

School District No. 72 (Campbell River)
Financial Statement Discussion and Analysis
For the year ended June 30, 2023

Overview of the School District

School District 72 serves 5,600 students in a large geographic area on Mid-Vancouver Island. It provides services to students through 12 elementary schools, 2 middle schools, 2 high schools, 1 alternate program, a distance learning program and an international program.

Over 400 teachers, 300 Support staff and 50 administrative staff work to provide services to our students.

The board began their strategic plan in June 2019. The strategic plan has three goals:

1. Improve student achievement.
2. Build a culture of learning and wellness.
3. Honour Indigenous world views and perspectives.

Our goals are a high-level guide to schools, departments and leaders in creating objectives and focusing resources that align with our vision.

Financial Highlights

90% of the School District's revenue comes from the Ministry of Education. The level of funding is based on enrollment and unique needs for our geographic region. 5% of our revenue comes from Other Revenue which consists of our local education agreements with our local indigenous bands and an agreement with the Conseil Scolaire francophone de la Colombie-Britannique and School Generated Funds. The remaining revenue comes from the recognition of deferred capital grants, international program, leases, investment income and miscellaneous revenue.

81% of our expenses are salary and benefit related. The balance of expenses are related to supplies, contracted services, utilities and amortization.

Financially, we finished the year with a decrease of our accumulated surplus (savings) by \$628,242. The variance of the budgeted deficit of \$957,274 to the \$628,242 actual deficit is due to underspending of the internally restricted reserve that were budgeted but not spent.

Description	Budget	Actual	Difference
Revenue	79,762,100	79,807,647	_(45,547)
Expenses	80,719,374	80,435,889	_283,485
Surplus (Deficit)	(957,274)	(628,242)	(329,032)

The overall accumulated surplus decrease was impacted by the \$50,655 surplus in operating surplus plus the capital surplus decrease of \$678,897.

Description	22/23	21/22	Difference
Accumulated Surplus - Capital	6,356,783	7,035,680	(678,897)
Accumulated Surplus - Operations	2,236,412	2,185,757	50,655
Total Accumulated Surplus	8,598,572	9,221,437	(628,242)

Our combined operating surplus increased from \$2,185,757 to \$2,236,412. \$1,236,412 of which was internally restricted for specific purposes and \$1,000,000 is unrestricted. This year SD 72’s operating surplus increased significantly by \$474,427. The internal restrictions increased by \$50,655 while the unrestricted remains unchanged at \$1,000,000. The District continues an emphasis on following the board’s governance Accumulated Surplus policy limiting the use of restrictions for ongoing programs and referring new spending requests based on feedback from the budget process. After increasing budgets that reflect the increasing inflation and sick replacements, the surplus allows the district is in a position to rebuild the contingency reserve while also investing in emergent needs. This year’s recommendations include \$230,000 in new emergent items and \$244,418 to rebuilding the emergency contingency reserve.

Below is the historical use of our reserves over the last four years.

Draw on Reserves 19/20 to 22/23				
	19/20	20/21	21/22	22/23
(Thousands (\$'000))	ACTUAL	ACTUAL	ACTUAL	ACTUAL
Accumulated Surplus (Deficit), Beginning of Year	\$6,423	\$5,833	\$4,573	\$2,186
Use of Prior Year Appropriated Surplus	(\$591)	(\$1,260)	(\$2,387)	\$50
Accumulated Surplus (Deficit), End of Year	\$5,832	\$4,573	\$2,186	\$2,236

Asset Retirement Obligation is a new accounting regulation that is in the 22/23 financial statements. An asset retirement obligation is liability factoring the cost safely disposing hazardous materials when you retire and demolish an asset. For example, many older buildings have asbestos or lead paint that poses no safety risk while the building is occupied but requires additional precautions when removing it from the building. Under the ARO, the additional precautions are costed and included as a future liability.

Operating Accounts

When we look at our operating budget and separate the spending of restricted reserve purchases from the annual operating accounts, we slightly underspent our budget finished with a \$474,427 operating surplus vs the \$319,571 budgeted.

The 22/23 budget focused on recovery from the financial impacts of COVID-19. During COVID-19 inflation was higher than estimated and sick use doubled. When planning the 22/23 amended budget, we increased our estimates appropriately to reflect the ongoing costs of inflation and sick use.

