



School District No.64 (Gulf Islands)
Financial Statement Discussion & Analysis Reporting
2021-2022



School District No. 64 (Gulf Islands)
Financial Statement Discussion & Analysis
For the Year Ended June 30, 2022

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2022. 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 1,424 local students and 67 international students for all or part of the 2021-2022 school year. The district has 139 students who identify with Indigenous ancestry and are served by the district's Indigenous education program. There are 136 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." <https://sd64.bc.ca/strategic-plan/>

The district has concentrated efforts on improving academic success during the last four years. The 6-year resident completion rates have improved from 74% in 2018, to 83% in 2019, to 88% for 2020 and in 2021 it was 90%. The FSA participation rate for Grade 4 Reading has increased from 45% in 2018, 94% in 2019, 96% in 2020 and 96% in 2021, other FSA categories follow a similar upward trajectory. Both achievement and participation rates show promising trends compared to district prior years and provincial averages.



The district will have implementing the changes by fall 2022 related to 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) has created 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, is 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 8 to 12.

2021-22 was a transition year in the district, allowing students choice of location to attend based on legacy grade configurations and location, and on the model that will be fully implemented in fall of 2022. The Transition year has allowed for the district to complete physical changes to the facilities to support the education programs as the new facilities. Pender School was renovated during the summer of 2021 and elementary school on Salt Spring have had room



and wall changes to accommodate an additional grade 6 class in 2021/22 and grade 7 in fall of 2022. One of the components of configuration was to reduce the number of buses serving Salt Spring Island Students. In the fall of 2022 Salt Spring will have 6 bus routes that focus on servicing elementary catchment areas as the highest design priority. 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.



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 Spring Middle School and change the grade configuration in the district 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 \$1.5M to \$1.3M. 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, and a current year surplus of \$0.718M.
- Cash and Cash Equivalents has increased from \$6.653M to \$7.40M over the prior year.
- Enrollment from the prior year has reduced from 1,440 headcount to 1,424. A slight drop of residential enrollment that is expected based on the difference between incoming kindergarten class sizes and outgoing graduating classes.
- 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 and regular operations are funded through current student enrollment funding. Funding Protection funds that are provided 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 the district is investing these items into building up the district's human and physical assets for long term advantage.

The Operating fund in the amended annual budget was projected to receive \$21.87M and received \$21.87M. Expenses were budgeted to be \$21.804M and was \$21.923, resulting in an actual annual operating surplus of \$0.718M.



Financial Analysis of the School District as a Whole

Financial Items	2021-22	2020-21	Change in \$ CY/PY	Change in % CY/PY	Discussion
Schedule of Operations SCH 2					
Enrollment BC Resident - (February 1701), FTE	1,426	1,430	- 4	0%	Reduction in enrollment by 0% is based on an anticipated drop in enrollment on the expected difference between the graduating grade 12 class and the registered kindergarten class.
Operating Revenue	23,392,265	22,807,177	585,088	3%	The Ministry of Education and Child Care (MoECC) Operating Grant remained relatively consistent due to Funding Protection. The increase over prior year was a result 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 prior year (2021 \$184K), when a homestay coordinator was hired by the district and the contract with the third party was terminated. In the current year the full year gross amount was included (2022- \$437K). This was also higher in the current year with the increase in international students over prior year and therefore additional homestay gross fees. International Tuition revenue increased over prior year by \$249K. This was based on an increase in international student FTE over prior year (2022-52 FTE, 2021-27 FTE).



Operating Expense	21,923,737	21,320,114	603,623	3%	The Instruction expense function was budgeted to be \$200K over prior year and the actual was relatively consistent to budget. The additional spending was related to planned spending for additional education staffing and classroom education resources for learning recovery. This was funded through Funding Protection and MoECC funds specifically for this purpose. Transportation and Housing was budgeted to be \$129K over prior year however, actual was \$244K over prior year, and \$115K over budget. This was a result of an additional \$55K in unbudgeted diesel fuel cost for buses and additional repair and maintenance cost for the school buses. In the absence of a heavy duty mechanic, during the first quarter of the school year, school buses had to be taken off island for repairs in commercial facilities.
Special Purpose Revenue and Expense	3,696,746	3,696,746	-	0%	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	1,280,269	1,185,780	94,489	8%	Deferred Capital Revenue and Amortization Expense are consistent between the two periods. In fiscal 20-21 the expensed portion of AFG and SEP (COA) was \$119K and in the current year the expensed portion was \$178K.



