



BOARD OF EDUCATION

School District No. 50 (Haida Gwaii)

"Everything is connected"

VISION:

Our vision is an educational community that fosters dignity, resilience, and personal success for all students.

Financial Statement Discussion and Analysis

For the Year Ended June 30, 2021



School District No. 50

Haida Gwaii

**School District No. 50 (Haida Gwaii)
Financial Statement Discussion & Analysis
For the Year Ended June 30, 2021**

The following is a discussion and analysis of the Haida Gwaii School District's financial performance for the fiscal year ended June 30, 2021. This report is a summary of the 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 and budget. This report should be read in conjunction with the School District's financial statements and is meant to assist the reader.



OVERVIEW OF THE SCHOOL DISTRICT

School District No. 50 (Haida Gwaii) is one of the smallest districts in BC, with fewer than 500 students in BC's most westerly schools. Our Haida Gwaii School District provides educational programs and services to more than 430 students in five communities, Masset, Port Clements, Skidegate, Queen Charlotte and Sandspit. The district is made up of six neighborhood schools, four elementary schools and two secondary schools.

The four elementary schools are:

- Tahayghen Elementary School
- Port Clements Elementary School
- Sk'aadgaa Naay Elementary School
- Agnes L. Mathers Elementary School

The two secondary schools are:

- Gudangaay Tlaats'gaa Naay Secondary School
- GidGalang Kuuyas Naay Secondary School

The District's Strategic Plan is organized around the 3 key goals:

1. Continue to support all our students to be successful through building relationships and connections at all levels.
2. Address issues of isolation and remoteness and ensure that these do not limit our students' opportunities, support, and success in whatever field their future takes them.
3. Create curious, resilient, and flexible learners able to successfully navigate the challenges of the 21st century.

The current Strategic Plan is dated from 2016-2021 and the district is excited to be working on updating the strategic plan by December 2021.



UNDERSTANDING SCHOOL DISTRICT FINANCIAL PERFORMANCE

Annual surplus and accumulated surplus are key financial statement performance indicators; however, interpreting the meaning of these figures in BC school districts is complicated by the use of fund accounting and deferral accounting. The use of fund accounting means the financial statements of school districts are a consolidation of three separate funds (Operating, Special Purpose and Capital), and each of these funds differs with respect to the methods of accounting used and the legislative and other constraints on budgeting and financial results. This means financial performance can only be fully understood by reviewing each fund separately. Financial performance for each fund is reported in the supplementary schedules that follow the notes to the financial statements.

<p>Operating Fund 2021 Revenues: \$11.51 million</p>	<p>Annual program revenues and expenditures are reported within the Operating fund and Special Purpose fund (see below). Annual and accumulated surplus within the operating fund are important indicators of financial performance and financial health for school districts. This is because school districts are not permitted to budget for or incur an accumulated deficit position. This means when the school district has operating surplus available it can be used to budget for future expenditures and to reduce financial risk associated with unforeseen circumstances.</p>
<p>Special Purpose Fund 2021 Revenues: \$1.9 million</p>	<p>The Special Purpose fund includes grants and school generated funds that are restricted for a specific purpose. Annual and accumulated surplus should always be zero because revenues are recognized only as related expenditures occur. If expenditures for a program within the Special Purpose fund exceed available revenues, the resulting deficit is transferred to the Operating fund, reducing accumulated operating surplus.</p>
<p>Capital Fund Capital Funding Received or Receivable: \$1.32 million Capital Assets Purchased: \$1.32 million</p>	<p>The Capital fund reports investment in and financing activities related to capital assets. Capital contributions (grants) from the Province are accounted for using the deferral method of accounting, whereby recognition of capital funding revenue is spread out over the life of the related capital assets to match with the amortization expense which reflects the use of the asset over its life. This means capital fund revenues are not a reflection of funding actually received in a given year. For example, if the district received \$2 million for a building, the district would then amortize the funds received into revenue over the useful life of the asset, similarly the asset would be depreciated as an expense over its useful life.</p> <p>To note: Capital fund revenues, expenses, and annual surplus (deficit) are not a meaningful indicator of annual financial performance.</p>



