



Financial Statement Discussion & Analysis Reporting

2022/2023

School District No.64 (Gulf Islands)

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Financial Statement Discussion & Analysis
For the Year Ended June 30, 2023

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2023. This section of the report is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

Overview of the District

School District 64 is a diverse district with 10 schools located on Galiano, Mayne, Pender, Salt Spring and Saturna islands. Students travel by water taxis and buses to school. Most of SD64 resident students reside on the largest island of Salt Spring. The district had 1,474 local students and 70 international students (43.5 FTE) for all or part of the 2022-2023 school year. The district has 159 students who identify with Indigenous ancestry and are served by the district's Indigenous education program. There are 147 students in the district late French Immersion Program from grades 6 to 11.

The district is guided by its Strategic Plan that leads with the concepts of inspire, integrate, and involve and also emphasizes "providing learners with a diverse and engaging opportunities leading to a future of fulfillment, joy and purpose." The Strategic Plan is currently under Board review.

The district continues to focus efforts on improving academic success during the last four years. The six-year resident completion rates have steadily improved from 74% in 2017/2018 (83% in 2019, 88% in 2020, 90% in 2021), to 93% in 2022/2023. The FSA participation rate for Grade 4 Literacy has increased dramatically from 45% in 2018, 94% in 2019, 96% in 2020 and 2021, and 93% in 2023. Literacy achievement rates have seen a drop in the grade 4 cohort this year but

remain on par or above the provincial average. FSA 7 participation remains high at 98%, and achievement results continue to surpass the provincial average (88% on track or extending in Literacy; 73% on track or extending in Numeracy)

The district has fully implemented changes related to the configuration review initiated by the Board of Education in October of 2018 to support the best educational outcomes for students while maximizing cost-effective education delivery.

One of the important steps of the reconfiguration process was the closure of the Salt Spring Middle School (SIMS) for September of 2022. A school closure process was commenced, and at a special public meeting held of January 18th, 2021, the board passed a motion and exercised a bylaw to close SIMS.

Gulf Islands School District is now configured as follows: all elementary schools on Salt Spring, Mayne, and Galiano Islands are K to 7 (K-5 on Saturna Island), Gulf Island Secondary School (GISS) serves grade 8-12, Pender Island Elementary Secondary School (PIESS) has a grade 8 to 9 junior secondary program for Pender, Mayne, Galiano and Saturna (gr 6-9) students. PIESS also offers grade 10-12 classes for students from any catchment area in the district. French Immersion, starting in grade 6, is currently offered at Salt Spring Elementary and the senior French Immersion program is offered at GISS. The Gulf Islands School for the Performing Arts continues operates at GISS and is available based on successful audition for all students in the district from grades 10 to 12.

A key component of configuration is the emphasis on catchment areas and ensuring local elementary schools are robust and serve the families that reside within the community. In the fall of 2022, bus routes on Salt Spring Island were reassessed and reduced accordingly to meet the new configurations, with service to elementary catchment areas as the highest design priority. Two new electric buses have been added to the fleet to replace aged out/retired buses. Logistical issues beyond the district's control, including manufacturer cancellations and bus driver trainer availability, have delayed the implementation of a new bus route on Mayne Island.

Financial Highlights

The overall financial picture of the district has improved significantly from prior years. The closure of Windsor House in 2019 and Salt Spring Middle School in 2021, as well as changes to all school grade configurations, were implemented to improve the districts long-term financial stability and to ensure a supportive landscape for quality education regardless of a student's geographic location. Operating revenue remains stable due to Funding Protection. The goal of senior staff is to ensure a fiscally balanced and educationally sound district that is sustainable and effective without Funding Protection.