The 22/23 budget recovery came from significant cost reductions of \$2,000,000 to balance our budget.

Operating revenue increased by \$4,403,349 from 2021/22. The increase consisted of:

- MOE funding to cover teacher and support staff wage increases of \$3,853,165.
- increase in international tuition \$20,450
- other revenue increases from interest income and leases \$529,734.

Operating expenses (on schedule 2) increased \$2,624,773 from 2022. This was due to an annual increase in wages. The wage increase of 6.75% was funded by the MOE, the total expenses (\$2,624,773) didn't increase the same amount as the revenue (\$3,853,165) because we made \$2,000,000 in cost reductions from 2022 to 2023.

Special Purpose Fund

Our special purpose funds are funds held by the district for a specific purpose. They are provided by third parties with a directive on the use of funds. Due to this restriction they are held in a special fund where they can be reported on a supporting schedule separately from the operating accounts.

In 22/23 our Special Purpose Fund balance increased overall by \$307,084:

- New for 2022/23 is the Student and Family Affordability Grant provided to offset rising costs for parents in the amount of \$607,563. We utilized \$347,117 to help parents with school supplies, meals and transportation needs. There is \$268,481 remaining to continue offsetting cost pressures for families in the next school year. This was a one-time grant.
- The Classroom Enhancement Fund continued for the 2022/23 school year. Created by the Ministry of Education as part of the settlement from the Supreme Court Ruling on Class Size and Composition with the BCTF, the fund provided an additional 33.06 FTE of teachers in the amount of \$3,408,110. In recognition of the additional administrative work required to support the CEF the Ministry has provided \$302,568 in overhead funding.
- Another new grant for 22/23 is our Early Care and Learning grant in the amount of \$175,000 to assist with preparation for our child care program starting in September 2023.
- School Generated funds returned to regular levels in 22/23. However, there was a noticeable decline in activity during 20/21 due to COVID.

Capital

We had an exciting capital spending program in 2023 with the beginning of our child care centres. In 2022 we received \$8,124,620 of funding approval to build six child care centres in Campbell River and one on Quadra Island. Construction of these sites began in spring of 2023 and are expected to be complete by January 2024.

The Carbon Neutral and School Enhancement programs included minor capital projects including roofing and mechanical upgrades.

Our AFG program spending remained consistent from 21/22 in the amount of \$1,161,686.

Inflationary costs continue to be a concern as the project go to tender. SD 72's approach is to scale back the project to meet the funding. In 2022/23 some projects were scaled back that lead to an underspend from the approved project funding. In these cases, the excess is used for minor cost overruns on other ministry approved projects or it is saved by the district in a Ministry of Education Restricted Capital fund for future use. The district must seek the Minister of Education's approval to access restricted capital fund. When a project is scaled back the phases that are removed are added to our next year's capital program application.

Financial Analysis of the School District

Financial Assets	2023 Actual	2022 Actual	Variance	Change
Cash and Cash Equivalents	19,650,334	20,410,345	(760,011)	(3.72%)
Accounts Receivable – MOE	107,139	480,843	(373,704)	(77.72%)
Accounts Receivable – FN	626,818	69,064	557,754	807.59%
Accounts Receivable	473,657	212,605	261,052	122.79%
Total Financial Assets	20,857,948	21,172,857	(314,909)	(1.49%)
Liabilities				
Accounts Payable	9,068,685	9,065,778	2,907	0.03%
Unearned Revenue	783,698	881,473	(97,775)	(11.09%)
Deferred Revenue	1,603,413	1,233,329	370,084	30.01%
Deferred Capital Revenue	64,605,922	65,388,954	(783,032)	(1.20%)
Employee Future Benefits	1,497,007	1,534,867	(37,860)	(2.47%)
Asset Retirement Obligation	14,157,307	14,157,307	-	0%
Total Liabilities	91,716,032	92,261,708	(545,676)	(0.59%)
Net Financial Assets (Debt)	(70,858,084)	(71,088,851)	230,767	(0.32%)
Non-Financial Assets				
Tangible Capital Assets	78,976,739	80,054,136	(1,077,397)	(1.35%)
Prepaid Expenses	474,540	256,152	218,388	85.26%
Total Non-Financial Assets	79,451,279	80,310,288	(859,009)	(1.07%)
Accumulated Surplus (Deficit)	8,593,195	9,221,437	(628,242)	(6.81%)