Annual Surplus	1,265,821	1,522,577	- 256,756	-17%	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 17% reduction in annual surplus.
Statement of Financial Position					
Cash and Cash Equivalents	7,403,777	6,652,802	750,975	11%	The increase in cash is related to the current year annual operating surplus of \$718K.
Accounts Receivable	463,973	416,971	47,002	11%	Additional AR in the current year is related to the increase in students enrolled in the international program for the fall of 2022 over the prior June period for the fall of 2021.
Portfolio Investments	69,601	77,794	- 8,193	-11%	Change in value related to loss in value of underlying assets, based on market changes.
Accounts Payable and Accrued Liabilities	1,539,941	1,414,503	125,438	9%	An additional \$200K of Trade Accruals are accrued in the current year. This is CEF Remedy accrued and payable to teachers and additional capital invoices payable at yearend.
Unearned Revenue	759,440	778,566	- 19,126	-2%	The balance is relatively consistent with prior year.
Deferred Revenue (SPF)	740,383	863,725	- 123,342	-14%	In prior year special purpose funds from Ministry of Educate resulted in an underspend for the Community Link and Mental Health grants of \$169K. In the current year the Ministry of Education funds were fully utilized. An additional \$40K in District Special Purpose Funds has been deferred. The majority of this is related to additional donations for future scholarships in the Education Trust account.



Deferred Capital Revenue (liability)	19,389,469	18,972,260	417,209	2%	The opening balance was restated by a reduction of \$547K. This was the adoption of the amortization half year rule by the district. A corresponding restatement to increase Accumulated Amortization for the opening balance of \$642K occurred. 41 School Districts in the province made this current year adjustment that was calculated by the MoECC. The districts who did not have this current year adjustments were already operating under the adopted amortization rule. In the current year additions to DCC were \$1.162M and in prior year it was \$1.879M. Recognition of DCC revenue was consistent with prior year.
Employee Future Benefits	1,073,105	1,016,229	56,876	6%	Consistent with prior year.
Tangible Capital Assets	26,208,829	25,243,506	965,323	4%	The change in capital assets is additions less current year amortization and an increase in accumulated amortization with the restatement of opening of \$642K. This was related to the adoption of the half year amortization rule. In the current year there was \$1.1M in current year COA Bylaw additions, \$691K in Operating capital additions and \$208K transferred from WIP. There is also \$477K in current year WIP additions. Amortization was \$1.305M in the current year.



Accumulated Surplus	10,867,912	9,602,091	1,265,821	13%	The majority of the increase in Accumulated Surplus is directly related to the increase in the Annual Operating Surplus that is addressed above. However, based on the adoption of the amortization half year rule, opening accumulated surplus was impacted by a reduction of \$95K. This is the net of the increase in recognition of DCC revenue and additional accumulated amortization expense.
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Analysis of Major Revenue and Expenditure Items by Source and Function

Financial Items	2021-22	2020-21	Change in \$ CY/PY	Change in % CY/PY	Discussion
Key Revenue Sources					
Provincial Grant -Operating Grant	21,401,511	21,023,855	377,656	2%	The operating grant has remained consistent over prior year even with a reduction in Funding Protection as the Teacher's Labour Settlement funding was included in the operating grant in the current year and last year was a separate MoECC Grant. In prior year the amount was \$458K.
Operating - Other Ministry of Education and Child Care	465,937	958,116	- 492,179	- 1	Consistent with above change, the Teacher's Labour Settlement Funding was included in Other MoECC operating grants in prior year. In prior year there was a \$35K Mentorship Funding Grant, that was not provided in current year. All other grants remain relatively consistent.



