

Financial Statement Discussion and Analysis



Year ended June 30, 2024

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Introduction

This is management's discussion and analysis of the financial performance of the Board of Education of School District 22 (Vernon) (the 'Board') for the fiscal year ended June 30, 2024. Management prepares this analysis based on currently known facts, decisions, and conditions.

Users of this document should read this in conjunction with the Board's consolidated financial statements for the year ended June 30, 2024, which are available on the School District's website. This document guides the user through the various components of the financial statements and provides a supporting analysis of the financial information.

The preparation of this financial statement discussion and analysis is management's responsibility.

Located in the Okanagan Valley of British Columbia, the Board serves the communities of Vernon, Coldstream, Lavington, Lumby, and Cherryville. The Board provides educational services to approximately 9,000 students. These services include an international program, a French immersion program, a Montessori program, online learning courses, an Indigenous focus, opportunities for trades training and secondary apprenticeships, numerous sports, and specialty academies.

The Board's mission is:

We inspire and nurture students to thrive in their learning, relationships, and community.

The financial statements illustrate, in financial terms, how the Board allocated and consumed resources during the year to June 30, 2024.

Summary

Key points identified in this report are:

Enrolment, staff FTE and funding increased in the year.

Enrolment increased during the year, as did the number of students with funded special needs. The Ministry of Education and Childcare ('MECC') allocates funding largely based on the number of students, so this drove an increase in funding. With more students comes more needs, and so the number of staff increased to address those needs.

The Board continues to efficiently allocate resources to maximise expenditure on Instruction.

Expenditure on Instruction is greater than the previous year's Provincial average, indicating that the Board can devote a greater percentage of its resources to the delivery of education.

Revenues and expenses exceeded budget.

Operating revenue exceeded budget by \$1.3 million. Operating expenses and inter-fund transfers exceeded budget by \$1.4 million, primarily driven by unexpected increases in employee benefit costs. This net negative variance resulted in about \$150,000 less in total reserves (restricted and contingency) at the end of the year than budgeted.

The unrestricted contingency reserve at the end of the year of \$698,944 is close to \$975,000 less than at the end of the previous year, and about \$625,000 less than forecast in the 2024 amended budget.

Changes to assumptions and service levels are needed to achieve a desired contingency reserve.

At current service levels, and with current assumptions, future contingency reserves will remain below target amounts. The budget setting process for the upcoming school years will consider changes to assumptions and service levels to achieve the desired targeted reserves amount.

Management report and Independent Auditors' Report

These two reports outline the responsibilities of management and the Auditor regarding the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. The financial statements are the sum of over 100,000 individual transactions made during the year. Management is responsible for maintaining controls to ensure the Board records and reports these transactions correctly.

The Auditors (BDO LLP) are responsible for gaining an understanding and performing testing to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The Auditors concluded that the 2023/24 financial statements present fairly, in all material respects, the financial position of the School District.

Composition of the Financial Statements

The two key audited statements are:

- A **statement of financial position** (page 5), which summarizes the assets and liabilities on June 30th. This provides an indication of the financial health of the Board.
- A **statement of operations** (page 6), which summarizes the revenues received, and expenses incurred during the twelve months between July 1 and June 30. This provides an indication of the funding received by the Board and how the Board spent that funding.

The Statement of Changes in Net Financial Assets (Debt), the Statement of Cash Flows and the notes to the financial statements are also audited and provide further analysis of the Board's finances.

The Board manages its financial activities in three distinct areas, being the

- Operating fund;
- Special purpose funds; and the
- Capital fund.

The schedules at the end of the notes to the financial statements are in a format prescribed by the Ministry of Education and Child Care ('MECC'). These schedules provide more detail specific to each of these funds. The balances in these schedules are consistent, when combined, with the financial statements.

Schedule 1 (page 28) illustrates the sum of the funds.

Schedule 2 (page 29) provides detail on the **Operating Fund**.

The Operating Fund accounts for the Board's operating grants and other operating revenues. Legislation requires that the Board present a balanced budget for the Operating Fund, whereby budgeted expenditure does not exceed the total of budgeted revenue and any surplus in the operating fund carried forward from previous years.

Schedule 3 (page 34) provides detail on the **Special Purpose Funds**.

The Special Purpose Funds account for grants and contributions that the provider directs towards specific activities. As these are targeted grants, the Board accounts for any unspent funding as deferred revenue, not as accumulated surplus.

Schedule 4 (page 39) provides detail on the **Capital Fund**. The capital fund accounts for:

- The capital assets of the Board, including buildings, furniture, computers, and equipment.
- Grants directed by agreement with a third party for the purchase of capital assets.
- Funds restricted by the Board for future capital asset purchases (local capital).

Statement of Financial Position

The statement of Financial Position is on page 5 of the financial statements.

Cash and cash equivalents

On June 30, 2024, the Board held \$23.3 million in cash. This is deposited in financial institutions and the Province's central deposit system. This cash balance offsets the liabilities of the Board and unspent funds restricted for use on specific projects.

Accounts receivable

The Board collects funds from various entities during the year, including the MECC, the Okanagan Indian Band, unions for the cost of replacing union leaves, international students, and various other sources. The Board had not collected some outstanding amounts by the year-end, which is normal.

The table below provides further detail as to the origin of these receivable amounts.

	June 30, 2023	June 30, 2024	
Due from MECC	\$ 752,024	\$ 254,004	This relates to capital grants that had yet to be reimbursed by the MECC.
Due from Okanagan Indian Band ('OKIB')	145,287	137,096	OKIB pays the School District directly for the education of students who live on the OKIB reserve. This amount represents the amount yet to be paid by OKIB for the education of students in the year.

	June 30, 2023	June 30, 2024	
Employee health and dental benefits program surplus	977,284	-	At June 30, 2023, the Board's contributions to these plans during the year, in the form of premiums calculated by the benefit provider exceeded the cost of providing the plan's benefits. The Board is entitled to this excess amount of premiums, adjusted to reflect employee contributions. The opposite occurred in the 2023/2024 school year where expenses exceeded premiums.
Sales taxes recoverable	268,487	144,191	The Board receives a partial rebate for the GST portion paid on most expenditures.
Other – miscellaneous receivables	109,894	206,826	Relates to various other costs that the School District recovers from third parties.
Total accounts receivable	\$ 2,252,976	\$ 742,117	

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities represent expenses that the Board has incurred but not paid. They comprise the following amounts:

	June 30, 2023	June 30, 2024
Trade and other amounts payable	\$ 3,141,786	\$ 1,813,705
Wages payable – teachers 12-month instalment plan	1,416,013	1,531,910
Pension contributions payable	1,479,163	1,560,298
Payroll taxes payable	2,217,170	2,143,836
Accrued vacation pay	1,015,200	1,112,306
Accrued wages – biweekly payroll	416,170	456,681
Other accrued liabilities	151,957	223,109
Due to Okanagan Labour Relations Council	291,947	306,054
Total accounts payable and accrued liabilities	\$ 10,129,406	\$ 9,147,899

Trade and other amounts payable primarily relates to service, supply and asset purchase costs incurred before the year-end that the Board had not yet paid on June 30. The amount of \$1.8 million indicates an average gap between receiving the service, supply or asset and paying for it of about 1.5 months. This is reasonable given the timing of invoice issuance by the vendor and checking and processing by the School District. For example, a utility or credit card bill covering the month of May would not typically be paid until at least the middle of June.

