



# Financial Statement Discussion and Analysis For the Year Ended June 30, 2023



School District No. 50  
**Haida Gwaii**

## School District No. 50 (Haida Gwaii) Financial Statement Discussion & Analysis For the Year Ended June 30, 2023

The following is a discussion and analysis of the Haida Gwaii School District’s financial performance for the fiscal year ended June 30, 2023. 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 462 students in five communities, Masset, Port Clements, Skidegate, Daajing Giids and Sandspit. The district is made up of six neighborhood schools, four elementary schools and two secondary schools.

Four Elementary Schools	Two Secondary Schools
Tahayghen Elementary School	Gudangaay Tlaats’gaa Naay Secondary School
Port Clements Elementary School	GidGalang Kuuyas Naay Secondary School
Sk’aadgaa Naay Elementary School	
Agnes L. Mathers Elementary School	



The District’s Draft Strategic Plan is organized around:

The District’s Draft Strategic Plan is organized around three priorities:

- i. Working Together
- ii. Student Well Being
- iii. Embracing Unique Culture & Territory

These three strategic priorities are intertwined with eight Haida Laws which are mentioned by name below but can be found in greater detail within our draft Strategic Plan.

Guiding Haida laws	
Responsibility	K’ulaagang Laa guu ga kanhllns
Balance	Giid tll’juus Giid tll’juus
Respect for all beings	Yahgudang Yahguudang
Seeking wise counsel	Gin k’adangaa gii uu tl’a kyáanangaa Gina k’adang.nga gii uu tll k’anguudang
Giving and receiving	Isda ’isgyaan díi ga ’isdii Isda ad díigii isda
Making things right	Tll yahda Tll yahda
Interconnectedness	gin ’wáadluwaan gud áhl kwáagiidang Gina ’waadluxan gud ad kwaagid
Our food is our medicine	lit’ táawee úu it’ xíllaang ID l’aa ga taagaay id gan xila ga

Haida language: Xaad Kil, spoken in Gaw Tilágee Old Massett (White Font) and Xaayda Kil spoken in HIGaagiida Skidegate (Gold Font).

## 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><b>Operating Fund</b> 2023 Revenues:  \$11.97 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><b>Special Purpose Fund</b>  2023 Revenues: \$2.34 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><b>Capital Fund</b>  Capital Funding Received or Receivable: \$8.432 million Capital Assets Purchased: \$7.333 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 \$4 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><i>To note: Capital fund revenues, expenses, and annual surplus (deficit) are not a meaningful indicator of annual financial performance.</i></p>

**FINANCIAL HIGHLIGHTS**

As reported in the Statement of Operations, for the year ended June 30, 2023 the district’s revenues exceeded its expenses resulting in an annual surplus of \$579,061 (2022 surplus was \$200,292). This was comprised of the combined financial results of the Operating fund and the Capital fund as follows:



Annual Surplus (Deficit)	June 30, 2023	June 30, 2022 (Restated)
Operating Fund	645,282	259,351
Capital Fund	(66,221)	(59,059)
<b>Combined Surplus (Deficit)</b>	<b>579,061</b>	<b>200,292</b>

In the Operating fund, the annual surplus of \$645,282 resulted in an increase to accumulated operating fund surplus from \$1,013,483 as at June 30, 2022 to \$1,658,765 as at June 30, 2023.

