

# Financial Statement Discussion and Analysis

For the Year Ended June 30, 2023

The following is a discussion and analysis of the District’s financial performance for the fiscal year ended June 30, 2023. It is based on currently known facts, decisions, and conditions. The purpose of the Financial Statement Discussion and Analysis is to highlight information and provide explanations which enhance the reader’s understanding of the District’s financial statements. This analysis is only an introduction and should be read in conjunction with the District’s financial statements for the same period. The preparation of the Financial Statement Discussion and Analysis is the responsibility of the management of the District.

## Table of Contents

- Overview of the School District..... 2
- Understanding the Financial Statements ..... 3
- Financial Highlights..... 4
- Enrollment and Staffing..... 4
- Statement of Financial Position..... 5
- Statement of Operations..... 7
- Accumulated Surplus (Deficit) ..... 8
- Operating Fund..... 9
- Special Purpose Fund ..... 10
- Capital Assets ..... 12
- Contacting the School District’s Financial Management..... 12



Copyright PNG Transparent Images

## OVERVIEW OF THE SCHOOL DISTRICT

School District 28 Quesnel serves the communities of Quesnel, Wells and Nazko. The District serves approximately 3,000 students and employs approximately 600 staff. There are 12 elementary schools, one junior school, one secondary school, one alternate school and a distance learning school. Seven trustees make up the Board of Education and engage in the development of a strategic plan, building the vision, mission, values and priorities which will set the stage for the District.

The School District is located on the traditional and unceded territory of the Lhtako Dene Nation. Approximately one-third of the student population is of Indigenous ancestry. Indigenous students from the First Nations of Nazko, Lhtako, ?Esdilagh, and Lhoosk'uz, as well as students who are Métis, and Inuit attend School District 28 schools. School District 28 is committed to true and lasting reconciliation with Indigenous peoples. Our Indigenous partnerships are essential to the success of this plan and together we will journey toward a better future.

**The mission, vision and values guide all decisions, made by the Board of Education.**

### Mission

The Mission of the Quesnel School District is to inspire all students to embrace learning as a way of life and create quality learning environments, that nurture safe and positive relationships and honour diverse and individual student differences which will enable students to be responsible citizens of the global community.

### Vision

As humble leaders in education we aim to nurture the individual distinctions of students and staff to prepare all students to excel in an ever-changing world.

### Values

#### *Together we can...*

Put Students at the Center  
Be Caring and Respectful  
Collaborate with all Partners  
Be Innovative and Resourceful  
Ensure Equity and Inclusion  
Be Invested in Students and Staff



## UNDERSTANDING THE FINANCIAL STATEMENTS

The District uses fund accounting and deferral accounting and each of its funds has specific restrictions in accounting for funds received and expended. These methods are primarily used in the public sector where the goal is to avoid budget deficits while providing the greatest benefits to the public by strategically allocating the resources that are available. In this respect, school districts are expected to ensure that resources are allocated in the most efficient way possible to achieve the goals for students.

### The two key audited statements are:

- Statement of Financial Position – summarizes the combined assets and liabilities at June 30<sup>th</sup>.
- Statement of Operations – summarizes the combined revenues received and expenses incurred during the twelve months between July 1 and June 30. This statement provides an indication of the funding received by the District and how that funding was spent.



A Statement of Changes in Net Debt, Statement of Cash Flows and the Notes to the Financial Statements are also audited and provide further analysis of District finances.

The schedules at the end of the notes to the financial statements are in a format prescribed by the Ministry of Education and Childcare (MECC). These schedules provide more detail specific to each of the three funds (Operating, Special Purpose and Capital funds). The balances in these schedules are consistent, when combined together, with the financial statements. These schedules are comprised of:

- **Schedule 1: Accumulated Surplus** – summarizes the surplus for the year and accumulated surplus amounts from each of the three funds.
- **Schedule 2: Operating Fund** - accounts for the District's daily operating transactions. Annual and accumulated surplus within the operating fund are an important indication of financial health. School districts are unable to incur an accumulated deficit position. When the District has an available accumulated surplus balance, those funds are available to use for future expenses and to reduce the financial risk of unforeseen circumstances. The operating fund is where most of the District's operations are reported.
- **Schedule 3: Special Purpose Fund** - accounts for grant and other contributions whereby spending is for specific activities. As these are targeted funding, any unspent funds are accounted as deferred revenue, not accumulated surplus.
- **Schedule 4: Capital Fund** - reports investments in and financial activities related to tangible capital assets, including land, buildings, furniture, computers and equipment. Capital contributions are accounted for using the deferral method. Recognition of the capital funding revenue is spread out over the life of the related capital asset to match the amortization expense. Therefore, capital fund revenues reflected in the financial statements are not a reflection of actual funding received in a year.

