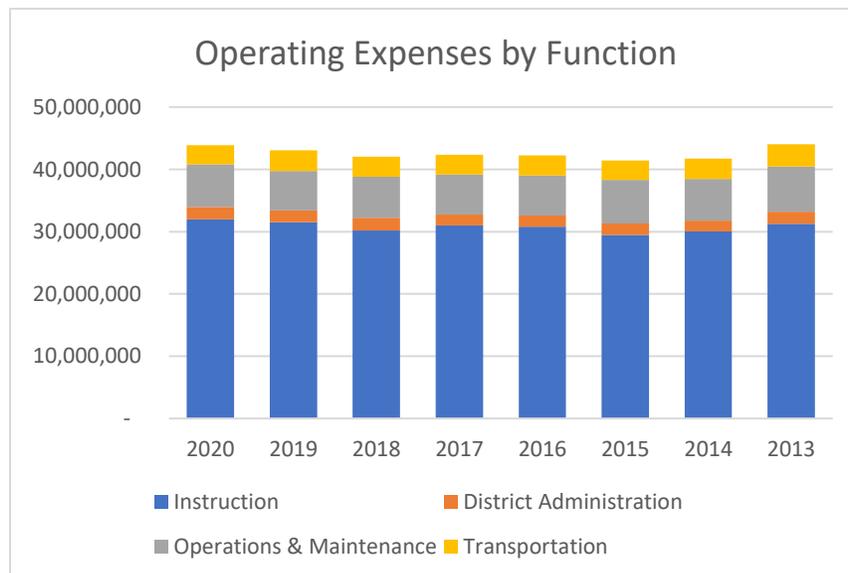
Expenses by Function

The district expenses can be reviewed by function, the four functions are described below.

- **Instruction** function includes expenses related to the instruction of students.
- **District Administration** function included expenses related to district governance and district administration of education, business and human resources.
- **Operations and Maintenance** function includes expenses related to the operation, maintenance and safety of buildings and equipment.
- **Transportation** function included expenses involved with the transportation of students.



The percentages per function have remained steady over the last eight years.





Surplus

The school district ended the 2019/2020 fiscal year with an operating surplus of \$742,051. The amended 2019/2020 budget had draws from operating reserves of \$1,853,088. This was a planned reduction of reserves to support board approved initiatives and was not required to cover operating costs.

Of the operating surplus of \$742,051 Aboriginal Education targeted funds were underspent by \$106,431 and school-based surpluses were \$483,831, therefore \$151,789 of the total is attributed to the district operating budget.

The planned initiatives that were being funded from reserves did proceed a cost of \$1.5 million; therefore, the actual district surplus would be considered to be \$1.65 million.

Accumulated Operating Reserves

Policy 5010 Accumulate Operating Surplus states that the Board of Education is responsible for ensuring the district is protected financially from financial forecasting risk and unforeseen circumstances which could negatively impact the education of students. The accumulated operating surplus serves as a contingency reserve for the risk's associated with unexpected increases in expenses and /or decreases in revenues related to major emergent operating issues, one-time costs and intermittent projects. Regulation 5010 states the Board of Education will attempt to maintain an unrestricted operating fund balance of 5% of annual operating expenses.

As at June 30, 2020 the district had \$7,138,663 in operating surplus, of which \$1,256,241 is restricted for specific purposes and \$5,882,422 is unrestricted. Restricted reserve funds are held for an intended purpose.

The breakdown of the restricted operating surplus is as follows:

Capacity building (VP position)	16,000
Aboriginal Education surplus	106,431
Strategic Plan initiatives	150,000
Chetwynd Senior Secondary renovation	500,000
School based surpluses	483,810



