SD64 2020-2021

Financial Statement Discussion & Analysis Reporting

School District No. 64 (Gulf Islands)

Financial Statement Discussion & Analysis

For the Year Ended June 30, 2021

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2021. 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 busses to school. Most of SD64 resident students reside on the largest island of Salt Spring. The district had 1,440 local students and 35 international students for all or part of the 2020-2021 school year. The district has 119 students who identify with aboriginal ancestry and are served by the district's aboriginal education program.

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." https://sd64.bc.ca/strategic-plan/

The district has concentrated efforts on improving academic success during the last three years. The 6-year resident completion rates have improved from 74% in 2017/18, to 83% in 2018/19, to 88% for 2019-20 and in 2020-21 it is anticipated to be 90%. The FSA participation rate for Grade 4 Reading has increased from 45% in 2018-19, 94% in 2019-20 to 95.7% in the current year, other FSA categories follow a similar upward trajectory. Both achievement and participation rates show promising trends.

The district is implementing the configuration review that was initiated by the Board of Education in October of 2018 (District Reconfiguration, Implementation: Phase III (sd64.bc.ca)).The motion that drives this multiple year process focuses on student achievement and financial stability. The Board motion states: *that the district initiates a community-based consultation process to review configurations that support the best educational outcomes for students in addition to maximizing cost-effective education delivery.* Public consultation proceeded throughout the fall, winter, and spring of 2019-20. The feedback was summarized in a working committee of the board. At the June 2020 board meeting, staff were directed to undertake a financial and feasibility study of the recommendations and to present the information in the fall of 2020. At a regular public meeting on November 18, 2020, the board passed a motion to reconfigure the district.

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 a special public meeting was held of January 18th, 2021. The board passed a motion to close SIMS.

The key components of reconfiguration of the district are the following: all elementary schools on Salt Spring, Mayne School, and Galiano School will be K to 7, Gulf Island Secondary School (GISS) will serve grade 8-12, Pender Island Elementary Secondary School (PIESS) will be creating a grade 8 to 9 junior secondary program for Mayne, Galiano and Saturna students. PIESS will also offer grade 10-12 classes for students from any catchment area in the district. French Immersion, starting in grade 6, will be offered at Salt Spring Elementary and the senior French Immersion program will be offered at GISS. A transition year for 2021-22 was provided to allow students choice and for the district to complete physical changes to the facilities.

COVID-19 impacted the operations of the district from a learning and a health and safety perspective. Additional cleaning and sanitization of facilities, cohorting of students, and as well additional supplies like masks, hand sanitizer, storage containers, and signage where required. From an education perspective the district approached the possibility that learning loss, from the interruption to instruction in spring of 2020, may have occurred for some students. The district created a program called EPIC. The program was funded through savings from school sites not being open for regular instruction in April and May of 2021 due to COVID. The funds were distributed to schools based on student FTE and each school wrote a report outlining their learning recovery plan and the report was submitted to the Director of Instruction for feedback and direction. The plan included how they were going to identify students who required additional support and how that support was going to be delivered. Most of the funds were used for additional teaching hours to assist students one on one. Framework For Enhancing Learning consultation, that occurred in June of 2021, illustrated that there was a broad desire across stakeholders to continue the EPIC program, and that it was found to be highly effective. The Holdback Carryover funding, released in the spring of 2021, will be used in the 2021-22 school year EPIC grant.

Within the last three years, all senior staff positions have transitioned to new individuals. In May of 2019 Dr Scott Benwell started full time as Superintendent. In February of 2019, Jesse Guy assumed the role of Secretary Treasurer. In January of 2020, D'Arcy Deacon was hired into the role of Director of Instruction, Human Resources and in August of 2020, Boe Beardsmore commenced as Director of Instruction, Learning Services. In fall of 2020 Jodie Miller, assumed the role Director of Facilities and Transportation. With a significant number of senior roles near retirement the board and senior management worked to stager the retirements and allow for knowledge transfer.