International Tuition	650,000	375,090	274,910	73%	The 74% increase in international tuition is a direct result of increased enrollment as the program recovers from the impact of COVID. In prior year there was 27 FTE of students and in the current year there were 52 FTE attending.
Operating Expense - by Function					
Instruction	15,604,068	15,443,109	160,959	0	Overall consistent with prior year, Salaries and Benefits was \$59K greater than prior year, Salary and benefits was \$112K less than prior year and services and supplies was \$218K greater than in prior year. The noticeable increase in supplies and services was a full year of homestay expense included in this year's financial statements (compared to only half a year in prior year).
District Administration	1,276,180	1,218,611	57,569	5%	Consistent with prior year and BCPSEA authorized salary grid increases for Excluded Positions (not including the Superintendent and Secretary whose salary was frozen during the fiscal year). Slight increase due to professional development opportunities and conferences beginning to resume post COVID vaccinations.
Operations and Maintenance	3,140,060	2,999,812	140,248	0	Increase in additional COVID related expenses that were not covered by Federal or Provincial COVID funding in the current year. Additional custodial hours for sanitization. Additional Utilities costs due to having HVAC systems running with a 100% outside air to improve ventilation precautions during COVID.



Transportation and Housing	1,903,428	1,658,582	244,846	15%	In the current year there was additional expenses related to the cost of diesel fuel for school buses and additional cost of using commercial mechanic facilities during the first quarter of the school year when the heavy duty mechanic position was posted and unfilled.
Operating Annual Surplus	717,707	1,296,078	-578,371	-45%	Epic Funding for students in schools was continued for learning recovery above regular operating teaching levels and local capital projects were increased in the current year. The Pender Renovation to accommodate grades 8-12 was completed and the conversion of lower south wing annex on Saltspring to a renovated building for Careers, Learning Services and 64Go commenced in Spring of 2022.



Budgetary Highlights / Analysis of Operating Results to Budget

Operating Revenue and Expense	Amended Budget 2022	Annual Budget 2022	Change in \$ CY/PY	Change in % CY/PY	Discussion
FTE	1,463	1,440	23	2%	The annual budget is based on the May 2021 enrollment estimates for next fiscal period and Amended is based on September 1701 Actual. The change is based on headcount verse FTE. The estimate is done on a headcount bases and Amended is based on actual calculated FTE. Headcount on September 1701 was 1443, the preliminary February 2022 count was higher than actual February 1701.
Revenues					
Provincial Grant - MoECC	21,865,924	21,720,921	145,003	1%	Additional MoECC funding provided through the funding formula.
International Tuition	650,000	650,000	-	0%	Stable FTE enrolment from September 2021 to January 2022.
Other Revenue	645,500	608,500	37,000	6%	No significant change anticipated, however, more small grants provided from community.
Rentals & Leases	25,000	25,000	-	0%	No significant change anticipated
Investment Income	20,000	25,000	- 5,000	-20%	It was noted that interest rates fluctuated between budgeting periods in a larger range than anticipated.
Expenses					
Instruction	15,663,530	15,457,348	206,182	1%	Anticipated increase based on additional EPIC funding added for learning recovery from Funding Protection.
District Administration	1,311,060	1,270,141	40,919	3%	Slight increase to support salaries and increase to travel and training.



Operations & Maintenance	3,041,777	2,932,770	109,007	4%	The majority of the budgeted increases is \$95K for additional utility costs related to COVID 19 ventilation (hydro and propane for heating/cooling 100% outside air) and cost of utilities due to general inflation.
Transportation & Housing	1,787,889	1,765,598	22,291	1%	Relatively consistent with annual budget.
Total Net Transfers					
Tangible Capital Assets Purchased	600,000	600,000	-	0%	No significant change anticipated
Budgeted Surplus	-	1,003,564	1,003,564	-100%	Change in budging practice to allocate any operating budget surplus to local capital funds. They are to be used for future district locally funded projects.

Operating Revenue and Expense	Amended Budget 2022	Actual 2022	Change \$	Change %	Discussion
FTE	1462.5	1426	- 37	-3%	Preliminary numbers provided by schools for February 1701 were higher than actual FTE for February 28th 1701 calculation date.
Revenues					
Provincial Grant - MOE	21,865,924	21,867,448	1,524	0%	Consistent with budget.
International Tuition	650,000	624,206	- 25,794	-4%	Slightly lower than anticipated due to minor FTE changes.
Other Revenue	645,500	805,346	159,846	20%	An additional \$50K as a Career Funding Distribution through Victoria School District provided during the 3rd and 4th quarters of the year and other miscellaneous small grants an additional items.