## FINANCIAL HIGHLIGHTS

During the year, the District managed several large capital projects including:

- Completion of the new Quesnel Junior School to be opened in September 2022
- Purchase of Land for a future Carson Elementary
- Various others including roof, lighting, flooring and classroom upgrades

**Other Significant Events:**

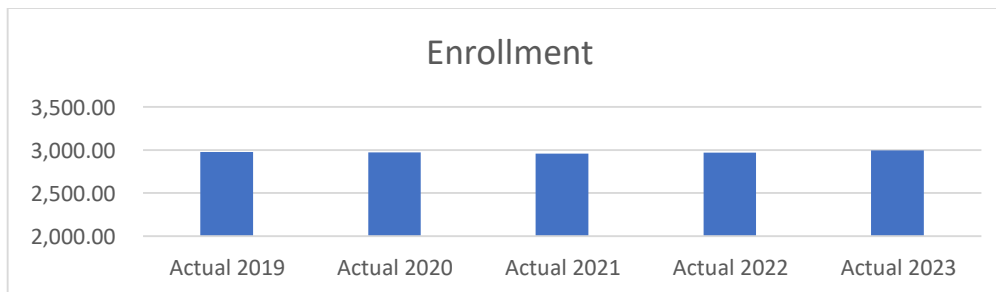
- The Board approved a budget for 2022/2023 school year of the reinvestment of accumulated surplus dollars of \$485,600. The District realized a surplus of \$140,410. The entire reinvestment plan was not realized due to difficulties hiring new staff to fill vacant positions.

**Overall as of June 20, 2023, the District has strong financial health. This strong financial health can be contributed to sound financial management, planning and governance and is illustrated throughout this report.**

## Enrollment and Staffing

The operations of the District are dependent on continued grant funding from MECC primarily based on student enrollment, students identified with special needs and other demographic and geographical factors. Expenditures are primarily associated with staffing and related compensation and benefits. Student enrollment and staffing levels are reflected below.

Enrollment has been consistent for the past 5 years. Staffing and expenses are adjusted each year to match enrollment and student needs.



Staffing is the most significant operational expenditure of school districts. There was an increase to support staff for additional educational assistants/youth care workers to meet the needs of students. The following table is in Full Time Equivalent (FTE), the headcount is approximately 600 employees.

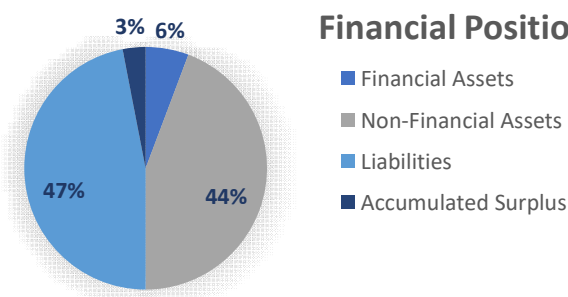
Full Time Equivalent (FTE)	22/23	21/22	Variance
Teachers	199	201	2
Principals and Vice Principals	21	21	-
Support Staff	201	192	9
Other Professionals	9	9	-
	430	423	7

## STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position is a consolidated snapshot of the District's financial position and includes all three funds (operating, special purpose and capital).

The following table provides a comparative analysis of the District's Net Financial Position for the fiscal years ending June 30, 2023 and 2022 with a review of the more significant year over year changes discussed below.

Statement of Financial Position (In Thousands)	Jun 2023	Jun 2022	Increase (Decrease)	
	Actual \$	Actual \$	\$	%
Cash & Cash Equivalents	9,780	6,250	3,530	56%
Receivable Due from Province - MECC	563	4,536	(3,973)	-88%
AR Other	159	286	(127)	-44%
<b>Total Financial Assets</b>	<b>10,502</b>	<b>11,072</b>	<b>(570)</b>	<b>-5%</b>
Accounts Payable & Accrued Liabilities	4,217	5,083	(866)	-17%
Unearned Revenue	2	50	(48)	-96%
Deferred Revenue	834	805	29	4%
Deferred Capital Revenue	72,269	63,561	8,708	14%
Employee Future Benefits	919	941	(22)	-2%
Asset Retirement Obligation	5,176	5,176	0	0%
Other Liabilities	2,666	2,551	115	5%
<b>Total Liabilities</b>	<b>86,083</b>	<b>78,167</b>	<b>7,916</b>	<b>10%</b>
<b>Net Financial Assets (Debt)</b>	<b>(75,581)</b>	<b>(67,095)</b>	<b>(8,486)</b>	<b>13%</b>
Tangible Capital Assets	80,525	70,042	10,483	15%
Restricted Assets (Endowments)	122	122	0	0%
Prepaid Expenses	485	417	68	16%
Supplies Inventory	27	46	(19)	-41%
<b>Total Non-Financial Assets</b>	<b>81,159</b>	<b>70,626</b>	<b>10,533</b>	<b>15%</b>
<b>Accumulated Surplus (Deficit)</b>	<b>5,578</b>	<b>3,531</b>	<b>2,047</b>	<b>58%</b>



Financial Assets are assets that can be used to discharge liabilities and provide working capital funds in the normal course of operations. There was a small decrease in financial assets from the prior year resulting from the construction of the new Quesnel Junior School. The accounts receivable balance has decreased with the near completion of the project offset by an increase in cash as the final expenses become payable.