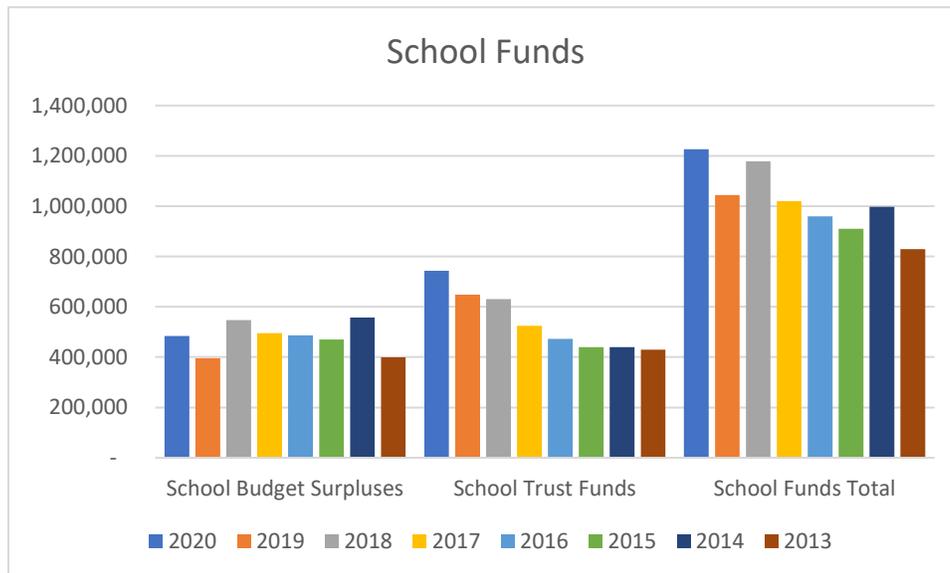
An unrestricted accumulated operating surplus of \$5,882,422 is 13% of the 2019/2020 annual operating expenses. This is well above the policy requirement.

	2020	2019	2018	2017	2016	2015	2014	2013
Internally Restricted	1,256,241	2,570,088	5,410,944	3,157,953	2,610,153	3,106,063	3,468,717	2,223,621
Unrestricted	5,882,422	3,826,524	1,566,321	3,494,435	3,340,685	2,570,751	1,418,036	1,625,063
Total Operating Surplus	\$ 7,138,663	\$ 6,396,612	\$ 6,977,265	\$ 6,652,388	\$ 5,950,838	\$ 5,676,814	\$ 4,886,753	\$ 3,848,684

Unrestricted Surplus as a % of annual operating expenses	2020	2019	2018	2017	2016	2015	2014	2013
	13%	9%	4%	8%	8%	6%	3%	4%

School Funds

Of specific interest to the Board of Education is the funding each year that is held for schools to carry forward for future expenditures. The graph below includes School Trust Funds, although they are tracked within a Special Purpose Fund and are not part of the operating reserve.



For the last two years, school surpluses greater than 2.5-3% of budget were restricted. This year that resulted in a decrease of \$186,183 (\$124,723 2018/2019) in the school surpluses.



Special Purpose Fund

The Special Purpose funds are utilized to track funding for designated purposes. The balances can often be deferred to subsequent years for the intended purpose. Some of the 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.

The following table summarizes the transactions for the year.

	Opening	Revenue	Expense	Closing June 30, 2020
Ministry of Education Grants				
Annual Facility Grant	62,588	285,735	(260,198)	88,125
Aboriginal Ed Technology	1,303	-	(1,303)	-
Learning Improvement Fund	277	152,650	(140,755)	12,172
StrongStart	-	198,182	(177,577)	20,605
Ready Set Learn	-	37,334	(33,183)	4,151
French Language	-	107,793	(86,056)	21,737
Community Links	46,444	366,623	(405,548)	7,519
Mental Health in Schools	-	30,500	(15,908)	14,592
First Nation Student Transportation	-	18,049	(289)	17,760
Classroom Enhancement Fund	5,183	3,332,529	(3,320,659)	17,053
Other Special Purpose Funds				
School Generated Funds	648,912	850,284	(756,225)	742,971
Early Learning Funds	48,907	16,913	(11,992)	53,828
Career Grants	7,796	25,000	(8,605)	24,191
Total	821,410	5,421,592	(5,218,298)	1,024,704

Due to the COVID-19 pandemic and schools being closed for a portion of the year, the district experienced trouble spending all the funds. Requests to carry forward funding is due to the Ministry of Education by September 30, 2020. The unspent Classroom Enhancement Fund balance of \$17,053 is not able to be carried forward and next years allocation will be reduced by that amount.