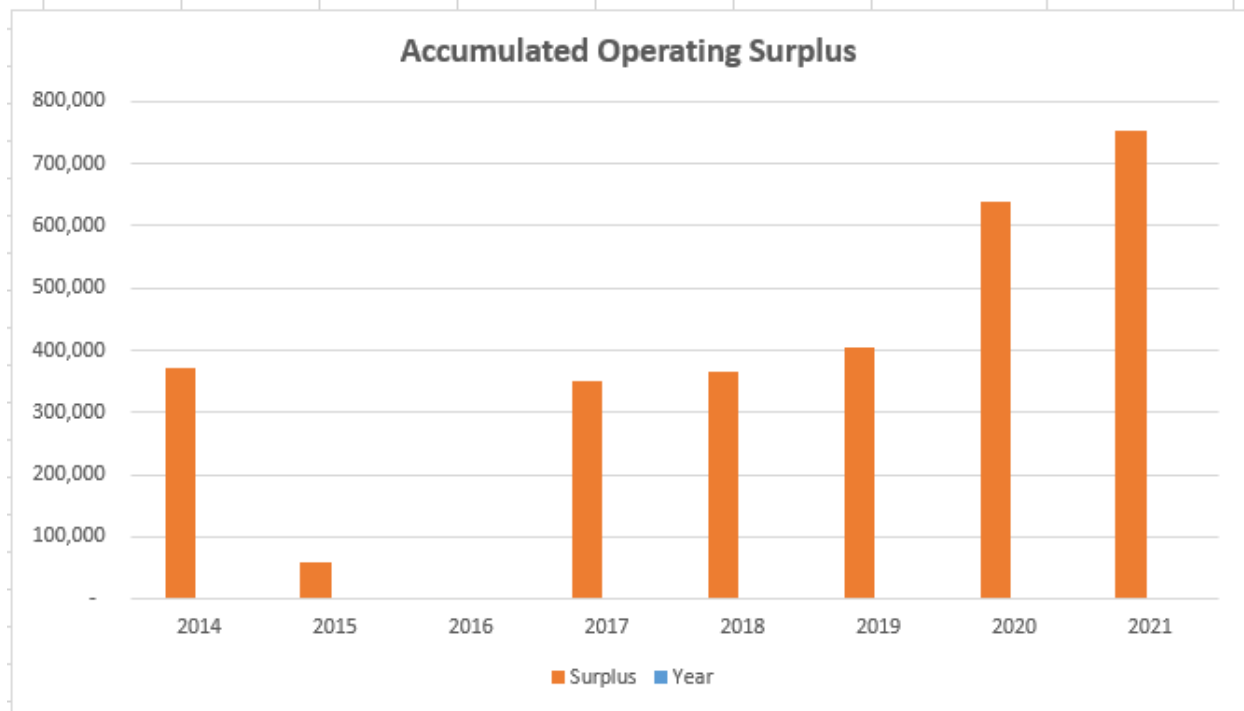
FINANCIAL HIGHLIGHTS

As reported in the Statement of Operations, for the year ended June 30, 2021 the district's revenues exceeded its expenses resulting in an annual surplus of \$569,177 (2020 surplus was \$85,467). This was comprised of the combined financial results of the Operating fund and the Capital fund as follows:

Annual Surplus (Deficit)	June 30, 2021	June 30, 2020
Operating Fund	116,266	232,557
Capital Fund	452,911	(147,090)
Combined Surplus (Deficit)	569,177	85,467

In the Operating fund, the annual surplus of \$116,266 resulted in an increase to accumulated operating fund surplus from \$637,866 as at June 30, 2020 to \$754,132 as at June 30, 2021.