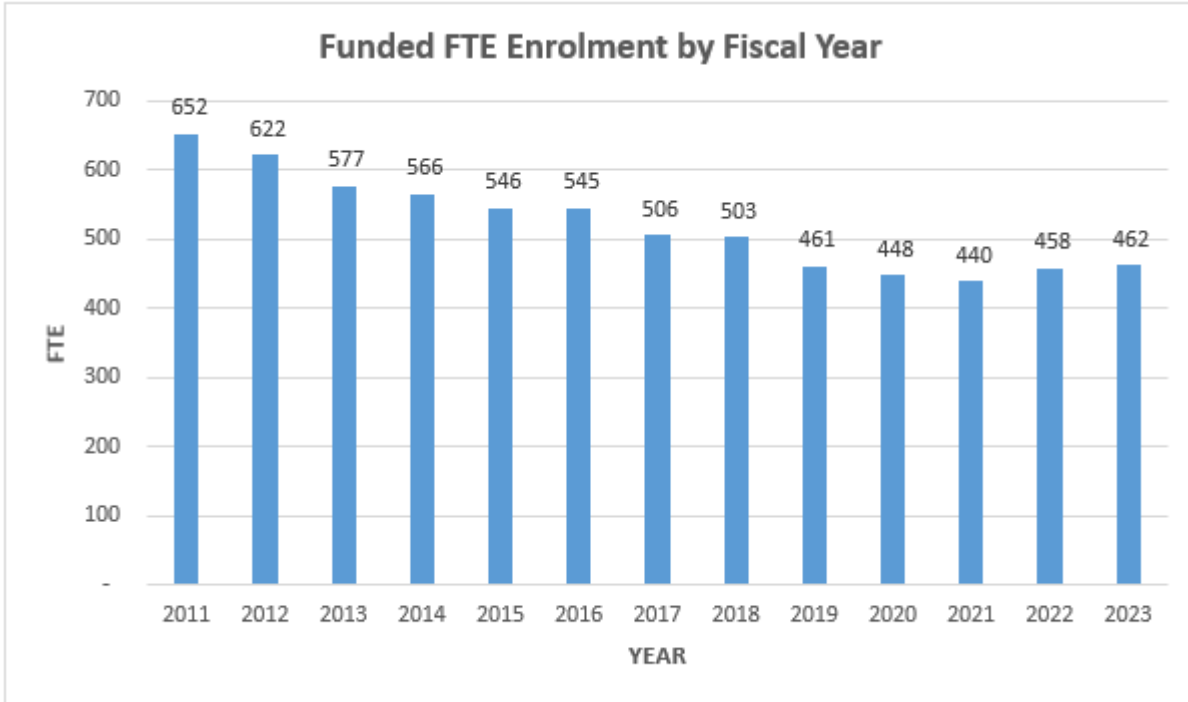
Historical accumulated Operating Surplus from 2015 to present.



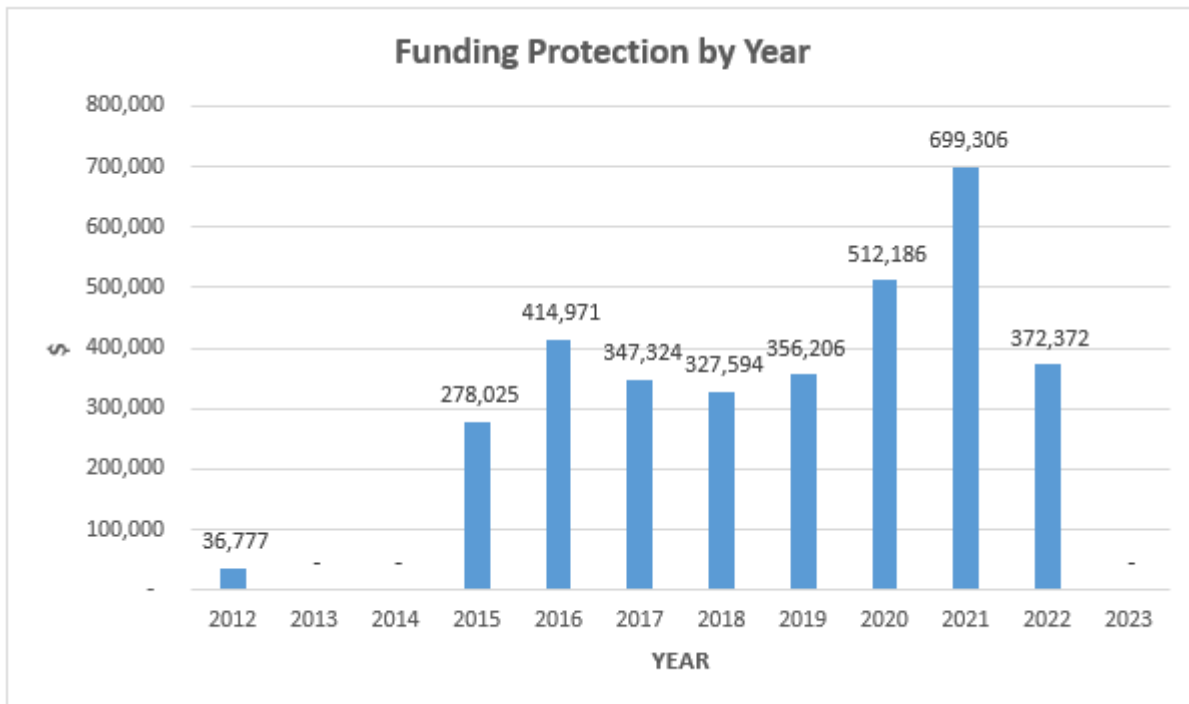
Provincial operating grants including funding from Indigenous Education make up over 95% of total operating fund revenues. This is largely determined by student enrolment. In BC, funding can increase or decrease with enrolment subject to where a district sits with respect to funding protection. In general as enrolment grows increased financial flexibility can occur conversely as enrolment declines financial pressures can occur. The Board has increased accumulated operating surplus by building appropriate contingency reserves (per Board policy B.13) to reduce financial risk and to protect future program stability. For the year ended June 30, 2023 many factors led to an increase in Operating surplus including the ability to replace staff, the ability to hire staff, the district did charge a portion of the Operations Manager salary to capital projects. In addition, many supplies budgets were not fully expended and will need to reviewed.