Wages payable – teachers' 12-month instalment plan represents the total of amounts teaching staff have elected the Board to withhold from their pay during the school year. The Board then pays these amounts to those teachers in July.

Pension contributions payable and payroll taxes payable relate to pension contributions and tax withholdings for June payroll. The Board paid these amounts to the pension plan providers and CRA in early July, in the usual manner.

Other accrued liabilities represent costs incurred during the year which have not yet been invoiced.

The Okanagan Labour Relations Council (OLRC) is an organisation that assists School Districts in the Okanagan and Southern Interior with labour relations matters. The School District is responsible for the administration of the OLRC's finances. The Board's bank account holds the OLRC's cash reserves. This liability represents the Board's liability to the OLRC for those amounts.

Unearned revenue

The Board receives payment of tuition fees for international students in advance of the student commencing their studies at the School District as well as transportation fees prior to the start of the new school year. The financial statements recognize these fees as earned revenue when the Board provides the program and transportation to the students. The unearned revenue of \$3.1 million represents international student fees and transportation fees received prior to June 30, 2024, for tuition and bussing in the 2024/25 school year.

Deferred revenue

Deferred revenue represents the unspent portion of grants that the provider targets, by legislation or contractual obligation, for a specific purpose.

	June 30, 2023	June 30, 2024	Commentary
Scholarships and bursaries – balances administered by the Board and amounts awarded but not yet claimed	\$ 472,448	463,819	The scholarships are set up during the year, with funds disbursed in future years.
School generated funds – amounts raised by schools for specific projects, such as class trips and PAC contributions	1,334,193	1,416,583	This represents amounts raised in 2023/2024 for activities to occur in the next school year, about 42% of amounts collected in the year.
Integrated Inquiry Project – an MECC grant for the Board to pilot Early Learning and Child Care initiatives.	866,352	843,154	MECC announced and provided a grant of \$880,000 in March of 2023 and 2024. The Board has budgeted to spend the new funding in the 2024/2025 school year.
Official Languages in Education Protocol ('OLEP') – funding targeted towards teaching French, primarily through French Immersion	12,744	-	MECC provided an additional grant of \$200,000 in 2023/2024, all funds are now spent.

	June 30, 2023	June 30, 2024	Commentary
Feeding Futures Fund	-	67,529	MECC provided \$1.1 million in 2023/2024 to implement food programs in all schools. This funding will continue for the 2024/2025 school year.
Student and Family Affordability – MECC announced funding of \$925,658 early in 2023/2024 to assist in addressing affordability issues.	190,664	260,000	The Board received an additional \$260,000 to be allocated to schools based on need. The board plans to spend all of the funding received in the year to address affordability concerns.
First Nation Student Transportation – funding targeted towards removing education barriers related to transportation for First Nation students living on reserve.	27,154	16,938	Funding allocated for transportation assistance and transportation to / from extra-curricular activities was not fully utilized. This is a relatively new program and community usage is steadily increasing.
Project Penny	-	169,764	The school district received a one-time grant to facilitate the implementation of voice over internet telephone technology.
Early Childhood Education Dual Credit Program	71,287	138,468	This is a relatively new program, and surplus funds will be utilized as the program matures.
Other unspent targeted funds	85,788	200,410	The Province provided several new targeted funding streams during the year.
Total deferred revenue	\$ 3,060,630	3,576,665	

Deferred capital revenue and tangible capital assets

The deferred capital revenue balance is closely linked to the tangible capital asset balance. Tangible capital assets are items owned by the Board that have a lifespan of more than one year. This includes school buildings and sites, furniture, busses, and most computer equipment.

Specific grants provided by MECC fund most of the Board's capital expenditure, such as the construction of new schools. Once an asset is built or acquired and is in use, the cost of that asset is amortized over the expected life of that asset. Any grants targeted towards the acquisition of that asset are also amortized over the expected life of that asset.

After allowing for amortization, the Board has \$133,850,952 of tangible capital assets. Of this, \$101,374,081 (being the deferred capital revenue balance) of assets were purchased with targeted grants. Operating revenues and other non-targeted funding funded the remainder.

This inclusion of deferred capital revenue is not consistent with generally accepted accounting principles. The inclusion of this balance is a requirement of the Provincial Government. Note 2 to the financial statements explains this in more detail.

The capital fund section, included later in this document, provides a more detailed explanation of the accounting for capital assets and associated grants.

Employee future benefits

The employee future benefits liability of \$4,438,981 accounts for amounts or benefits earned by current employees during past service.

About 85% of this amount accounts for retirement benefits. Support staff and certain members of school and district administration are entitled to a one-time payment from the Board on their retirement. The amount of payment depends on years of service and final salary.

The Board sets aside a liability each year to reflect expected future payments on retirement. The financial statements reflect the amount set aside during the year as an expense. The expense is based on the service to date of employees. The liability is reduced when employees retire, and payments are disbursed.

The remainder of the employee future benefits liability is associated with teachers' sick leave and death benefits earned but not yet paid.

Actuaries calculate the total liability amount based on the Board's number of employees, age, length of service, contract terms, and established actuarial assumptions. They also review and update these estimates every four years.

Asset Retirement Obligation

Many facilities constructed prior to 1990 contain asbestos. This substantially increases the cost of renovating or removing those facilities. The Asset Retirement Obligation liability of \$5.7 million is an estimate of these additional future costs. It also reflects an estimate of future costs of remediating other hazardous materials, such as removing fuel tanks.

The reflection of this liability is a new requirement. Financial statements prior to June 30, 2022 did not recognize this amount.

Net debt

This is the total of the Board's financial assets and liabilities. It implies that the Board has a net debt of \$103.4 million. The deferred capital revenue liability of \$101.4 million heavily skews this net debt amount. As there is no future cash flow associated with the deferred capital revenue balance, a more meaningful measure of net financial assets or debt excludes that balance, giving a revised figure of net debt of \$2.0 million.

This revised net debt balance is primarily comprised of the asset retirement obligation of \$5.7 million offset by the accumulated operating fund surplus of \$2.2 million and local capital fund balance of \$1.1 million. The use of these reserve amounts is outlined below.

Accumulated surplus

Broken down by fund, the accumulated surplus comprises the following amounts:

	June 30, 2023	June 30, 2024
Operating fund	\$ 3,529,029	\$ 2,170,844
Special purpose funds	720,067	658,227
Capital fund – local capital (amounts available to spend on future capital asset purchases)	1,974,528	1,041,466
Capital fund – invested in tangible capital assets (being the cost of assets owned by the Board, net of amortization and targeted grants)	26,025,981	26,739,965
Total accumulated surplus	\$ 32,249,605	\$ 30,610,502

This analysis discusses these surpluses in more detail later in this document.