Key financial indicators will be discussed below:

- The annual surplus decreased from \$1.27M to \$0.85M. The Operating fund annual results followed the same movement from a deficit position of \$0.250M in 2017-18, a surplus of \$0.165M in 2018-19, a \$1.869M surplus in 2019-20, a \$1.3M surplus in 2020-21, a \$0.718M surplus in 2021-2022, and a current year surplus of \$0 .20M.
- Cash and Cash Equivalents has reduced from \$7.40M to \$7.39M over the prior year.
- Enrollment has increased from 1424 to 1474 after a decrease in the previous year from 1440. This year's increase may be attributed to students returning to regular in-class instruction from homeschool or online options that some families engaged during the height of the COVID-19 pandemic.
- The Operating Grant remains consistent due to Funding Protection. Funding Protection allows the operating grant to gradually reduce by 1.5% per year, until the regular operating grant funding types are inline with expected enrollment from actual student FTE. The district understands this category of relief funding is temporary and reduces annually. The reconfiguration scenarios that were brought to the board to consider all provided a balanced budget without Funding Protection.
- Intention of Funding Protection utilization. The intention of the district staff is to have the district operating within its size and scope with regular operations funded through actual student enrollment funding. Funding Protection funds will be invested in one-time initiatives like student learning recovery, professional growth, technology updates and building renewal. The use of the Funding Protection amount is included in the annual and amended budgets and is also reported to the board as separate items during the budget process. This allows for full intention

and transparency of how and where the district is investing to build up the district’s human and physical assets for long term advantage.

The Operating fund in the amended annual budget was projected to receive \$21.52M in total Provincial grants and received \$22.39M. Expenses were budgeted to be \$23.06M and were \$22.93M, resulting in an actual annual operating surplus of \$0.718M.

Financial Analysis of the School District as a Whole

Financial Items	2022-23	2021-22	Change in \$ CY/PY	Change in % CY/PY	Discussion
Schedule of Operations SCH 2					
Enrollment BC Resident - (February 1701), FTE	1,474	1,426	48	3%	Increase in enrollment of 3% is based on additional students returning to the system with the conclusion of COVID and students enrolling in 64GO. This provided an additional option for students to join our district.
Operating Revenue	24,027,914	23,392,265	635,649	3%	The Ministry of Education and Child Care (MoECC) Operating Grant remained relatively consistent due to Funding Protection. The majority of the increase over prior year was a result of the \$770K in labour settlement funding. This funding was provided by MoECC as revenue outside the operating grant. It is the funding that supports the increases negotiated through collective bargaining. The funding covered the teacher and support staff grid changes and provided funding towards raises based on grid changes for excluded employees.
Operating Expense	22,926,091	21,923,737	1,002,354	5%	The current year operating expenses were budgeted to be \$23M and the current year is \$138K under budget. The intention in the current year was to ensure that multiple one-time projects supported through Funding Protection would proceed. Further in the current year, with the signing of collective agreements for

					both bargaining units, there was an average increase of 6.5% in salary and benefits costs.
Special Purpose Revenue and Expense	4,125,907	3,945,818	180,089	5%	There were two additional special purpose grants in the current year. The Student Family and Affordability Fund for \$250K and the Early Care and Learning for \$175K. Those increase were offset by slightly less spending in other funds than in the prior year.
Capital Revenue	1,302,817	1,280,269	22,548	2%	Deferred Capital Revenue and Amortization Expense are consistent between the two periods.
Annual Surplus	847,125	1,265,821	-418,696	-33%	In the current year there was a concerted effort to invest the Funding Protection revenue in one time district projects. This resulted in a net income from Operating of \$201K compared to last years net income of \$717K. The current year capital fund surplus is slightly higher at \$647K. Last year the Capital Surplus was \$548K. \$901K of operating revenue was spent on investments in Capital Projects. The main capital purchases from Operating Funds in the current year where: to top up of the cost of the 2 new electric buses, new computer hardware for schools across the district, and the acquisition of 2 white fleet vehicles.
Statement of Financial Position					
Cash and Cash Equivalents	7,394,307	7,403,777	-9,470	0%	Cash is consistent with prior year.
Accounts Receivable	446,971	463,973	-17,002	-4%	Accounts Receivable is consistent with prior year.
Portfolio Investments	123,964	69,601	54,363	78%	The change in balance is related to the change of the categorization of the underling investments. In the current year the majority of the portfolio's value is categorized as investments and not cash accounts. The overall value of the portfolio is relatively consistent.
Accounts Payable and Accrued Liabilities	1,223,485	1,539,941	-316,456	-21%	The reduction in Account Payables is related to an emphasis on performing a cheque run on the last day of the current year.