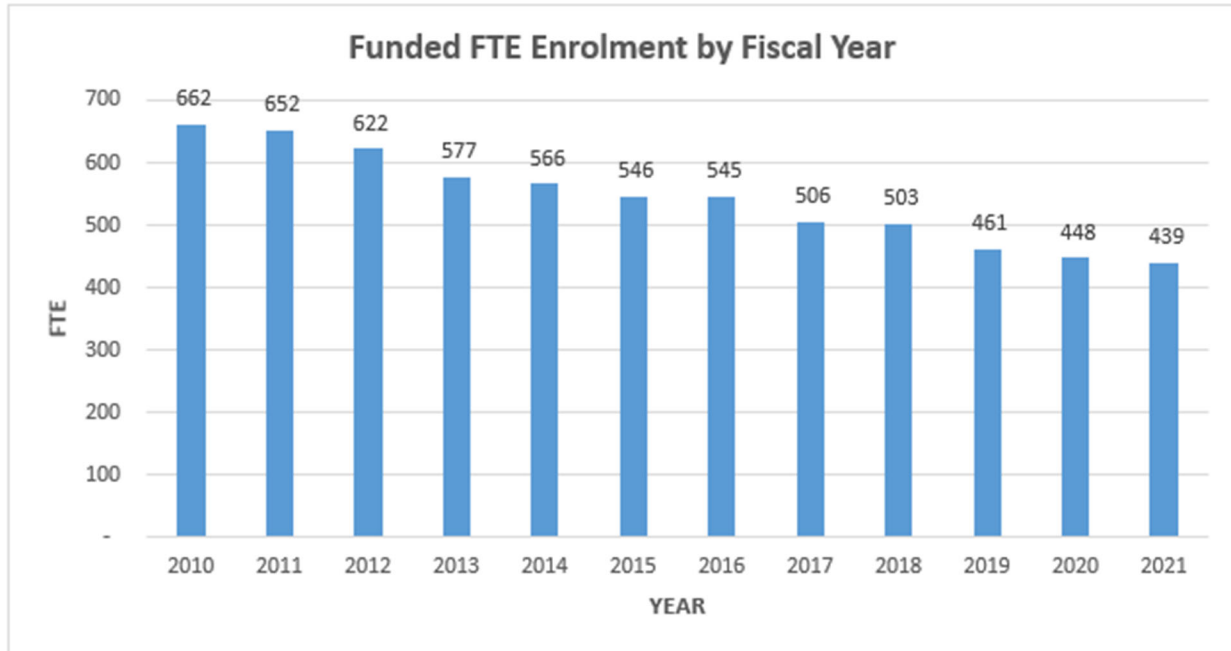
Historical accumulated Operating Surplus from 2014 to present.



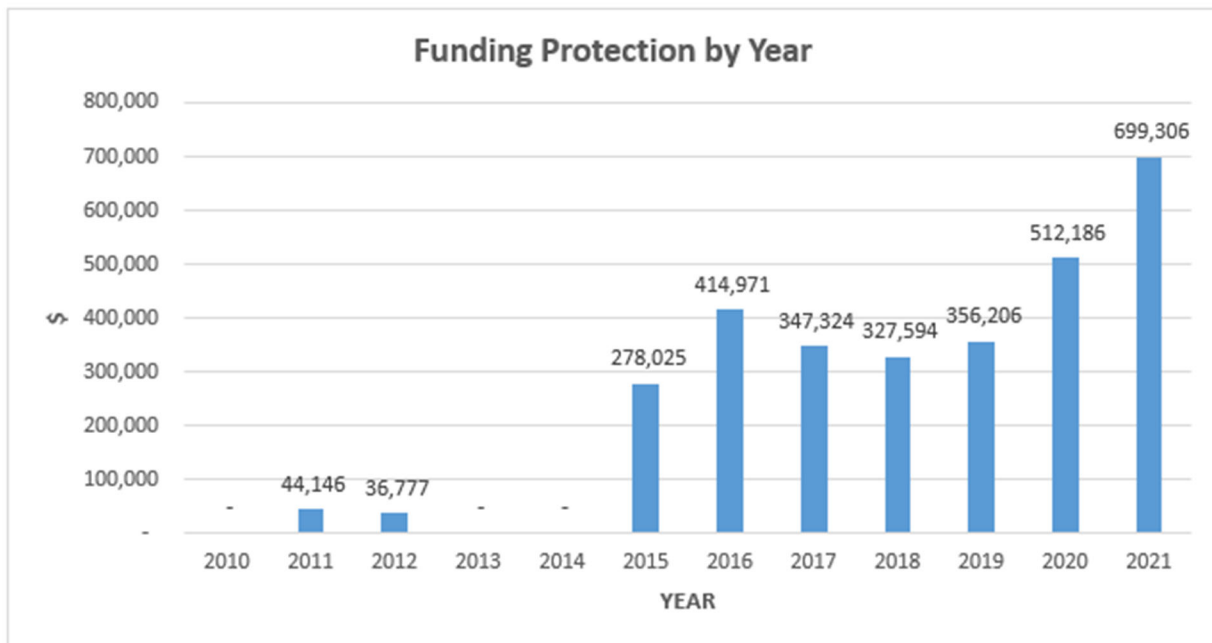
Provincial operating grants including funding from First Nations make up 95% of total operating fund revenues. This is largely determined by student enrolment. In BC, funding can increase or decrease with enrolment subject to where a district sits with respect to funding protection. In general as enrolment grows increased financial flexibility can occur conversely as enrolment declines financial pressures can occur. The Board has slowly increased accumulated operating surplus by building appropriate contingency reserves (per Board policy B.13) to reduce financial risk and to protect future program stability.