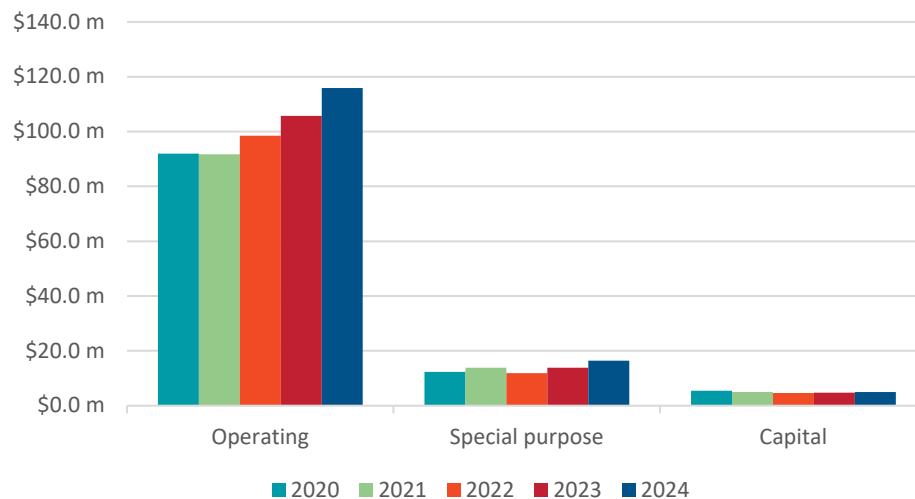
Statement of Operations

The consolidated statement of operations on page 6 is the sum of the revenues and expenses of the Board's various funds.

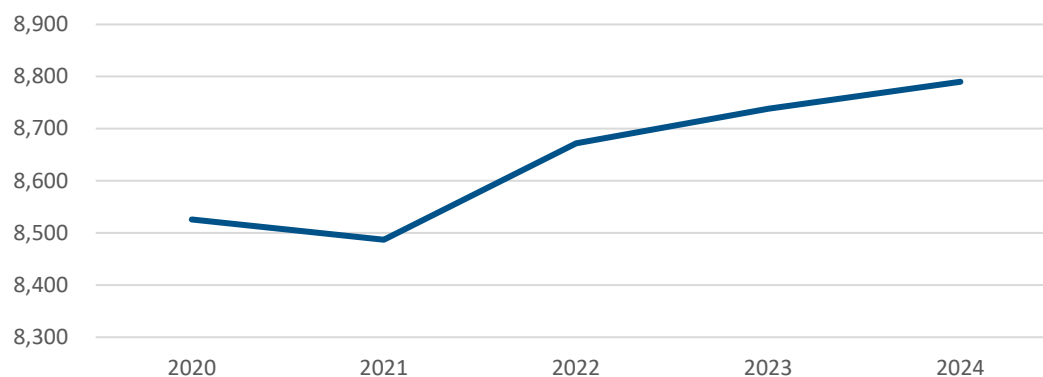
Year to	June 30, 2023	June 30, 2024
Revenue		
Operating fund (Schedule 2, page 29)	\$ 105,713,630	\$ 115,852,152
Special purpose funds (Schedule 3, page 34)	13,891,318	16,425,770
Capital fund (Schedule 4, page 39)	4,776,238	4,928,347
Total revenue (Statement of Operations)	124,381,186	137,206,269
Expenses		
Operating fund	105,278,081	115,583,535
Special purpose funds	13,421,617	16,008,268
Capital fund	6,979,724	7,253,569
Total expense	125,679,422	138,845,372
Surplus (deficit) for the year	\$ (1,298,236)	\$ (1,639,103)

The chart below summarizes revenue over the previous five years. It has increased steadily over that period.

The impact of the pandemic on international tuition fee revenue and enrolment in 2020/21 caused a blip in this increasing trend for the operating fund in 2021. That year also saw a one-off increase in targeted special purpose funding related to the pandemic.

Chart: Revenue by fund for past five years

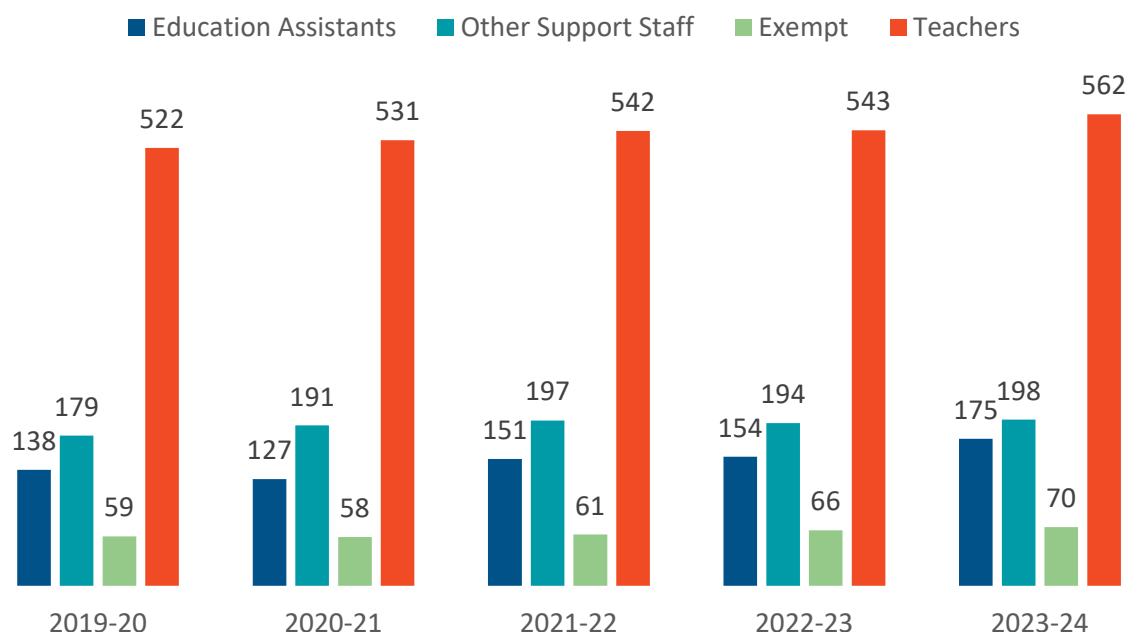
Student funded enrolment has also increased steadily, except for the 2021 school year, when it dipped due to the pandemic.

Chart: Student Enrolment (FTE) over past five years**Table: Revenue per full-time equivalent student**

Fund	2020	2021	2022	2023	2024
Operating	10,785	10,808	11,359	12,098	13,180
Special purpose	1,449	1,637	1,366	1,590	1,869
Capital	637	584	527	547	561
Total	12,871	13,029	13,252	14,235	15,610

Revenue per full-time equivalent student has increased every year.

The majority (82%) of the School District's total expense is on salaries and benefits (note 16, page 25 of the financial statements).

Chart: Staff FTE at September 30 of each school year

The chart shows that teacher and education assistant FTE has steadily increased from year to year. Enrolment increases and the creation of additional roles to support students create this increase.

For teachers, there is typically a gap of about 10 FTE between the number of FTE in posted positions and the budgeted FTE. This gap arises, for example, if a teacher starts a leave before their position is filled with a specific person.