Unearned Revenue	705,457	759,440	-53,983	-7%	The balance is relatively consistent with prior year.
Deferred Revenue (SPF)	1,131,721	740,383	391,338	53%	Most of the increase is due to an increase in the Education Trust Fund. Two new Scholarship/bursaries from charitable foundations have been established and both foundations have provided the funding to the Education Trust in advance of awarding the funding over multiple years. The School Generated Funds balance has also increased by slightly under \$100K from prior year.
Deferred Capital Revenue (liability)	19,501,864	19,389,469	112,395	1%	The change reflects the increase in Deferred Capital Additions in the current year (capital additions funded by province Bylaw capital) and the recognition of deferred capital revenue.
Employee Future Benefits	985,318	1,073,105	-87,787	-8%	Change is a reflection of a few long-term employees, who are CUPE members, retirements in the current year and the payment of their contractually obligated retirement allowances.
Tangible Capital Assets	26,967,764	26,208,829	758,935	3%	The change in capital assets is additions less current year amortization. In the current year there was \$.899M in current year COA Bylaw additions, \$.901M in Operating capital additions and \$.404M transferred from WIP. There is also \$64K in new current year WIP additions. Amortization was \$1.4M in the current year.
Accumulated Surplus	10,455,037	10,867,912	-412,875	-4%	The majority of the decrease in Accumulated Surplus is directly related to restatement of the prior year Accumulated Surplus. The prior year accumulated surplus was restated to reflect the adoption of the new accounting standard for Asset Retirement Obligations. The accumulated surplus in prior year was reduced by \$1.26M. The standard was adopted by all school district and other government entries in the current year. This amount is the third party estimate of the future cost to remove all asbestos in the district. The decrease in the accumulated surplus was offset by an increase of \$201K in annual operating surplus and an increase of \$647K in the annual capital surplus.

Analysis of Major Revenue and Expenditure Items by Source and Function

Financial Items	2022-23	2021-22	Change in \$ CY/PY	Change in % CY/PY	Discussion
Key Revenue Sources					
Provincial Grant - Operating Grant	21,156,274	21,401,511	- 245,237	-1%	The operating grant has reduced over prior year. This is consistent with the annual forecast reduction of Funding Protection.
Operating - Other Ministry of Education and Child Care	1,236,349	465,937	770,412	165%	The \$770K Labour Settlement Funding grant was included in Other MoECC operating grants. This amount was determined during the current year when provincial collective agreement bargaining and local tables had concluded. All other grants remain relatively consistent.
International Tuition	655,550	624,206	31,344	5%	The 5% increase in International tuition is a direct result of the increase in board approved annual tuition fee per FTE is offset by a reduction of total FTE attending. The current year FTE of International students was 43.5. Prior year was 52 FTE.
Operating Expense - by Function					
Instruction	16,310,473	15,604,068	706,405	5%	There was a slight predictable increase in salaries and benefits based on increases in the salary grid through collective agreement bargaining. This increase is offset by a total number of FTE as schools are fully reconfigured this year. The majority of the increase this year is in services and supplies and can be directly attributed to an increase in budgeted professional development spending and supplies for schools and libraries.
District Administration	1,526,834	1,276,180	250,654	20%	Consistent with the investment in board policy renewal, a full return to district and board conference attendance (reduced during the two prior years due to COVID) and BCPSEA authorized salary grid increases for Excluded Positions. In the current year, there were additional legal fees related to appeals received by the Board.
Operations and Maintenance	3,400,416	3,140,060	260,356	8%	Planned increase in spending related to having additional engineering costs and blue printing and assessing the district buildings, and the increase in salaries and benefits related to collective bargaining negotiations. Inflation had an impact on the cost of supplies in the current year.