Capital Fund

Ministry of Education

DCSS - SP Campus HVAC upgrade - SEP program	1,943,428
Frank Ross Flooring - SEP program	8,226
Devereaux DDC upgrade - CNCP program	56,993
Moberly Playground - PEP program	87,449
School Buses	679,663
Total	\$2,775,759

District Operating Fund

Pouce Portables (2)	230,298
CSS Renovations	672,660
School Photocopiers	70,603
Bus Garage Fuel Tanks	45,001
Bobcat Replacement Program (2)	11,145
Unchagah Sound System	22,132
C-Cans (2)	11,446
Don Titus Phone System	1,218
Overage on Buses	25,523
District SUV	29,836
Total	\$1,119,862

The school district invested \$3.9 million in capital additions. Funding to make these additions came from the following sources: \$2.8 from the Ministry of Education and \$1.1 million from the District Operating Fund.

Specific balances in the Capital Fund are as follows:

Capital Fund	June 30, 2020	June 30, 2019	Change
Bylaw Capital	-	431,199	(431,199)
Restricted Capital	164,046	161,545	2,501
Local Capital	281,099	276,813	4,286
Total	445,145	869,557	(424,412)



Bylaw Capital represents approved Ministry of Education funding, including the capital portion of the annual facilities grant, carbon neutral capital program, school enhancement program, playground equipment program and the bus replacement program. The balance as at June 30, 2020 was \$0 as all the funding approved for this fiscal year was spent.

Restricted Capital represents the Ministry of Education's portion (75%) of the proceeds on disposals of property in which the district received ministry support to make the initial purchase. The district must receive ministry approval to spend these funds.

There are two capital fund surpluses:

The **Local Capital** fund of \$281,099 represents accumulated surpluses designated to fund the purchase of Tangible Capital Assets. This balance can increase if the board makes a motion to transfer operating surpluses to Local Capital or when the district receives the unrestricted portion (25%) on sales or property.

The **Investment in Tangible Capital Assets** fund of \$11,225,070 represents capital investments that are funded by operating funds (shows as a net transfer from other funds). As an asset is amortized, the surplus will decrease. The balance is used to fund future amortization costs and does not represent funds that are available for other purposes.

Both increases to restricted capital and local capital are due to interest income recorded for the year.

Other Significant Matters

COVID-19 Pandemic

The COVID-19 pandemic impacted this year's financial statements and will continue to do so into the 2020/2021 school year. It is still early to assess the long-term financial impact of the pandemic, but the district has identified the following areas as needing to be reviewed and adjusted during the budget cycle.

- Decrease in Investment Income
- Increase in replacement costs to cover sick leaves
- Increased cleaning costs
- Increased support for Distributed Learning

Strategic Plan

A new strategic plan was developed during the 2019/2020 school year. This plan will guide the District's financial priorities and resources for the next four years.



School Capacity

The district continues to have excess capacity in Chetwynd elementary schools; catchment area rules are not as easily enforced due to having a school of choice. As the age of the schools increase it is important to maximize the efficiency of our maintenance funds.

Infrastructure

Given the age of our schools there is the concern that the Annual Facilities Grant will not be able to support the growing maintenance costs in the district. A large portion of the provincial K-12 capital budget is used to support seismic upgrades, the financial support for replacement schools is minimal.

Funding Model Review

In 2018 the Ministry of Education began a review of the current funding formula which has been in place since 2002. The review ended with a list of 22 recommendations along three themes: equity, accountability and financial management. We do not currently know the full financial implication of the recommendations.

Contact Management

This financial report was completed with the purpose to provide a general overview of the School District's finances as at June 30, 2020 and to demonstrate the District's accountability for the funding it receives.

If you have any questions about the report, please contact the Secretary Treasurer's office at 250-782-8571.