Rentals & Leases	25,000	30,741	5,741	19%	Island Health rented the top floor of the building, currently know as the Hub, for a Community COVID Vaccination Clinic.
Investment Income	20,000	29,929	9,929	33%	As an investment revenue strategy, \$1.25M in cash was moved from the general bank accounts to the Central Deposit Program with the Ministry of Finance, for an improved return. This occurred in March of 2022.
Expenses					
Instruction	15,663,530	15,604,069	- 59,461	0%	There was an additional \$273K in teacher salary above budget and an additional \$199K in substitutes salaries across the district. The additional teacher salaries was a result of actual teachers in positions having a higher than average salary then estimated per FTE and overall an increase in teacher FTE throughout the year. Additional substitute costs from COVID and illness replacement of workers occurred in the at a higher rate in the second half of the year than the first. The benefits expense was \$213K lower than anticipated due to two months of CUPE benefit holidays. Further, substitutes replacing employees in positions, are paid benefits in leu (resulting in higher salary cost and lower benefit cost. Services and Supplies was \$258K lower than anticipated. This was a result of a less EPIC school supplies purchased and less travel and training for school based administration.
District Administration	1,311,060	1,276,180	- 34,880	-3%	Less spending on travel and training and supplies than budgeted.



Operations & Maintenance	3,041,777	3,140,060	98,283	3%	Additional \$86K in services and supplies cost. This is related to more cleaning supplies related to COVID and the impact of inflation on supplies and services for the maintenance of the facilities.
Transportation & Housing	1,787,899	1,903,428	115,529	6%	Additional maintenance cost for servicing school bus fleet off island while the district did not have a heavy duty mechanic during the first quarter of the school year. Further, the increase in diesel fuel costs in the second half of the year for the school buses resulted in \$54K in additional school bus fuel cost over budget.
Total Net Transfers					
Tangible Capital Assets Purchased	600,000	690,990	90,990	13%	The Reconfiguration cost related to a portion of the Pender School building being renovated to accommodate students in grades 8-12 continued through the summer of 2021. The remodeling of the Hub on Salt Spring island as a career, 64Go, and Learning Service Center was able to commence in quarter 4 of 2022. The capital cost for the remodeling are included in the 2022/23 annual budget. Island Health was renting the premise as a community vaccination center and vacated earlier than anticipated allowing work to commence in fiscal 2021/22.
Surplus	-	717,707	717,707	100%	The budgeting approach is to ensure all surplus is transferred to Local Capital funds for future projects. In the current year the updated surplus policy adopted in June 2022, on transfers to local capital, will commence in the 2022/23 year. The surplus inconsistent with the pre transfer surplus of \$802K less the additional Tangible Capital Assets Purchased above.



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 were fully drawn down.



Tangible Capital Asset - Net Book Value					
Type	2021 Opening As Restated	2022 Ending	Change \$	Change %	Discussion
Sites	4,107,653	4,107,653	-	0%	No disposal or acquisition of sites in year.
Buildings	20,524,416	19,778,484	- 745,932	-4%	Five 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 asset. Amortization was \$997K.
Buildings WIP	499,878	303,432	- 196,446	-39%	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. \$200K from COVID Federal special purpose funds was included in WIP in prior year and was transferred to buildings in the current year upon completion of the project. This item is for four outdoor classrooms for Pender, Mayne, Saturna and Galiano schools.
Furniture & Equip	627,659	596,267	- 31,392	-5%	The majority of the asset additions is related to a COA capital bylaw playground for Fernwood.
Vehicles	336,174	338,024	1,850	1%	Two 15 passenger vans were purchased. One for a Pender School field trip and backup if the regular school bus is not operational to transport off island students to and from the water taxi. The second was to replace the aged 24 passenger bus for the SEEC program. Amortization of \$106K occurred in the current year.



Computer software	-	-	-	0%	No current year additions.
Computer hardware	113,049	119,646	6,597	6%	Current year additions from operating funds of \$89K and current year amortization of \$53K and deemed disposal of \$68K
Total Net Book	26,208,829	25,243,506	-965,323	-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 has completed a transition year and full reconfiguration will commence in fall 2022. The transition year saw the 2021-22 annual budget reducing its regular expense and revenue shortfall by 38% over prior year, and the 2022-23 annual budget closed 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.