Other support staff comprise Indigenous support workers, bus drivers, maintenance staff, custodians, school secretaries, clerical staff, and noon hour and bus supervisors. FTE increased in 2020-21 and 2021-22 as the Board hired additional enhanced cleaners and bus drivers to support the additional services required by the pandemic.

Exempt staff reflects staff who are not members of a union, including principals, vice-principals, managers, trustees, Indigenous outreach workers and homestay coordinators. The addition of two psychologist interns and occupational therapist/physiotherapist staff positions drives the increase of four FTE.

Many positions are part-time, so the actual number of staff (headcount) is significantly greater than the FTE indicated by the chart.

Operating Fund

Overview

The following schedules in the financial statements report operating fund transactions. The schedules show columns with figures for the amended budget, year to June 30, 2024 and year to June 30, 2023.

Schedule	Page	Overview
2	29	Summarizes the revenues and expenses of the operating fund. Also indicates the amounts spent on capital assets and transferred to the Local Capital fund.
2A	30	Outlines in more detail the operating revenues earned by the Board.
2B	31	Summarizes salaries by employee group and other operating costs.
2C	32-33	Provides the same information as in 2B, broken down in more detail to show each program the Board spent funds on.

Revenue

Schedule 2A on page 30 breaks down operating revenue by source.

90% of the Board's operating revenue is from the MECC and direct funding from the Okanagan Indian Band through a Local Education Agreement ('LEA').

The MECC allocates the majority (\$104.5 million) of this funding using a funding formula. The primary inputs into this formula are student enrolment and demographics, and the geographic circumstances of the School District. The composition of the School District's allocation of \$104.5 million is available on the MECC website:

<https://www2.gov.bc.ca/gov/content/education-training/k-12/administration/resource-management/k-12-funding-and-allocation/operating-grants/k12funding-23-24>

The table below compares revenue earned against budget for the year ended June 30, 2024.

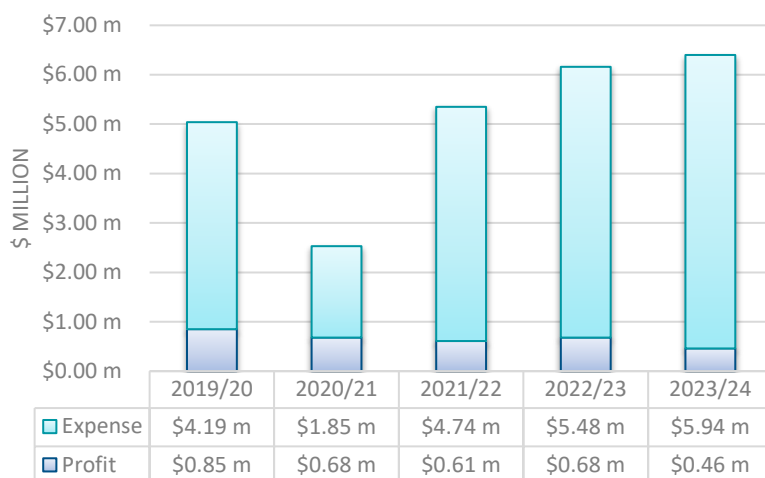
	Actual \$	Budget \$	Variance \$	Commentary
Provincial grants - MECC	105,869,083	104,687,187	1,181,896	The number of students with special needs was greater than management anticipated when preparing the amended budget. This additional enrolment resulted in more grant revenue. Additionally, more students enrolled in online courses in the second half of the year than initially expected.
Other Provincial grants	500,146	553,814	-53,668	Consistent with budget.

	Actual \$	Budget \$	Variance \$	Commentary
Federal Grants	31,195	-	31,195	Relates to Federal French Odyssey Program, funding every two years if approved.
International fees	6,395,792	6,562,500	-166,708	Management prepared the amended budget prudently, based on known international student enrolment. Actual enrolment in the latter half of the year decreased due to student refunds for early termination.
LEA funding from First Nations	1,141,914	1,435,455	-293,541	Revenue will vary depending on final enrolment of First Nation students.
Fees	277,105	230,000	47,105	This primarily represents fees charged to families for transportation to and from school. Revenue is higher than budget due to increased courtesy riders.
Child Care Fee	154,437	119,885	34,552	Child care fees exceeded budget due to growing programs across the district.
Microsoft Settlement Vouchers	165,531	-	165,531	Unexpected but ongoing revenue related to a class action lawsuit. This revenue was transferred to local capital.
Other revenues	182,741	65,803	116,938	The Board received various grants and revenues during the year. The district was able to secure another grant from the Industry Training Authority of \$86,000.
Rentals and leases	144,053	146,000	-1,947	Rental requests consistent with budget.
Investment income	990,155	800,000	190,155	Interest rates were higher than expected.
Total	115,852,152	114,600,644	1,251,508	

International program

The Board hosts an international program. International students live with homestay families in the region and attend District schools. The students pay a fee to the Board.

The chart below illustrates this fee revenue, broken out between the associated expense and overall contribution to the Board's other activities.

Chart: International fee revenue and expenditure

This chart illustrates the increasing fee revenue as the international student program has continued to grow and fees have increased. The pandemic in the 2020/21 school year caused a blip in the trend.

Profits have not grown in line with increased revenue. This is due to increasing costs, such as increasing staff wages and homestay payments. The Board

sets fees to maximize fee revenue while ensuring the fees are in line with the market, and approved a fee increase for the 2024-2025 school year.

Operating expenditures

Schedule 2C outlines operating expense in detail, including allocating expense by category.

The table below summarizes total expense by category for the year to June 30, 2024. It compares the proportion of expenditure to the average of all school districts in the province for the year to June 30, 2023. The 2022/23 school year is the most recent year for which other District's financial information is publicly available. For comparison purposes, this analysis excludes international program expenditures.

Function	2023/24 % of total	2022/23 Prov. Av. % of total	Comments
Instruction	83.8%	82.3%	Expenditure on instruction is greater than the previous year's Provincial average, indicating that the Board is able to devote a greater percentage of its resources to the delivery of education.
District Administration	4.2%	4.1%	Expenditure on district administration is slightly higher than the previous year's provincial average. The following table discusses budget variances.
Operations and Maintenance	9.8%	11.6%	Expenditure on operations and maintenance is less than the previous year's provincial average. The Board utilizes its own operations staff to perform functions that many other school districts contract third parties to provide. This typically results in better quality control and lower costs.