Financial Highlights

The overall financial picture of the district has improved significantly from prior years. The closure of Windsor House in 2019 and the reconfiguration consultation process that resulted in a motion to close Salt Soring Middle School and change the grade configuration in the district this year has occurred with the intention to improve the districts long-term financial stability and to ensure a supportive landscape for quality education regardless of the student's geographic location. Operating revenue remained 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 $1.751M to $1.501M. The Operating fund annual results followed the same movement from a deficit position of $250K in 2017-18, a surplus of $165K in 2018-19, a $1.869M surplus in 2019-20, and a current year surplus of $1.296M.
- Cash and Cash Equivalents has increased from $4.612M to $6.653M over the prior year.
- Enrollment from the prior year has reduced from 1,462 headcount to 1,440. A slight drop of residential enrollment between the two years has also contributed to the reduced enrollment over prior year.
- 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.
- The Operating fund in the amended annual budget was projected to receive $21.88M and received $21.98M. Expenses were budgeted to be $21.52M and was $21.32, resulting in an actual annual operating surplus of $1.3M instead of the budgeted annual surplus of $0.8M. The district received grant funding from additional grants like the Holdback and community initiatives grants and spent less then budgeted on operating costs.

Financial Analysis of the School District as a Whole

Financial Items	2020-21	2019-2020	Change in $ CY/PY	Change in % CY/PY	Discussion
Schedule of Operations					
Enrollment BC Resident	1,430	1,478	-48	-3%	Reduction in enrollment by 3% is based on two factors, an anticipated drop in enrollment of 38 students based on the expected difference between the graduating grade 12 class and the registered kindergarten class. The additional reduction of 10 students was based on a decline related to COVID.
Operating Revenue	22,807,177	22,530,134	277,043	1%	The Operating Grant remained relatively consistent regardless of the enrollment decline due to Funding Protection. The increase over prior year was a resulted of international homestay revenue being included at gross in miscellaneous revenue (the corresponding netting expense is included in Instruction cost in the international program). The gross up of homestay funds received was included from January to June in the current year ($184K), when a homestay coordinator was hired by the district and the contract with the third party was terminated. Additional small grants were received from community organizations support students during a pandemic.

Operating Expense	21,320,114	20,620,810	699,304	3%	In the current year additional spending in Operating Expense related to COVID learning recovery (EPIC), additional custodial cleaning hours, and additional supplies expense related to reconfiguration of our district. EPIC grants were provided to each school based on student FTE. The purpose was to ensure that all students were able to be supported in areas of learning they were needing additional supports. It was anticipated that a learning recovery program would be needed, because of the interruption in the education environment during the 4th quarter of 2020 from COVID. Additional custodial hours were required above the amount allocated through Federal and Provincial COVID special purpose funds and additional supplies related to COVID (masks, containers for separate class sports, signage, hand sanitizer etc.). In November of 2020 the School Board passed a motion completing an 18-month public consultations and reconfiguration process. In April of 2021 the district commenced the work to reconfigure schools to different grade configurations. Some of this work was capitalized as it occurred, however, some work resulted in extra expense for Facilities and Maintenance Labour and supplies budgets. The work has continued through the summer of 2021.
Special Purpose Revenue and Expense	3,696,746	3,391,439	305,307	9%	There was an additional $703K in Provincial and Federal COVID funding which were received and fully expended in the current year. However due to fieldtrips and the majority of extra curricular activities being cancelled there was $260K less School Generated funds recognized as revenue and expense. Additionally, the district did not spend all of its Community Link funds and $81K is included as Deferred Revenue at yearend.