### 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 2022/23 the district did not receive funding protection for the first time since 2014/15.

Please note that for the 2023/24 school year the district is expected to be out of funding protection once again. This means that if more students arrive the district will receive additional funding and will not have to worry about funding protection funding being reduced. Conversely should less students arrive the district will received reduced funding.

**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.

	<b>2023</b>	<b>2022</b>	<b>Variance Analysis</b>
Cash	6,037,387	3,385,089	Increased by \$2,652,298 due to timing of capital projects, funding from daycare project received, reduction in Due from LEA.
Due from Province	0	182,000	Balance from last year was made up of Ministry of Education and Child Care grant for ventilation.
Due from LEA	21,537	570,510	Balance of Skidegate and Old Massett Band Council balances as at June 30, 2023.
Other	463,969	305,840	GST rebate approximately \$100,000 of increase.
Accounts Payable Other	1,234,535	1,055,739	Increase of \$178,796 due to timing of disbursements.
Deferred Capital Revenue	34,479,015	27,166,961	Increase of \$7,312,054 due to \$8,431,979 of capital funding received and \$1,119,925 of amortization of capital funding revenue.
Tangible Capital Assets (TCA)	39,246,471	33,191,778	Increase of \$6,054,693 due to \$7,332,851 of capital investments and reduced by \$1,278,158 from amortization of capital assets.



**Schedule of Operating Operations**

	<b>Amended Budget 22/23</b>	<b>Actual 22/23</b>	<b>Actual 21/22 (Restated)</b>	<b>Actual 20/21</b>
Revenues	11,816,957	11,974,601	11,358,741	11,511,768
Expenses & Fund Transfers	12,164,413	11,329,319	11,099,390	11,395,502
Annual Surplus/(Deficit)	(347,456)	645,282	259,351	116,266
Opening Acc. Surplus	1,013,483	1,013,483	754,132	637,866
Closing Acc. Surplus	666,027	1,658,765	1,013,483	754,132

For the 2022/23 Amended Budget the district prepared a balanced budget. The actual results for 2022/23 had a surplus of \$645,282 which added to the opening surplus of \$1,013,483 for new closing surplus of \$1,658,765.

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.

	<b>Amended Budget 2022/23</b>	<b>Actual 2022/23</b>	<b>Actual 2021/22 (Restated)</b>
MECC Grants	7,554,513	7,661,571	7,096,974
Other Prov Grants	223,347	321,686	218,815
Other Revenue	3,969,097	3,903,676	3,976,251
Rentals and Leases	54,000	50,558	56,554
Investment Income	16,000	37,110	10,147
<b>Total Revenues</b>	<b>11,816,957</b>	<b>11,974,601</b>	<b>11,358,741</b>

**MoE Grants:**

**MoE Grants** revenues in the 2022/23 were greater than 2022/23 budgeted revenues by \$107,058 primarily due to LEA recovery being budgeted at a \$3,844,097 recovery and the actual was \$3,761,380.