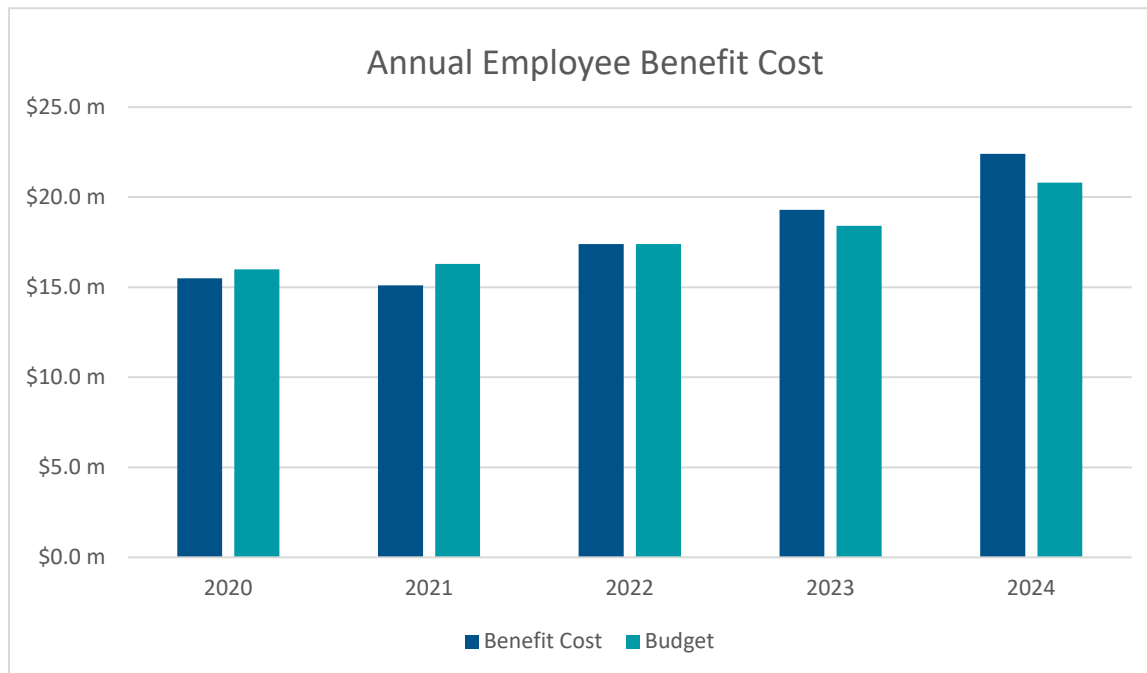
Function	2023/24 % of total	2022/23 Prov. Av. % of total	Comments
Transportation	2.2%	2.0%	This expenditure is greater than the provincial average due to the wider geographic distribution of schools in the Board and one of the lowest walk limits in the province.
Total	100.0%	100.0%	

The following table compares actual expenditure by category to the budget.

Function	2023/24 \$	Budget \$	Variance \$	Comments
Instruction	97,839,796	96,570,709	-1,269,087	See commentary below this table.
District Administration	4,561,594	4,362,329	-199,265	\$100,000 of the variance is due to the overlap of subscriptions while we implemented new human resource software. The remaining variance is due to budget not keeping pace with inflation and employee benefit costs being greater than budgeted.
Operations and Maintenance	10,755,889	10,812,366	56,477	Overall expenditures are consistent with budget.
Transportation	2,426,256	2,552,357	126,101	Fuel expense savings due to electric busses.
Total	115,583,535	114,297,761	-1,285,774	About 1.1% of the budget.

The following differences in costs against budget lead to the variance of \$1.3 million in instruction costs:

Variance \$	Narrative
1,600,000	Employee benefits costs were greater than budgeted. This was due to the assumptions made in preparing the budget underestimating the inflationary increase of about 10% in benefit costs.
-454,000	International program costs less than budgeted due to prudent budgeting and kids returning home before the end of school.
-77,000	Targeted Indigenous Education funding not utilized, carried forward as restricted funds to next year.
284,000	Continued increase in teacher sick leave over budget
-83,913	The net amount of various other variances from budget, primarily comprising variances from forecast average costs for salaries.
1,269,087	Total

Chart: Benefit Plan costs for past five years

The cost of employee benefits has been increasing year over year and other than the cost of living portion, these costs are not funded by MECC.

Staff

The Board spent 89%, or \$102.9 million, of operating expenditure on salaries and benefits. As expected for a school district, most of this staff cost (about 88%) is for teacher salaries and benefits.

Funding criteria means the Board distributes staff costs among the operating fund and the special purpose funds. The classroom enhancement fund, for example, covers the salary and benefit cost of about ten percent of the Board's teachers. Total staff levels across the funds are considered earlier in this document.

Transfers to other funds

The Board purchased \$289,304 of capital assets during the year directly from the operating fund and transferred \$1,367,498 to the local capital fund during the year. Local capital is broken down in detail later in the Capital Fund section of this document.

\$30,000 was transferred to the operating fund from the company that owns the woodlot utilized by the School District's forestry trades program. The Board directs this funding towards the forestry trades education program.

Operating surplus

Operating surplus restrictions

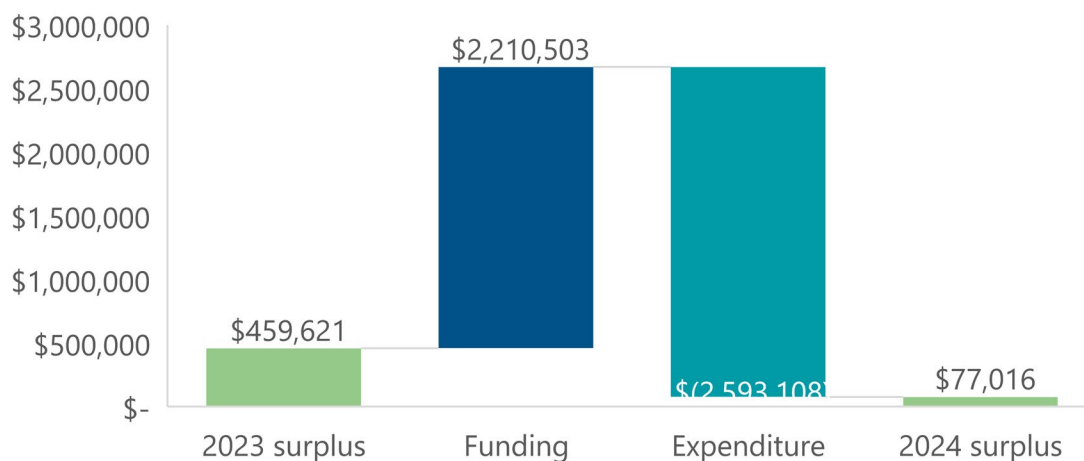
The total operating deficit for the year to June 30, 2024, was \$1,358,185. Schedule 2 on page 29 of the financial statements shows the calculation of this amount. This decreased the operating fund balance from \$3,529,029 at the beginning of the year to \$2,170,844 on June 30, 2024.

Note 11, on page 22 of the financial statements, outlines the restrictions on the use of the accumulated surplus. The funds are restricted at the Board's discretion.