Capital Revenue and Expense	1,161,452	1,363,005	- 201,553	-15%	Deferred Capital Revenue and Amortization Expense are consistent between the two periods. In fiscal 19/20 the expensed portion of AFG and SEP (COA) was $342K and in the current year the expensed portion was $119K. In the prior there was more projects related to repair of existing structures that could not be capitalized but was funded through COAs. In the current year the majority of COA funding was capitalized.
Annual Surplus	1,500,998	1,750,678	- 249,680	-14%	Revenue and general operating expense remained consistent. The two district initiatives this year, EPIC learning recovery grants to schools and reconfiguration facilities changes, resulted in the 14% reduction in annual surplus.
Statement of Financial Position					
Cash and Cash Equivalents	6,652,802	4,611,797	2,041,005	44%	The increase in cash is directly related to the increase in annual surplus from consistent revenue and a reduction in corresponding expenses.
Accounts Receivable	416,971	304,092	112,879	37%	Additional AR in the current year is related to the increase in students enrolled in the international program for the fall of 2021 over the prior June period for the fall of 2020.
Portfolio Investments	77,794	86,420	- 8,626	-10%	Change in value related to maturation of funds and potion moving from investment to cash holdings.
Accounts Payable and Accrued Liabilities	1,717,438	1,151,876	565,562	49%	Current year balance is consistent with the 2018-19 yearend AP balance ($1.6M). Due to low activity in the last quarter of the 2019-20 school year, due to COVID, last year was lower than a regular operating year.
Unearned Revenue	475,631	260,636	214,995	82%	This balance is deferred international tuition for the subsequent year (fall 2022). Enrollment for fall of 2021 at June 30, was higher than in the prior period, as the prior period was impacted by COVID and travel restrictions.

Deferred Revenue (SPF)	863,725	648,747	214,978	33%	The special purpose funds balance are higher this year due to an under spend in Community Link and Mental Health grants and an additional $100K in the Education Trust from a new annual scholarship created in June from a donor.
Deferred Capital Revenue (liability)	19,518,841	18,775,560	743,281	4%	In the prior year there was $796K in capital additions funded through bylaw capital and $175K in WIP that is in accounts receivable and is also funded through the COA Bylaw funds. In the current year there was $1.7M COA capitalized and $175K also transferred from WIP added to DCC. There is $82K in new current year WIP (prior year balanced transferred to capital). The liability is reduced by the recognition of $1.043M of DCC revenue.
Employee Future Benefits	1,016,229	1,002,022	14,207	1%	Consistent with prior year.
Tangible Capital Assets	25,885,570	24,937,069	948,501	4%	The change in capital assets is additions less current year amortization. In the current year there was $1.7M in current year COA Bylaw additions, $191K in operating capital additions and $174K transferred from WIP. There is also $303K in new WIP additions. Amortization was $1.25M in the current year.
Accumulated Surplus	9,697,574	8,196,576	1,500,998	18%	The majority of the increase in Accumulated Surplus is directly related to the increase in the Annual Operating Surplus that is addressed above.

Analysis of Major Revenue and Expenditure Items by Source and Function

Financial Items	2020-21	2019-2020	Change in $ CY/PY	Change in % CY/PY	Discussion
Key Revenue Sources					
Provincial Grant - Operating Grant	21,023,855	20,545,700	478,155	2%	The operating grant has remained consistent over prior year even with a reduction in enrollment. There was not a corresponding drop in funding to enrollment because of funding protection and additional funding provided in the MOE funding formula per student FTE for unique geographic funding. Further the employer health tax grant was included in the operating grant and in prior year it was a separate MOE grant.
Operating - Other Ministry of Education	958,116	934,871	23,245	0	The amount is consistent with prior year, however, there has been a change in items included in the category. in the current year the employer health tax grant has moved into the operating grant and the full amount of the teacher's Labour settlement funding has been awarded. Last year it was $189K and in the current year it was $458K. In prior year the support staff wage increase funding was rolled into the operating grant.
International Tuition	375,090	811,125	- 436,035	-54%	The 54% reduction in international tuition is a direct result of reduced enrollment in the program due to COVID. In prior year there was 61 FTE of students and in the current year there were 23 FTE attending.