Reference Notes for the Financial Assets:

- The increase in Accounts Receivable – First Nations was due to the invoices being delivered later in the fiscal year which with the First Nations not able to pay the Q4 invoice before the end of our fiscal year.
- The Accounts Receivable – MOE decreased because we received our draw that more closely matched our expenditures on our capital projects that are in progress at the end of June.
- Accounts Receivable Other – the invoice to SD 93 for tuition was delivered late in the fiscal year and was not received by June 30, 2023 and remained as a receivable.
- Unearned Revenue – international student enrollment increased for 2021/22 after a COVID impacted 2021 year. Student’s families pre-pay tuition for the year to secure a spot.
- Deferred Revenue – A new program called the Student and Family Affordability fund was provided to school districts to offset rising costs for families. \$268,481 remained unspent leading to an increase in deferred revenue.
- Prepaid invoices increased due to high cost of renewed licensing for our servers entering year two of a three year pre-payment.

Statement 2 (Income Statement)

Revenues	2023 Actual	2022 Actual	Change	Variance
Ministry of Education	69,969,557	65,664,694	4,304,863	6.56%
Other Provincial	10,126	48,982	(38,856)	(79.33%)
Tuition	945,849	925,399	20,450	2.21%
Other Revenue	4,906,519	4,422,004	484,515	10.96%
Rentals and Leases	154,352	128,877	25,475	19.77%
Investment Income	609,469	168,203	441,266	262.34%
Amortization of Deferred Capital Revenue	3,211,775	3,168,189	48,963	1.55%
Total Revenue	79,807,647	74,526,349	5,286,676	7.09%
Expenses				
Instruction	61,311,677	57,874,986	3,436,691	5.94%
District Administration	3,187,835	3,248,438	(60,603)	(1.87%)
Operations and Maintenance	13,914,264	13,999,110	(57,831)	(0.41%)
Transportation and Housing	2,022,113	1,861,677	160,436	8.62%
Debt Services	-	1,253	(1,253)	(100.00%)
Total Expense	80,435,889	76,985,464	3,477,440	4.52%
Surplus (Deficit) for the year	(628,242)	(2,459,115)	1,809,236	(50.37%)

Reference Notes for Income Statement:

- Other Provincial revenue reduced from 21/22 due to a child care grant being recorded as a special purpose fund instead of operating revenue.
- Gym rental revenue increased in 2022/23 as user groups resumed their bookings after a break during COVID-19.
- Other revenue increased in 2022/23 from an increase in school activities that collected funds.
- The increasing interest rates are having a positive impact on SD 72’s investment income. The board saw an increase in interest rates from 0.5% in 2021/22 to 5.7% in 2022/23.

Budget Highlights/Analysis of Operating Results to Budget

Schedule 2A - Operating Revenue

	2023 Budget	2023 Actual	Diff \$	Diff %	Reason
Provincial Grants MOE	61,863,375	62,764,735	901,360	1.46%	On target to budget
Tuition	972,000	945,849	(26,151)	(2.69%)	Increase in students attending.
LEA/Direct Funding from First Nations	2,078,449	2,031,623	(46,826)	(2.25%)	On target to budget
Other School District/Education Authorities	487,518	477,862	(9,656)	(1.98%)	Enrollment increased
Contracted Services (Student Services)	71,626	71,626	-	0.00%	On target to budget
Miscellaneous revenue	69,500	130,829	61,329	88.24%	Sale of busses, P-card rebate and mentor grant
Rentals and leases	138,000	154,352	16,352	11.85%	Gym bookings resumed
Investment Income	360,000	576,820	216,820	60.23%	Increase in interest rate
TOTAL	\$66,040,468	\$67,153,696	\$1,113,228	1.69%	