	June 30, 2023	June 30, 2024
Indigenous Education commitments	459,621	77,016
Union commitments	747,446	895,337
School budget balances	499,287	395,257
Trustee travel	36,787	36,547
Department budget balances	-	47,569
Appropriated by budget bylaw and budget allocations	113,787	20,174
Contingency reserve	1,672,101	698,944
Total operating surplus	3,529,029	2,170,844

Indigenous Education commitments

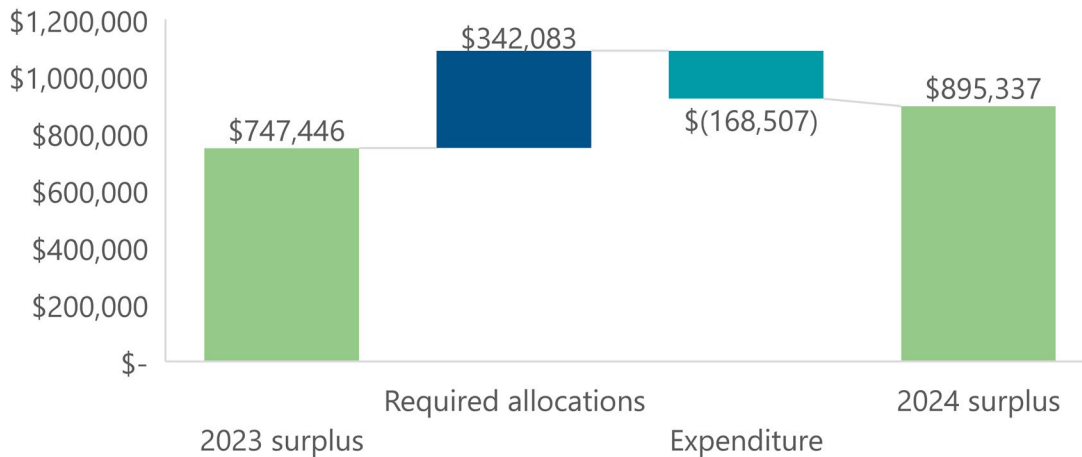
The Board receives funding from the MECC which Provincial policy states the Board must spend on the provision of Indigenous education programs and services.



This chart illustrates the revenues and expenditures for the year in comparison to funding remaining at the year-end. This year, the Board utilized most of the surplus to provide targeted educational opportunities. About 3.5% of annual revenues remains in surplus at the year-end.

Union commitments

This balance is restricted to fund contractual obligations in collective agreements with employee unions to provide certain future funds for employee professional development and collective agreement administration.



\$708,683 (80%) of this surplus relates to the teachers' educational leave fund.

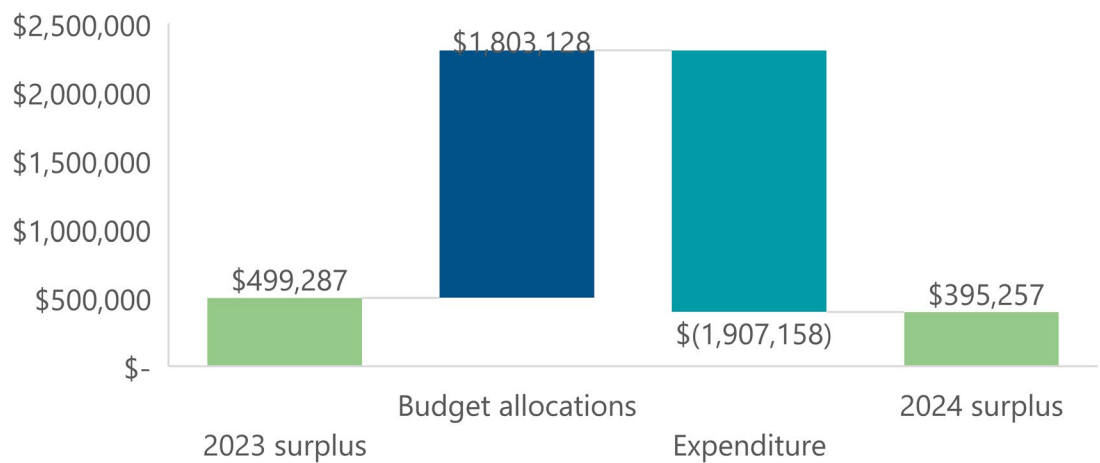
School budget balances

The Board allocates schools a budget to cover the costs that a school Principal has discretion over. This includes classroom supplies, repair, replacement or acquisition of minor equipment, consumables, discretionary time for school staff and many other discretionary costs.

The budget allocation to schools primarily comprises a base amount per school and a per-student amount.

The Board has a practice of carrying forward unspent amounts to the following year, facilitating the Principal's year-to-year management of the school budget.

The chart below shows budget allocations in comparison to surplus and annual expenditure.



Annual expenditure exceeded the annual budget allocation. The closing surplus equates to 21% of annual expenditure.

In addition to this surplus, about \$1.4 million of deferred revenue remains for school generated funds noted in the Financial Position section earlier in this document.

Appropriated by budget bylaw and budget allocations

The 2025 original budget adopted by the Board in May assumed the Board would appropriate \$20,174 of reserves to balance the budget, excluding the use of targeted reserves.

Contingency reserve

Operating revenue exceeded budget by \$1.25 million. Operating expenses and inter-fund transfers exceeded budget by \$1.40 million. This net negative variance resulted in about \$150,000 less in the reserve at the end of the year than budgeted.

Special Purpose Funds

Overview

The financial statements report transactions within the special purpose funds in the following schedules:

Schedule	Page	Overview
3	34	Summarizes the total revenues and expenses of all the special purpose funds. Also indicates the amounts spent on capital assets and transferred to the Local Capital fund.
3A	35-37	Outlines, by each group of funds, the grants received and expenses for the year to June 30, 2024.

The following table summarizes some of the information presented in schedule 3A.

Fund	Surplus from previous year \$	Grants & revenue received \$	Expenses \$	Surplus at end of year \$
Annual facility grant	-	356,577	356,577	-
Learning Improvement	-	391,840	391,840	-
Scholarships and bursaries	472,448	182,923	191,552	463,819
School generated funds	1,334,193	3,370,545	3,288,155	1,416,583
Strong Start	-	128,000	128,000	-
Ready, Set, Learn	-	31,850	31,850	-
OLEP	12,744	211,730	224,474	-
CommunityLINK	-	648,431	648,431	-
Classroom Enhancement Fund – Overhead	-	762,406	762,406	-
Classroom Enhancement Fund – Staffing	-	7,284,538	7,284,538	-
Classroom Enhancement Fund – Remedies	26,775	134,199	125,308	35,666
First Nation Student Transportation	27,154	109,900	120,116	16,938
Mental Health in Schools	-	52,000	52,000	-
Changing Results for Young Children	3,317	6,750	6,750	3,317
Seamless Day Kindergarten	-	110,800	110,800	-
Early Childhood Education Dual Credit Program	71,287	109,000	41,819	138,468
Student and Family Affordability	190,664	260,000	190,664	260,000
Just B4	24,780	25,000	17,272	32,508
Early years to Kindergarten	10,692	19,000	29,692	-
Early Care and Learning	-	175,000	175,000	-
Feeding Futures	-	1,079,115	1,011,586	67,529
Health Career Grants	-	55,000	6,977	48,023
Integrated Inquiry Project	866,352	880,000	903,198	843,154
Project Penny	-	169,764	-	169,764
French Immersion Growth	-	225,000	168,559	56,441
Other grants	20,224	14,000	9,769	24,455
Total	3,060,630	16,793,368	16,277,333	3,576,665

School generated funds

School generated funds account for fees and contributions raised at the school level. Examples of such fees and contributions include school supply fees paid by parents and caregivers; school trip fees; PAC contributions; graduation celebration fundraising; cafeteria revenue, vending machine revenue and athletics fees. The schools target these funds for the purpose that the fee payers or donors intended.