Transportation and Housing	1,688,368	1,903,428	- 215,060	-11%	There were 1.5 less school buses in operation in the current year and a stabilization of diesel fuel costs from previous high in 2021
Operating Annual Surplus	200,585	717,707	- 517,122	-72%	Epic Funding for students in schools was continued for learning recovery above regular operating teaching levels and local capital projects continued in the current year. This resulted in \$901K in locally funded capital projects as well as one-time items like the \$50K book diversity library purchase.

Budgetary Highlights / Analysis of Operating Results to Budget

Operating Revenue and Expense	Amended Budget 2023	Annual Budget 2023	Change in \$ CY/PY	Change in % CY/PY	Discussion
FTE	1,494	1,420	74	5%	The annual budget is based on the May enrollment estimates for next fiscal period and Amended is based on September 1701 Actual. A component of the change is that the estimate is based on headcount and the actual is based on full time equivalent. The FTE was higher than headcount for the 1701 and there was also additional students who joined the district between the dates of the estimate and budget.
Revenues					
Provincial Grant - MoECC	21,519,119	21,545,119	- 26,000	0%	Relatively consistent.
International Tuition	627,000	725,000	- 98,000	-14%	Actual FTE enrollment was lower than the international program estimated.
Other Revenue	799,500	757,500	42,000	6%	No significant change anticipated, however, more small grants provided from community by time of Amended Budget.
Rentals & Leases	55,000	40,000	15,000	38%	Slight increase based on increase use of facilities by external users.
Investment Income	180,000	30,000	150,000	500%	Significant increase in interest rates between Annual and Amended.

Expenses					
Instruction	16,616,442	15,646,430	970,012	6%	Anticipated increase based on expected grid wage improvements through collective bargaining that occurred Q2 and Q3.
District Administration	1,645,971	1,424,336	221,635	16%	Increase to support BCPSE approved grid improvements and estimated legal fees.
Operations & Maintenance	3,008,740	3,162,771	-154,031	-5%	Majority of decrease related to the reduction of heating costs due - no longer maintaining open windows and 100% outdoor air ventilation.
Transportation & Housing	1,793,215	1,796,223	-3,008	0%	Relatively consistent with annual budget.
Total Net Transfers					
Tangible Capital Assets Purchased	-1,200,000	-1,200,000	-	0%	No significant change anticipated
Budgeted Surplus	-	70,000	-70,000	-100%	Budgeted surplus was expected to be inaccurate due to the unknown revenue side of the labour settlement funding grant; however, the expense side was known at the time of the amended budget and was included. This approach was recommended by the Ministry due to the district having accumulated surplus.

Operating Revenue and Expense	Amended Budget 2023	Actual 2023	Change \$	Change %	Discussion
FTE	1494	1,474	-20	-1%	Preliminary numbers provided by schools for February 1701 were higher than actual FTE for February 28th 1701 calculation date.
Revenues					
Provincial Grant - MOE	21,519,119	22,392,623	873,504	4%	Increase related directly to labour settlement funding grant, the total of which was announced post Amended Budget (not included in the amended budget per Ministry directive).
International Tuition	627,000	655,550	28,550	4%	Slightly higher than anticipated due to minor FTE changes.
Other Revenue	799,500	645,562	-153,938	-24%	Received less community grant funding than budgeted.
Rentals & Leases	55,000	84,196	29,196	35%	Increase in 3rd party facility rentals and late payment of rents from Island Health and CRD.
Investment Income	180,000	239,301	59,301	25%	Significant increase in interest rates post Amended Budget.
Expenses					
Instruction	16,616,442	16,310,473	-305,969	-2%	The \$300K variance is due primarily to the following: 1. overspending of approx. \$200 in Special Education Instruction 2. underspending of \$400K in salaries and benefits due to lack of replacement and unfilled positions. 3. underspending of \$100K in supplies and services.
District Administration	1,645,971	1,526,834	-119,137	-8%	Slightly less salary than anticipated related to parental leave.
Operations & Maintenance	3,008,740	3,400,416	391,676	12%	This is related to additional custodial and general maintenance salaries, and supplies.
Transportation & Housing	1,793,215	1,688,368	-104,847	-6%	Reduction related to lower fuel costs compared to prior year and running 1.5 fewer school bus routes on Salt Spring Island.