Schedule 2B - Operating Expense by Object

	2023 Budget	2023 Actual	Diff \$	Diff %	Reason
Teachers	28,134,838	28,292,460	157,622	0.56%	On target to budget
Principals & Vice Principals	4,162,424	4,074,678	(87,746)	(2.11%)	On target to budget
Other Professionals	1,746,959	1,904,623	157,664	9.03%	CEF admin costs did not cover budgeted allocation
Educational Assistants	5,775,095	5,530,706	(244,389)	(4.23%)	On target to budget
Support Staff	6,907,089	6,791,635	(115,454)	(1.67%)	On target to budget
Teachers Teaching On Call	1,596,944	1,545,019	(51,925)	(3.25%)	On target to budget
Employee Benefits	10,357,583	11,228,027	870,444	8.40%	On target to budget
Services	1,896,573	1,965,455	68,882	3.63%	On target to budget
Student Transportation	25,153	63,740	38,587	153.41%	Boarding allowance demand higher than estimated
Professional Dues and Travel	925,990	706,421	(219,569)	(23.71%)	Travel was still reduced post COVID
Rentals and Leases	72,700	56,463	(16,237)	(22.33%)	Reducing underutilized equipment
Dues and Fees	60,900	62,659	1,759	2.89%	Website annual fee
Insurance	164,488	181,645	17,157	10.43%	Insurance premiums more than expected
Supplies	2,570,348	2,446,227	(127,121)	(4.95%)	On target to budget
Utilities	1,492,955	1,784,699	291,744	19.54%	Increase due to colder winter inflation
TOTAL	\$65.890,039	\$66,631,457	\$741,418	1.13%	

Reserves – Operating, Special Purpose and Capital Balances

Statement of Operations - Special Purpose Fund

Program	22/23 This Year Spending	21/22 Last Year Spending	Difference	Deferred Revenue Balance	Comments
Ministry of Education Funded					
Annual Facilities Grant (AFG)	263,177	257,578	5,599	-	
Oasis/Headstart PRP	172,002	240,093	(68,091)	8,214	Program was reduced in half for 22/23
Special Education Equipment	-	18,073	(18,073)	-	
Strong Start	128,000	128,000	-	-	
Learning Improvement Fund	211,224	195,580	15,644	13,629	Carry forward of unspent funds.
Community LINK program	591,587	534,320	31,334	64,806	Refocused the program to compliment the SFAF
French Language (OLEP)	247,853	158,621	89,232	29,375	Received additional grant for programing
Ready Set Learn	23,301	24,506	(1,475)	918,501	
First Nations Student Transportation	74,699	52,209	22,490	94,196	
Mental Health in Schools	79,397	63,883	15,514	32,929	
Changing Results for Young Readers	10,808	4,915	(10,808)	22,777	
Classroom Enhancement Funding (Staffing)	3,408,110	3,251,249	158,861	-	
Classroom Enhancement Funding (Overhead)	302,568	291,660	10,908	-	
Classroom Enhancement Funding (Remedies)	126,936	126,098	838	-	
Provincial Safe Return to School	-	143,038	(143,038)	-	
Federal Safe Return to Class Fund	-	115,890	(115,890)	-	
Student & Family Affordability	347,117	-	347,117	268,481	
Early Care & Learning	172,224	-	172,224	2,862	
Sub-Total	\$6,158,733	\$5,605,713	\$536,319	\$555,770	

Program	22/23 This Year Spending	21/22 Last Year Spending	Difference	Deferred Revenue Balance	Comments
Other					
School Generated Funds	2,110,958	1,617,553	493,405	833,335	SGF returned to normalized activity in 22/23
Scholarships	27,965	23,600	4,365	140,908	
District Trusts	54,777	118,340	(63,563)	646	21/22 saw a rush spending from the COVID year and that year. 22/23 resumed normal activity
BC Skills for Jobs Blueprint	-	16,620	-	-	
Provincial Literacy	-	52,320	-	-	
BC Numeracy Network Classroom Assessments	-	5,605	-	-	
Van Kelp Foundation	-	-	-	72,754	
Sub-Total	2,193,700	1,834,038	359,662	1,047,643	
Schedule 3A Total	\$8,352,433	7,439,751	\$895,981	\$1,603,413	

Capital Assets

New Spaces Childcare Centres

- SD 72 applied for and was approved for 7 childcare centres at some schools in SD72. The total project received funding for \$8,124,620. Design was completed with a prime contractor selected in the spring of 2023. Construction at most sites started in June. The project incurred \$430,178 in costs by June 30.