Operating Expense - by Function					
Instruction	15,443,109	15,148,861	294,248	0	The increase in the current year is based on the school district creating a learning recovery program to assist student who were impacted by a learning disruption from COVID. The funds were used to increase teaching FTE to target learning recovery. The program was called EPIC and will continue during 2021/22. Homestay receipts and payments to host families began to be included in January 2021. This was precipitated by the district terminating the external homestay contract and the district creating an employment position. These increases were an offset to a reduction in instruction expense because of an overall reduction in teacher FTE, as class size and composition is carefully managed.
District Administration	1,218,611	1,282,074	- 63,463	-5%	Consistent with prior year and BCPSEA authorized salary grid increases. Slight decrease due to less professional development opportunities and education events to attend.
Operations and Maintenance	2,999,812	2,706,704	293,108	0	Increase due to the district working to reconfigure to new class configurations for fall of 2021. The board voted in November of 2020 for a new configuration model. The physical process of enacting that was actioned in the last quarter of 2021 and continued into the summer of 2021.
Transportation and Housing	1,658,582	1,483,171	175,411	12%	For April and May 2020, due to COVID, the water taxis were not running, this resulted in a reduced rate of $40K per month, buses did not required fuel for the same period and boarding allowances were not provided for Pender, Mayne, Galiano and Saturna students for the last quarter of the year. In the current year busses and water taxies ran for all 10 months.

Budgetary Highlights / Analysis of Operating Results to Budget

Operating Revenue and Expense	Amended Budget 2021	Annual Budget 2021	Change in $ CY/PY	Change in % CY/PY	Discussion
FTE	1430.813	1440	-9	-1%	Slight decrease in student attended based on COVID hesitance to return to classrooms.
Revenues					
Provincial Grant - MOE	21,880,389	21,693,588	186,801	1%	Additional MOE funding provided through the funding formula and new grants.
International Tuition	384,800	500,000	- 5,200	-23%	Reduced attendance of the international program because of the impact of covid on travel and travel visas.
Other Revenue	100,500	128,225	- 27,725	-22%	No significant change anticipated
Rentals & Leases	15,000	15,000	-	0%	No significant change anticipated
Investment Income	8,000	25,000	- 17,000	-68%	The return on investment reduced and it was noted that the general bank account was no longer paying interest on the balance.
Expenses					
Instruction	15,548,399	15,041,194	507,205	3%	Anticipated increase based on hiring of additional teacher FTE for EPIC program (learning recovery focus).
District Administration	1,286,283	1,319,165	- 32,882	-2%	Anticipated reduction in professional development and travel costs.
Operations & Maintenance	2,977,803	2,784,557	193,246	7%	Anticipated increase in 4th quarter with reconfigurations costs planned and overlap of a former and new Director of Facilities and Transportation in the fall of 2020.
Transportation & Housing	1,707,235	1,870,478	- 63,243	-9%	The annual budget included additional water taxi relief. The addition seats and boat were not required, based on slight drop in attendance from COVID.

Total Net Transfers					
Tangible Capital Assets Purchased	75,000	75,000	-	0%	No significant change anticipated
Budgeted Surplus	793,969	1,271,419	- 477,450	-38%	Additional spending on EPIC was anticipated to reduce the annual surplus.

Operating Revenue and Expense	**Amended Budget 2021**	**Actual 2021**	**Change $**	**Change %**	**Discussion**
FTE	1430.813	1430	- 1	0%	Actual to Actual
Revenues					
Provincial Grant - MOE	21,880,389	21,984,749	104,360	0%	An additional $70K was provided as Holdback funding at yearend for the subsequent period learning recovery.
International Tuition	384,800	375,090	- 9,710	- 0	Slighter more FTE by year end than anticipated.
Other Revenue	100,500	422,420	321,920	76%	In January of 2021 the contract with an external international homestay company was terminated and a homestay coordinator position was filled within the district. The homestay receipts and payments began being recorded gross and not net. This change was not included in the amended budget. The gross homestay receipts for January to June was $184K. An additional $57K in community grants were received above the anticipated amount for school-based initiatives. International medical revenue exceeded the budget by $71K