**Provincial Grants -Other:**

**Provincial Grants - Other** were higher than budget primarily due to the funding from After School Sports and Arts Initiative being greater than the prior year.

**Other Revenues:**

**Other Revenues** were slightly 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*

<b>Operating Fund Expenditure by Object</b>	<b>Amended Budget 2022/23</b>	<b>Actual 2022/23</b>	<b>Actual 2021/22 (Restated)</b>
<b>Salaries</b>			
Teachers	3,257,554	3,107,874	3,255,785
Principals & VPs	1,028,130	939,682	928,605
Education Assistants	648,888	563,367	536,079
Support Staff	1,567,157	1,555,777	1,466,788
Other Professionals	705,199	639,296	761,943
Substitutes	470,762	467,446	443,168
<b>Total Salaries</b>	<b>7,677,690</b>	<b>7,273,442</b>	<b>7,392,368</b>
Employee Benefits	1,757,657	1,605,722	1,592,468
<b>Total Salaries &amp; Benefits</b>	<b>9,435,347</b>	<b>8,879,164</b>	<b>8,984,836</b>
Service & Supplies	2,729,066	2,358,143	2,013,978
Fund Transfers	0	92,012	100,576
<b>Total Service &amp; Supplies and fund transfers</b>	<b>2,729,066</b>	<b>2,450,155</b>	<b>2,114,554</b>
<b>Total Operating Expenditure</b>	<b>12,164,413</b>	<b>11,329,319</b>	<b>11,099,390</b>

**Salaries – Teachers**

Teacher salary expense for the 2022/23 actual was less than amended budget by \$149,680 this was due to the inability to hire and in some cases teachers on leave.





### **Salaries – Principals and Vice Principals (PVP)**

Budgeted PVP salary expense in the 2022/23 amended budget varied by \$88,448 from the 2022/23 actual expense. This budget line item will be reviewed in detail.

### **Salaries – Education Assistants (EA)**

Budgeted Education Assistant wage expense in the 2022/23 amended budget was higher than the 2022/23 actual expense. This budget line item will be reviewed in detail.

### **Salaries – Support Staff**

Budgeted Support Staff salary expense in the 2022/23 amended budget did not vary significantly from the 2022/23 actual expense.

### **Salaries – Other Professionals**

Budgeted Other Professionals salary expense in the 2022/23 amended budget varied from the 2022/23 actual expense as the district had budgeted for an additional part time position and both portions of the IT manager and Operations Manager were charged to capital projects they worked on.

### **Salaries –Substitutes**

Budgeted Substitutes salary expense in the 2022/23 amended budget did not vary significantly from the 2022/23 actual expense.

### **Employee Benefits**

Budgeted Employee benefits expenses in the 2022/23 amended budget was greater than 2022/23 actual expense. This is like the prior year variance, this budget line moving forward will be reduced, the district currently uses twenty-two to twenty-three percent for benefits.

### **Total Service and Supplies and Fund Transfers**

For 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 2022/23 are an estimate of what portion of expenditures will be needed for future capital project work. For Service and Supplies the budgeted 2022/23 was greater than actual by 22%. Both individual service budget and supplies budgets came in lower than estimated. These budget line items will be reviewed in greater detail.



*Analysis of Variance by Function*

<b>Operating Fund Expenditure by Function</b>	<b>Amended Budget 2022/23</b>	<b>Actual 2022/23</b>	<b>Actual 2021/22 (Restated)</b>
Instruction	8,625,807	7,826,932	7,710,588
District Administration	1,026,530	967,226	1,012,944
Operations & Maintenance	2,063,497	2,075,950	1,942,668
Transportation	448,579	367,199	332,614
Fund Transfer		92,012	100,576
<b>Total</b>	<b>12,164,413</b>	<b>11,329,319</b>	<b>11,099,390</b>

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

**District Administration** – district administration actual expenses were below the expected budget due to supplies budgets not being fully utilized.