Funded FTE Enrolment by Fiscal Year



Funding Protection by Fiscal Year





Funding Protection by Fiscal Year Cont'd

Funding protection began in 2006/07, when districts were protected from year-to-year declines greater than 1%. As of 2007/08, districts were protected from any year-to-year declines, which was changed to protected from declines of up to 1.5% beginning in 2012/13. For 2020/21 the district received funding protection in the amount of \$699,306.

What does this mean for SD50?:

- if more students arrive in September than budgeted the district will provide the level of service required but will not receive additional funds as they will be capped at 98.5% of the prior autumn.

How much longer will SD50 be in funding protection?:

- This is dependent on enrolment, for 2020/21 the funding level for standard schools was at \$7,560, the district would need an enrolment increase of 93 students to no longer qualify for funding protection.



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT

In this section, actual results are compared to the prior year and budget (where applicable). For the Statement of Operations, the analysis is performed for each of the three funds.

Statement of Financial Position (All Funds)

The table below includes explanations for significant variances in the statement of financial position relative to the prior year.

	2021	2020	Variance Analysis
Cash	4,201,266	2,547,695	Increased by \$1,653,571 due to increased accumulated surplus and the timing of cash receipts and disbursements.
Due from Province	99,291	Nil	Increased by \$99,291 due to Nominal Roll Reconciliation Funding adjustment timing.
Due from LEA	28,777	731,830	Decrease of 703,053 due to timing of receipt of payments for LEAs.
Other	313,184	266,995	Increase due to GST rebate and other small changes
Accounts Payable Other	1,456,142	986,183	Increase of \$469,959 due to timing of disbursements.
Deferred Capital Revenue	26,003,815	25,721,628	Increase of \$282,187 due to \$1,323,731 of capital funding received and \$1,041,544 of amortization of capital funding revenue.
Tangible Capital Assets (TCA)	32,018,810	31,897,701	Increase of \$121,109 due to \$1,323,731 of capital investments and reduced by \$1,202,622 from amortization of capital assets.



Schedule of Operating Operations

	Amended Budget 20/21	Actual 20/21	Actual 19/20	Actual 18/19
Revenues	11,375,494	11,511,768	10,825,523	10,301,315
Expenses & Fund Transfers	11,375,494	11,395,502	10,592,966	10,262,227
Annual Surplus/(Deficit)	0	116,266	232,557	39,088
Opening Acc. Surplus	637,866	637,866	405,309	366,221
Closing Acc. Surplus	637,866	754,132	637,866	405,309

For the 2020/21 Amended Budget the district prepared a balanced budget. The actual results for 2020/21 had a surplus of \$116,266 which added to the opening surplus of \$637,866 for new closing surplus of \$754,132. It should be noted the Board did pass a motion to move \$600,000 of operating surplus to Local Capital. The funds will be used to do work on the Seismic Upgrade, Tsunami Preparedness and Amalgamation project as per the Capital Project Funding Agreement with the Ministry of Education.

Detailed information on the Operating fund is presented in schedules 2 to 2C following the notes to the financial statements. Revenues, expenditures and accumulated operating surplus are analyzed in greater detail below.

Operating Fund Revenues

A high-level summary of operating fund revenues is presented below, and explanations of significant variances follows. A more detailed presentation of operating revenues is presented in schedule 2A following the notes to the financial statements.

	Amended Budget 2020/21	Actual 2020/21	Actual 2019/20
MoE Grants	6,484,836	7,017,970	6,306,280
Other Prov Grants	223,347	223,733	99,247
Other Revenue	4,603,090	4,201,730	4,344,618
Rentals and Leases	52,221	55,931	54,688
Investment Income	12,000	12,404	20,690
Total Revenues	11,375,494	11,511,768	10,825,523

MoE Grants:

MoE Grants revenues in the 2020/21 actual exceeded 2020/21 budgeted revenues by \$533,134 primarily due to LEA recovery being budgeted at a \$4,358,442 recovery and the actual was \$3,905,507.