Rentals & Leases	15,000	9,328	- 5,672	- 1	Less rentals due to schools being closed to community use from COVID. Remaining rentals are related to leases for daycares within schools. The Mayne daycare leases was terminated in 2021, as the tenant moved to their own daycare facility.
Investment Income	8,000	15,590	7,590	49%	An investment revenue strategy was adopted and any additional funds in the general bank accounts were moved to the CD with the Ministry of Finance for an improved return.
Expenses					
Instruction	15,548,399	15,443,109	- 105,290	- 0	There was an under spend of $100K in education assistants and an underspend of $100K in school budgets supplies accounts. There was an additional $184K in gross homestay payments (expense), which is netted again the gross homestay revenue in other revenue.
District Administration	1,286,283	1,218,611	- 67,672	-6%	Less spending on travel and training.
Operations & Maintenance	2,977,803	2,999,812	22,009	0	Consistent with the amended budget.
Transportation & Housing	1,707,235	1,658,582	- 48,653	-3%	Slightly less supplies, boarding supplement, and transportation assistance in current year.
Total Net Transfers					
Tangible Capital Assets Purchased	75,000	190,985	115,985	61%	In April of 2021 the work on facilities commenced to reconfigure the district for the reconfiguration vote the board made in November of 2020. The work will continue into the first half of the 2021-22 school year.
Surplus	793,969	1,296,078	502,109	0	Increase in surplus is consistent with the Holdback Grant, additional community initiative grants and international medical fees and a decrease in school supplies spending and education assistants and training and travel.

Reserves – Operating, Special Purpose and Capital Balances

SD64 does not currently have any reserves. If, over the next few years, a consistent positive accumulated surplus can be built up, reserves will be considered. The reserves would be developed in conjunction with the strategic plan, approval of the board, and public consultation of district long-term priorities.

Capital Assets

In the current year, the district has had three capital COAs approved for multiple sites for fiscal 2020-21.

Tangible Capital Asset - Net Book Value					
Type	**2020 Opening**	**2021 Ending**	**Change $**	**Change %**	**Discussion**
Sites	4,107,653	4,107,653	-	0%	No disposal or acquisition of sites in year.
Buildings	19,537,048	20,294,173	757,125	4%	COA bylaw capital project and minor upgrades with AFG funds. COA capital projects were SSE and Pender School Mechanical upgrades, GISS roof replacement, Mayne fire suppression upgrade and SSE conversion to LED lighting. Prior year WIP was completed and was brought into buildings. Amortization was $997K.
Buildings WIP	174,792	303,432	128,640	74%	21-22 Capital COA for preliminary engineering work on projects included in WIP that commenced before June 30th. The engineering work was for Galiano Fire Sprinkler upgrade and Fernwood HVAC completion, Saturna HVAC, and GISS Pump Replacement. $200K from COVID Federal special purpose funds was included in WIP. This item is for four outdoor classrooms for Pender, Mayne, Saturna and Galiano schools.
Furniture & Equip	511,157	644,624	133,467	26%	The majority of the asset additions is related to a COA capital bylaw playground for Fernwood.
Vehicles	496,805	390,377	- 106,428	-21%	No current year additions. Amortization of $106K.

Computer software	-	-	-	0%	No current year additions.
Computer hardware	109,613	145,311	35,698	33%	Current year additions from operating funds of $89K and current year amortization of $53K and deemed disposal of $68K
Total Net Book	24,937,068	25,885,570	948,502	4%	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 ongoing impact of COVID-19.

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 is currently in a transition year before full reconfiguration is implemented. The transition year sees the annual budget reducing its regular expense and revenue shortfall by 38% over prior year, with the expectation that the 2022-23 annual budget will close the shortfall.

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.