CommunityLINK

The CommunityLINK grant from the Provincial Government is to support programs and services to improve the educational performance of vulnerable students, including both academic achievement and social functioning. This includes promoting partnerships and an integrated approach to supporting vulnerable students with families, communities and service providers.

It funds staff from community organisations who work with our vulnerable students to improve their educational performance.

Grant funding has not increased in line with inflation in previous years. To maintain a reasonable level of service, the Board contributed an additional \$492,747 from the operating fund to provide these services.

Classroom Enhancement Funds

The grants from the three Classroom Enhancement Funds totalled \$8,207,918. The MECC provides these grants to offset the additional costs associated with the restoration of historical collective agreement language regarding class size and composition.

Direct staffing costs associated with the changes to class size and composition are accounted for within the 'Classroom Enhancement Fund – Staffing'. They include:

- 52.8 FTE additional teachers needed to offset the reduction in class sizes;
- 5.7 FTE additional teachers allocated in consultation with teaching staff;
- 2.8 FTE teacher librarians needed to meet non-enrolling ratios; and
- TTOC wages to address other requirements of the restored language.

The MECC calculates the grant based on initial forecasts provided to the MECC by the School District. The School District is only able to utilize these funds to meet necessary costs of the restored language.

Schedule 3A accounts for indirect costs, or overheads, associated with these changes within the 'Classroom Enhancement Fund – Overhead'. They include:

- TTOC coverage for sick and other leaves for the additional teachers;
- Additional Educational Assistants needed to support the increased number of classes; and
- Other miscellaneous costs associated with data tracking, increased class space and staff recruitment.

To receive the grants, the Board must be able to demonstrate to the Provincial Government that the associated direct or indirect costs are a result of the restoration of the collective agreement language.

Certain classes exceeded the class size and composition limits outlined in the Collective Agreement. The School District is required to provide remedy, typically in the form of additional preparation time or collaboration time, to teachers of such classes. The 'Classroom Enhancement Fund – Remedies' provides grant funding to cover the associated expense.

The classroom enhancement funds, although new in the 2017/18 year, are a core part of the Board's funding. They fund over 10% of the Board's teachers. This funding is tied to the application of historical language restored to the collective agreement.

Related entities

The operating results and surplus of 554210 B.C. Ltd, a company controlled by the Board, are also reflected as a special purpose fund as a related entity. The company facilitates the Board's delivery of its forestry career education program.

The company generates most of its revenue from the sale of timber harvested from a woodlot owned by the company. Large scale harvesting typically occurs once every five years due to regulatory requirements. Little harvesting was done this year. Silviculture expenditure related to planning for future harvests and the reforestation of previously logged areas continued to occur.

The company distributes \$30,000 to the operating fund to contribute towards the costs of the Board's forestry education program.

The company ended the year with \$658,227 in reserves. This is forecast to be more than sufficient to cover the expenses of the company until the next round of harvesting.

Student and family affordability fund

MECC provided the Board with an additional \$260,000 of funding to assist families with affordability issues for the 2023/2024 year. This assisted with the costs of a meals program for vulnerable students, and specific allocations to offset other costs for families at the discretion of school principals. The entire amount of the funding remains at the year-end, which schools will utilize next year to continue offsetting costs for families.

Early Learning and Child Care

MECC has provided the District targeted funding for the Integrated Inquiry Child Care Project of \$2.6 million over three years to support new child care and early learning initiatives. In addition, MECC provided targeted funding for 7 other initiatives that totalled just over \$0.5 million.

Capital Fund

Overview

The capital fund, including the local capital fund, accounts for assets owned by the Board and the funds used to purchase them or set aside to acquire them in the future.

Provincial grants targeted for the purchase of assets (for example, a grant to renovate a school) are recorded in the capital fund.

If the Board purchases an asset using operating funds, then the Board treats the cost of the asset as a transfer from the operating fund to the capital fund.

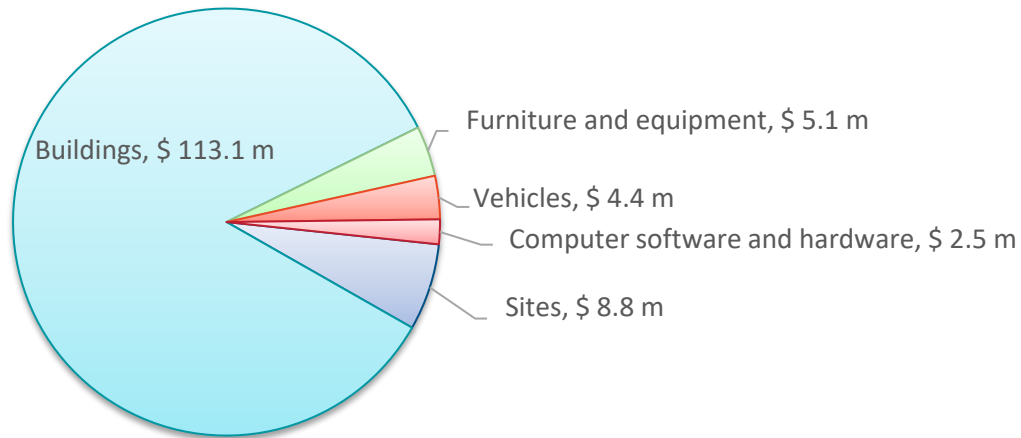
MECC does not provide capital grants for asset acquisitions such as computer equipment, school furniture and equipment, vehicles, maintenance equipment, photocopiers, classroom renovations or district administration buildings. The only source of funding available for these assets is typically operating funds. To set aside funds to allow the future purchase of major assets, the Board may transfer funds from the operating fund to the local capital fund.

Schedule	Page	Overview
4	39	Summarizes amortization, local capital balances, and transfers to the capital fund from other funds.
4A	40	Outlines - the cost of assets acquired during the year. - the amortization of assets by asset class. - the original cost of assets owned by the Board, by asset class - the total amortization of each asset class. This is an estimate of the value of the wear-and-tear of assets over their lifetime. - the net book value of assets, being the cost less amortization.
4B		No Schedule B – Work In Progress
4C	41	Accounts for targeted funding already spent on the acquisition of capital assets.
4D	42	Accounts for funding received which is targeted towards capital asset purchases and which has yet to be spent.

Capital assets

Schedule 4A summarizes the capital assets owned by the Board.

Chart: Net book value (being cost less amortization) of tangible capital asset



The Board has \$134 million invested in its capital infrastructure.