Other Revenues:

Other Revenues were \$401,360 below budget primarily due to the funding from First Nations being less than budget.

Operating Fund Expenses

Expenses in the financial statements are presented both by object (category of expense) and by function (program). Operating fund expenses are presented below using each method with explanations of significant variances following. A more detailed presentation of operating expenses is presented in schedules 2B and 2C following the notes to the financial statements.

Analysis of variances by object

Operating Fund Expenditure by Object	Amended Budget 2020/21	Actual 2020/21	Actual 2019/20
Salaries			
Teachers	3,075,825	3,025,400	2,566,420
Principals & VPs	989,173	1,004,238	1,106,349
Education Assistants	464,498	487,523	435,394
Support Staff	1,528,199	1,536,215	1,488,761
Other Professionals	633,720	639,967	848,761
Substitutes	414,414	429,645	373,804
Total Salaries	7,105,829	7,122,988	6,819,555
Employee Benefits	1,695,678	1,609,717	1,474,683
Total Salaries & Benefits	8,801,507	8,732,705	8,294,238
Service & Supplies	2,573,987	2,062,797	2,298,728
Fund Transfers	250,000	600,000	0
Total Service & Supplies and fund transfers	2,823,987	2,662,797	2,298,728
Total Operating Expenditure	11,625,494	11,395,502	10,592,966

Salaries – Teachers

Budgeted Teachers salary expense in the 2020/21 amended budget did not vary significantly from the 2020/21 actual expense.

Salaries – Principals and Vice Principals (PVP)

Budgeted PVP salary expense in the 2020/21 amended budget did not vary significantly from the 2020/21 actual expense.



Salaries – Education Assistants (EA)

Budgeted Education Assistant wage expense in the 2020/21 amended budget was less than the 2020/21 actual expense by \$23,025 due to wage increases and increased staff FTE.

Salaries – Support Staff

Budgeted Support Staff salary expense in the 2020/21 amended budget did not vary significantly from the 2020/21 actual expense.

Salaries – Other Professionals

Budgeted Other Professionals salary expense in the 2020/21 amended budget did not vary significantly from the 2020/21 actual expense.

Salaries –Substitutes

Budgeted Substitutes salary expense in the 2020/21 amended budget did not vary significantly from the 2020/21 actual expense.

Employee Benefits

Budgeted Employee benefits expenses in the 2020/21 amended budget was greater than 2020/21 actual expense by approximately 5% due to conservative estimates on our budgeting for expenses.

Total Service and Supplies and Fund Transfers

For the purpose of this analysis fund transfers are combined with service and supply expense because fund transfers relate primarily to the purchase of capital assets using service and supply budgets. Budgeted fund transfers for 2020/21 are an estimate of what portion of expenditures will be needed for future capital project work. For Service and Supplies the budgeted 2020/21 was greater than actual by almost 20%. This large difference is due to the pandemic, most notably the inability to travel, in addition both individual service budget and supplies budgets came in lower than estimated.



Analysis of Variance by Function

Operating Fund Expenditure by Function	Amended Budget 2020/21	Actual 2020/21	Actual 2019/20
Instruction	8,124,829	7,734,005	7,186,929
District Administration	952,976	887,256	1,214,236
Operations & Maintenance	1,854,809	1,855,277	1,849,405
Transportation	442,880	318,964	342,396
Fund Transfer	250,000	600,000	0
Total	11,625,494	11,395,502	10,592,966

Instruction – instruction expense is lower than budget mainly due to service and supplies budgets not being fully utilized. In particular benefits budgets, targeted underspends and travel and professional development budgets not being fully utilized.

District Administration – district administration actual expense is lower than budget due to travel budget not fully utilized and some positions not being filled for an entire year.

Operations & Maintenance and Fund Transfer – Actual operations and maintenance expenditures were very close to budget.

Transportation: Transportation actual expense is lower than budget due to transportation assistance not being fully utilized, COVID, prior purchasing of bus repair parts and the Sandspit bus no longer being contracted as of February 2021.