**Operations & Maintenance and Fund Transfer** –Actual operations and maintenance expenditures were slightly over budget.

**Transportation:** Transportation actual expense is lower than budget due to transportation assistance not being fully utilized. The hiring of drivers and spare drivers as well as prior purchasing of bus repair parts all played a factor.

**Fund Transfers** - fund transfers are not allocated to a function within the budget and financial statements, but largely represent the 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 carryforwards) 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:

	<b>June 30, 2023</b>	<b>June 30, 2022</b>
After School Sports & Arts Initiative	86,985	
Targeted Funds	97,578	122,467
School budgets, Farm to school	49,594	57,653
CF-Youth Wellness Worker	59,941	38,985
Early Career Mentorship	4,807	5,943
Gwaii Trust	12,620	
<b>Internally Restricted</b>	<b>311,525</b>	<b>225,048</b>
Unrestricted	1,347,240	788,435
<b>Total Accumulated Surplus</b>	<b>1,658,765</b>	<b>1,013,483</b>

The district’s accumulated surplus has been slowly increasing. Some of this growth can be accounted for over the last few years due to both the pandemic as well as travel savings. The district does have unrestricted funds which could be used for unforeseen budget pressures. 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 both in building, vehicles and technology. The district with the projected move in to an amalgamated school in Masset and may have some additional staffing costs and capital expenditures in relation to furniture to ensure the building is fully suited as these costs are not part of the amalgamation project.

**Statement of Operations by Fund – Special Purpose Fund**

	<b>Amended Budget 2022/23</b>	<b>Actual 2022/23</b>	<b>Actual 2021/22 (Restated)</b>
Provincial Grants	2,000,656	1,753,764	1,410,376
Other Revenues	350,000	593,564	397,880
Expenditures	2,355,656	2,347,328	1,808,256
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**

	<b>Amended Budget 2022/23</b>	<b>Actual 2022/23</b>	<b>Actual 2021/22 (Restated)</b>
Revenues	1,146,142	1,119,925	1,087,302
Expenses	1,304,336	1,278,158	1,246,937
Local Capital Fund Transfers		92,012	100,576
Change in Accumulated Surplus	(158,194)	(66,221)	(59,059)
Opening Accumulated Surplus	6,568,626	6,568,626	7,361,641
<i>Restated-Asset Retirement Obligation</i>			(733,956)
Closing Accumulated Surplus	6,410,432	6,502,405	6,568,626

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, 2023, the district invested \$7,332,851 in capital additions that were funded by: Annual Facility Grant (AFG) \$455,739, School Enhancement Program (SEP) Sk'aadgaa Naay roofing \$189,000, Gudangaay Tlaats'gaa Naay Seismic upgrade \$6,434,000, Sk'aadgaa Naay flooring \$149,000, GidGalang Kuuyas Naay plumbing upgrades \$62,000, Carbon Neutral GidGalang Kuuyas Naay Boiler upgrade \$29,000, Gudangaay Tlaats'gaa Naay Daycare \$14,112.

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.



**Statement of Operations by Fund – Capital Fund Cont’d**

- MECC 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*.

The table below presents the 2022/23 closing balances in Local Capital and MECC Restricted Capital and what portion of the balances are already committed to future capital investment.

	<b>Local Capital</b>	<b>MECC Restricted Capital</b>
Balance as at June 30, 2023	1,362,371	7,405
Committed for future investment	1,000,000	Nil
Technology One to One program	250,000	Nil
Total Remaining	112,371	7,405

Commitment explained:

The committed for future investment is for the partial demolition of Tahayghen. In addition, the district operates a one-to-one technology program with a refresh goal of once every six years. The district will add funds to the Local Capital account when possible, in the event the district needs to replace an HVAC unit or a gym floor or roofing that is not supported from a capital grant this account will be utilized when possible.

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 or via email at [kblack@sd50.bc.ca](mailto:kblack@sd50.bc.ca).