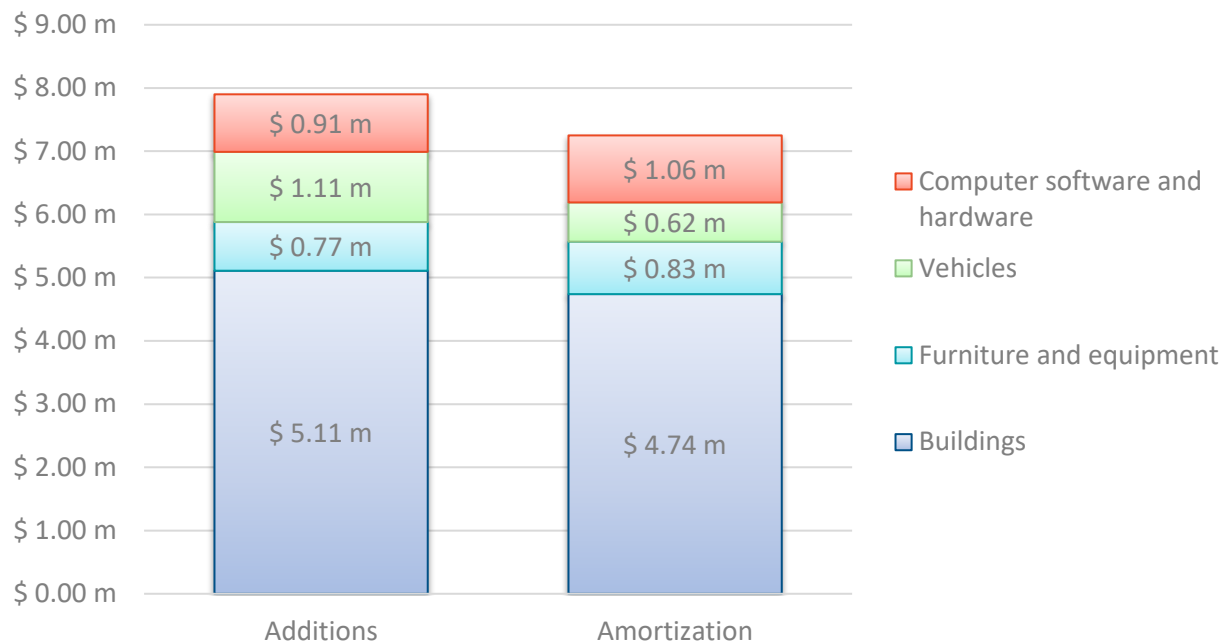
The original cost (not current market value) of the land that the Board's schools are located on is \$8.8m.

The school buildings comprise the vast majority of the Board's capital assets.

The Board also has significant investment in vehicles (primarily school buses), furniture and equipment (school furniture, shop equipment etc.) and computer software and hardware, including servers and staff computers.

The amortization expense recognizes the amortization of an asset over its useful life. The proportion of amortization to asset additions is an indication of the sufficiency of the level of capital investment. For example, if assets are amortizing faster than the Board is replacing them, this may indicate an infrastructure deficit.

The chart below shows that additions were larger than amortization. This indicates that a healthy level of capital replacement occurred during the year.

Chart: Asset additions compared to asset amortization

Vehicle purchases include the acquisition of electric busses during the year.

Building additions were \$5.1 million which included four new portables totalling \$1.0 million and \$1.5 million of additions to Charles Bloom Secondary school. \$2.6 million was added as part of several projects across the District.

Deferred capital revenue

Schedule 4C accounts for grants received for capital asset purchases that the Board has spent.

Schedule 4D accounts for grants received for capital asset purchases that the Board has yet to spend.

The Board completed \$4.90 million of grant funded capital projects during the year. This includes the purchase of propane and electric busses, major HVAC upgrades, the ongoing renovation of Charles Bloom Secondary School, four child care facilities, a new school playground and various other projects.

The \$4.90 million of capital grants that the Board spent on completed projects is accounted for as deferred capital revenue on schedule 4C. Deferred capital revenue balances are accumulated over the years and amortized over the estimated lifespan of the assets acquired with the grant money. The deferred capital revenue balance reduced by \$4.9 million in the year to June 30, 2024, to reflect this amortization.

Historically, the MECC has provided targeted funding for major school renovations and replacements and buses. MECC does not typically provide targeted funding for any other capital assets, including the purchase or construction of technology, classroom furniture and equipment, administrative buildings, and maintenance equipment.

The deferred capital revenue balance at June 30, 2024 is \$101.4 million (Schedule 4C). As the net book value of capital assets is \$133.9 million (schedule 4A), this indicates the Board acquired 76% of its assets using targeted grant funding.

Local capital

Schedule 4 includes a column showing the transfers to and from the local capital fund, and the balance in local capital at the end of the year.

As outlined in Board policy 2.22.0, 'Financial Surplus and Inter-Fund Transfer Policy', the Board approves transfers of funds from the operating fund to the capital fund in anticipation of necessary future capital expenditure which will not be funded by additional targeted grants from MECC. In doing so, the Board must strike a balance between ensuring the Board has the necessary assets to function effectively and using operational funds to provide quality education for students.

To facilitate year-to-year capital planning, local capital budgets that the Board has not spent at the year-end are carried forward to the following year.

The table below discusses the transfers to local capital made during the year, and the utilization of the local capital amounts.

Table: Local Capital analysis

Purpose	Opening balance	Transferred in	Assets purchased	Remaining amount	Notes
Technology	122,692	990,445	706,864	406,273	The technology department use this allocation to purchase student and staff computers, servers, and the infrastructure required for the computers to work. In addition, a large project to replace and improve wireless access points throughout the school district is underway. This project will require about \$1 million of this funding over the next few years. The district also received approximately \$150,000 from Microsoft in the form of rebate vouchers as a result of a class action lawsuit.
Maintenance, custodial and transportation equipment and vehicles	228,839	188,000	316,960	99,879	The Board transfers \$188,000 a year to local capital for acquisition of this equipment and vehicles. The respective departments have set aside this amount in anticipation of future purchases of equipment or vehicles. A balance remains in local capital to facilitate the anticipated purchase of a large new delivery truck to replace the aging vehicle currently used.
Photocopier replacement	176,500	59,053	148,420	87,133	The Board purchased the current fleet of photocopiers in 2017/18 at a cost of about \$300,000. The Board sets aside funds each year in anticipation of the need to replace these assets at the end of their useful life. Several of these copiers were at end of useful life in 2023/2024, experiencing increased downtime. This fund was used to purchase several copiers this year and will be used more in the coming years to replace other copiers.
School classroom improvements	51,299	100,000	104,416	46,883	This fund allows for the ongoing upgrade and replacement of projectors in classrooms.
Finance enterprise resource planning ('ERP') software	205,702	-	117,809	87,893	The Board deployed the Finance module element of the replacement ERP software in April of 2021. June 1 of 2024,

Purpose	Opening balance	Transferred in	Assets purchased	Remaining amount	Notes
					the Board went live with the new HR and Payroll module of the ERP software.
Electric bus acquisition	6,875	-	-	6,875	This fund was used as planned to offset the additional costs that were not funded through targeted grants and has a small remaining balance.
Learning commons creation	314,385	-	40,812	273,573	The Board allocated funding in 2019/20 to renovate school spaces, such as libraries, to create learning commons areas. A District committee made recommendations as to how the Board should best spend this funding to achieve this goal. This funds the improvements to school facilities consistent with the recommendations of the committee.
Portable acquisition	820,860	-	820,860	-	The installation of two modular classrooms at Beairsto and Vernon Secondary School, and moved a modular classroom from Alexis Park to the Dorothy Alexander centre.
School shop equipment replacement	47,376	30,000	44,419	32,957	The Board allocates \$30,000 a year to the replacement of school shop equipment. Further purchases will be made in the upcoming year.
Total	1,974,528	1,367,498	2,300,560	1,041,466	Agrees to schedule 4, page 39 of the financial statements