Total Net Transfers					
Tangible Capital Assets Purchased	1,200,000	901,238	-298,762	-33%	The district did not receive the 3rd electric bus it had budgeted to receive before year end. The larger projects completed include: 2 new white fleet vehicles, completion of SD64 Learning Hub, electric bus charging equipment, and investment in computer hardware.
Surplus	-	200,585	200,585	100%	Related to receipt of labour settlement funding.

Reserves – Operating, Special Purpose and Capital Balances

SD64 does not currently have any reserves. In June of 2022, an updated Accumulated Operating Surplus Policy [Bylaws, Policies and Procedures \(sd64.bc.ca\)](#) was adopted. This policy outlines the expectations of how surplus will be used and the process for consulting on the use of surplus and the categories under which surplus can be restricted and utilized. Policy 610, Financial Planning and Reporting was adopted in June of 2022 and will be implemented during the 2022/23 fiscal year.

Capital Assets

In the current year, the district has had six capital COAs approved for multiple sites for fiscal 2021-22. Two of the COA Bylaws related to the purchase of an electric 24 passenger bus, for a new elementary route on Mayne Island was not drawn down, as the bus has not been delivered with the school year. The COA related to the installation of the charging infrastructure has also not been drawn down. The regular Annual Facilities Grant for capital and maintenance of buildings and COA related to Saturna Elementary HVAC replacement, GISS HVAC upgrade and Fernwood Elementary HVAC implementation where fully drawn down.

Tangible Capital Asset - Net Book Value					
Type	2023 Opening As Restated	2023 Ending	Change \$	Change %	Discussion
Sites	4,107,653	4,107,653	-	0%	No disposal or acquisition of sites in year.
Buildings	20,524,416	20,380,840	-143,576	-1%	Slight increase to buildings through the Annual Facilities Grant less amortization expense.
Buildings WIP	499,878	355,281	-144,597	-29%	Completion of the 21/22 COA Capital work Galiano Plumbing Upgrade and addition of work through COA performed at Saturna Septic and Gym at GISS.
Furniture & Equip	627,659	952,314	324,655	52%	The majority of the asset additions is related to a Operating funding used to upgrade the electric bus charging equipment and new furniture for the Pender reconfiguration.
Vehicles	336,174	922,780	586,606	174%	Two electric buses and two white fleet vehicles.
Computer software	-	42,205	42,205	0%	The first module delivered of the accounting software modernization.
Computer hardware	113,049	206,691	93,642	83%	Operating funding used to upgrade student computers and district network hardware.
Total Net Book	26,208,829	26,967,764	758,935	3%	Change consistent with additions, amortization and deemed disposals.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

The potential significant matters identified in the report for subsequent periods are the outcome of configuration decisions and the expected reduction of Funding Protection revenue.

Senior management continues to work with the board to present stable budgets. Ensuring that the district's regular operating expenses do not exceed the revenue from student enrollment. The district has closed the budget shortfall and eliminated the structural deficit through full implementation of reconfiguration changes.

The district will develop a plan that outlines a long-term strategic infrastructure investment of Funding Protection dollars. This will allow investment into the districts learning resources, updating of facilities initiatives and professional development. This further allows the district to fund our Framework for Enhancing Student Learning goals of continuous improvement of student achievement, capacity building of school-based planning, and accurate tracking of student progress.

The district has tracked its decline in geographic based enrollment over the last few decades. This has been taken into consideration with the recent reconfiguration model. The district can contract or expand by a few hundred students and retain its current building organization.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide stakeholders with a general overview of the School District's finances and to demonstrate the School District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Secretary Treasurer.