School Enhancement Funded Projects (SEP)

- Southgate has completed its D-wing mechanical upgrades, spending \$250,280 of the \$415,863 budget. As inflation has escalated costs, part of this project was deferred and is included in the next phase.
- A section of Southgate's roof has been replaced. Work finished during the summer of 2022 at a cost of \$630,595, just over the budget.
- Quadra has begun a multi-phase mechanical upgrade in 2022/24. The first phase was completed under budget at a cost of \$270,539. Well under the budget of \$349,249. Excess funds will be used for phase 2.
- Phase 2 of the Southgate project was approved and started in 22/23. \$17,616 has been spent before June 30. This project includes the deferred portion from Phase 1.
- Phase 2 of the Quadra mechanical upgrades has started. \$16,457 has been spent by June 30.

Playground Equipment Program

- Georgia Park was funded for a playground replacement in 21/22 with installation set for July of 2022.

Carbon Neutral Capital funded Projects (CNCP)

- Robron was approved for funding of \$289,290 to replace pneumatic controls. The project was completed slightly over budget at \$293,117
- Ripple Rock has completed work on replacing its boilers with \$200,633, well over it's \$133,000 budget. The shortfall will be funded from other minor capital projects from 22/23.
- Sayward had a new project approved for upgrading of it's HVAC systems. The work began in June and is expected to be completed during the summer of 2023.

Bus Acquisition Program (BUS)

- SD 72 was funded for the replacement purchase of four school busses from the 2023 capital plan. The busses were purchased in 2022 at a total cost of \$745,654.

Budget Summary

Project	Approved Budget	Spent to June 30, 2022	Variance to Approved Budget	Estimated Final Expenditure
Robron HVAC (CNCP)	\$289,290	\$293,117	(\$3,827)	\$293,117
Southgate HVAC	415,863	250,280	165,583	250,280
Southgate Roof	615,000	630,595	(15,595)	630,595
Quadra Mechanical HVAC	349,204	270,539	78,665	270,539
Southgate HVAC Phase 2	91,850	17,616	74,234	91,850
Ripple Rock HVAC	133,000	200,633	(67,633)	200,633
Sayward HVAC	100,282	19,235	81,047	100,282
Quadra HVAC Phase 2	413,942	16,457	397,485	413,942
Totals	\$2,408,431	\$1,698,472	\$709,959	\$2,251,238

Local Capital/Surplus

- A ride-on mower was purchased for \$8,040.
- The grounds department replaced a mower deck at a cost of \$7,705.
- A replacement flat deck maintenance truck was purchased for \$48,000.
- The installation of the Ocean Grove portable conclude in July of 2022. \$235,831 has been from local capital in 2023. With the finished cost of the portable and installation was \$339,000.

Annual Facilities Grant (AFG)

The Annual Facility Grant is funding provided by the Ministry of Education for designated school capital or maintenance upgrades. The following budget summary is provided.

2022/23 AFG Projects valued over \$20,000 include:

- Refurbish lockers at Carihi Secondary \$22,100
- Exterior painting Ecole Willow Point \$136,019

- Replace a section of Sandowne roof \$175,323
- Exterior painting at Pinecrest \$75,454
- DDC upgrades at Georgia Park \$76,661
- DDC upgrades at Ocean Grove \$58,006
- Carihi main water feed replacement \$20,700
- Ecole Phoenix mechanical upgrade \$ 30,000
- Pinecrest library carpet replacement \$20,448
- Ripple Rock security camera installation \$30,000
- Replace Ripple Rock exterior cladding \$31,000
- Robron replace flooring in two rooms \$23,650
- Replace carpeting in 4 rooms at Sayward \$48,160
- Install coat hooks at Southgate \$26,600
- Remove carpeting from 5 rooms at Timberline \$37,770

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

COVID-19 Pandemic

The COVID-19 pandemic will continue to have a material impact on SD 72. In 22/23 we made cost reductions of \$2,000,000 that allowed us to increase supplies and services impacted by inflation. We were also able to increase sick replacement costs to cover the higher ongoing use. One new area of concern is the escalating cost of employee benefits. Benefit use dropped during COVID. In 22/23 we experienced a higher than expected catch-up of benefit costs. Combined with the spike in inflation, benefits exceeded the budget by \$870,444. Some of this was offset by Ministry of Education labour settlement grants that were provided after the amended budget was passed.

Contacting Management

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

If you have questions about this financial report, please contact the Office of the Secretary-Treasurer at 250-830-2300.

You are encouraged to review the Board's strategic plan, financial statements and other documents at <http://www.sd72.bc.ca/Pages/Publications.aspx>.