Fund Transfers - fund transfers are not allocated to a function within the budget and financial statements, but largely represent budget for the purchase of capital assets within operations & maintenance.



Accumulated Operating Surplus

Understanding the components of accumulated operating surplus is necessary for knowing how much of the balance relates to multi-year funding of programs (surplus carry-forwards) and how much of the balance is available to reduce financial risk associated with unforeseen expenditures or to fund additional expenditures in the future. The components of closing accumulated surplus are presented in the table below:

	June 30, 2021	June 30, 2020
Operating grant holdback	34,317	Nil
Targeted Funds	102,625	123,787
NDIT, School budgets, Farm to school	36,559	43,631
CF-Youth Wellness Worker	27,219	54,488
Early Career Mentorship	15,000	Nil
Internally Restricted	215,720	221,906
Unrestricted	538,412	415,960
Total Accumulated Surplus	754,132	637,866

The district’s accumulated surplus has been slowly increasing. Some of this growth can be accounted for over the last two years due to the pandemic as well as travel savings. The district does have unrestricted funds which could be used for unforeseen budget pressures. The district is currently operating in a very tight financial position. It is prudent to build some unrestricted reserves in the operating budget, and where possible move some funds to Local Capital to help with future capital purchases in technology.

Statement of Operations by Fund – Special Purpose Fund

	Amended Budget 2020/21	Actual 2020/21	Actual 2019/20
Provincial Grants	1,722,048	1,728,676	1,251,690
Other Revenues	475,000	177,264	361,878
Expenditures	2,197,048	1,905,940	1,613,568
Annual Surplus (Deficit)	Nil	Nil	Nil

The Special Purpose Fund includes grants and school generated funds that are restricted for a specific purpose. Annual and accumulated surplus is always zero because revenues are recognized only as related expenditures occur.

Detailed information on the special purpose fund is presented in schedules 3 to 3A following the notes to the financial statements.



Statement of Operations by Fund – Capital Fund

	Amended Budget 2020/21	Actual 2020/21	Actual 2019/20
Revenues	3,509,263	1,055,533	1,001,967
Expenses	1,202,622	1,202,622	1,149,057
Local Capital Fund Transfers	250,000	600,000	Nil
Change in Accumulated Surplus	2,556,641	452,911	(147,090)
Opening Accumulated Surplus	6,989,273	6,989,273	7,136,363
Closing Accumulated Surplus	9,545,914	7,442,184	6,989,273

Revenues and expenses are consistent for the current and the prior year. This is expected because revenues and expenses in the capital fund are generally predictable and consistent, as they reflect the recognition of capital funding (as revenue) and the usage of capital assets over their life (as: amortization expense). Fund transfers from the operating fund were lower than budget and the prior year as fewer expenditures in the operating fund met the criteria for capitalization as an asset.

During the year ended June 30, 2021, the district invested \$1,323,731 in capital additions that were funded by: Annual Facility Grant (AFG) \$432,248, School Enhancement Program (SEP) Gudangaay Tlaats’ gaa Naay Washrooms \$110,000, Skidegate Bus \$141,483 and SEP GidGalang Kuuyas Naay & Sk’aadgaa Naay Roof Upgrades \$640,000.

Within the capital fund the following two balances are important as they represent funds available for future capital investment:

- Local Capital Reserve – this balance forms part of accumulated surplus in the capital fund and represents funds available for investment in capital assets at the discretion of the Board of Education. These funds are generated primarily from proceeds of disposition of assets that are allocated to the School Board as well as Board initiated transfers from the Operating fund.
- MEd Restricted Capital – this balance forms part of the deferred capital revenue balance in the Capital fund and represents funds available for investment in capital assets at the discretion of the Ministry of Education. These funds are generated primarily from proceeds of disposition of assets that are allocated to the Minister of Education pursuant to the *School Act*.



Statement of Operations by Fund – Capital Fund Cont'd

The table below presents the 2020/21 closing balances in Local Capital and MEd Restricted Capital and what portion of the balances are already committed to future capital investment.

	Local Capital	MEd Restricted Capital
Balance as at June 30, 2021	1,419,783	7,405
Committed for future investment	1,000,000	Nil
Uncommitted Balance	419,783	7,405

Detailed information on the capital fund is presented in schedules 4 to 4D following the notes to the financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's stakeholders with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Office of the Secretary-Treasurer at (250)559-8471.