Liabilities are obligations of the District to others arising from prior transactions, the settlement of which will require the use of current and future financial assets. The increase in liabilities from the prior year is resulted from the construction of the new Quesnel Junior School which increased deferred capital revenue.

Non-financial assets are assets that cannot be traded on the financial market and whose value is derived by its physical net worth.

- Tangible capital assets (TCA) include buildings, equipment, furniture, technology and vehicles purchased, constructed or contributed to the District. The balance in the financial statements is the historical cost of the assets less accumulated amortization to June 30, 2023. The increase in TCA is comprised of new assets purchased totaling \$14.6M less amortization of \$2.5M less write-off of Maple Drive school \$1.6M.
- Prepaid expenses result from the District making advanced payments for goods or services to be received in the future. The amount is initially recorded as an asset, but their value is expensed over time onto the income statement.
- Accumulated surplus or deficit represents the net assets or debt of the District. The District incurred a surplus for the 2022/23 fiscal year and continues to be in an accumulated surplus position.

The District has a strong financial position. In addition to the information above the current ratio is another indicator of a healthy financial position. Current ratio is a liquidity ratio that measures the District’s ability to pay off its current liabilities with current assets. A ratio greater than one is desirable as it means the District has the ability to pay current liabilities as they are due. A ratio of less than one indicates that the District would have to borrow to meet short term obligations.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$



The District’s ratio is well above one and shows a healthy financial position.

## STATEMENT OF OPERATIONS

The Statement of Operations is a consolidated snapshot of the District's revenue and expenses and includes all three funds (operating, special purpose and capital).

Statement of Operations (In Thousands)	Operating	Special Purpose	Capital	Total	Jun	Increase		
					2022	(\$)	(%)	
<b>Revenues</b>								
Provincial Grants								
MECC	38,757	3,849	1,920	44,526	39,792	4,734	12%	
Other	0	4	0	4	0	4	0%	
Other revenue	43	725	0	768	523	245	47%	
Gain (Loss) on Disposal of Capital			45	45		45		
Rentals and Leases	190	0	0	190	191	(1)	-1%	
Investment Income	291	4	0	295	40	255	638%	
Amort of Deferred Capital Rev	0	0	2,156	2,156	1,392	764	55%	
<b>Total Revenue</b>	<b>39,281</b>	<b>4,582</b>	<b>4,121</b>	<b>47,984</b>	<b>41,938</b>	<b>6,046</b>	<b>14%</b>	
<b>Expenses</b>								
Instruction	30,454	4,317	0	34,771	32,533	2,238	7%	
District Administration	1,985	0	0	1,985	1,842	143	8%	
Operations and Maintenance	4,105	179	2,135	6,419	5,444	975	18%	
Transportation and Housing	2,266	86	411	2,763	2,520	243	10%	
<b>Total Expenses</b>	<b>38,810</b>	<b>4,582</b>	<b>2,546</b>	<b>45,938</b>	<b>42,339</b>	<b>3,599</b>	<b>9%</b>	
<b>Surplus (Deficit) for the year</b>	<b>471</b>	<b>0</b>	<b>1,575</b>	<b>2,046</b>	<b>(401)</b>	<b>2,447</b>	<b>-610%</b>	
<b>Net Transfers (to) from other funds</b>	<b>(331)</b>	<b>0</b>	<b>331</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>	
<b>Accum Surplus (Deficit), opening</b>	<b>2,052</b>	<b>122</b>	<b>1,358</b>	<b>3,532</b>	<b>3,933</b>	<b>(401)</b>	<b>-10%</b>	
<b>Accum Surplus (Deficit), closing</b>	<b>2,192</b>	<b>122</b>	<b>3,264</b>	<b>5,578</b>	<b>3,532</b>	<b>2,046</b>	<b>58%</b>	

Understanding the Statement of Operations is made easier by understanding the changes that occurred in each fund. The sections following the Statement of Operations review go into more details for each fund.

Revenue for the District are almost entirely derived from MECC funding and are subject to change year over year depending on enrollment and various government programs and initiatives.

Expenses can be reviewed by four functions:

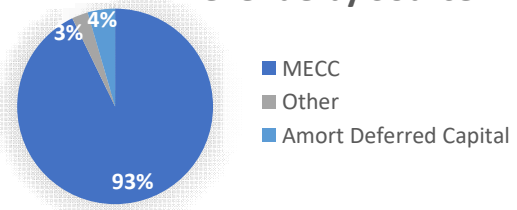
**Instruction:** expenses related to the instruction of students.

**District Administration:** expenses related to district governance and district administration of education, business and human resources.

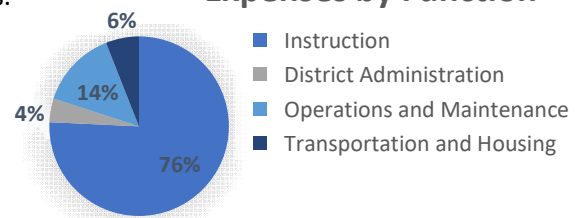
**Operations and Maintenance:** expenses related to the operation, maintenance and safety of buildings and equipment.

**Transportation:** expenses involved with the transportation of students.

### Revenue by Source



### Expenses by Function



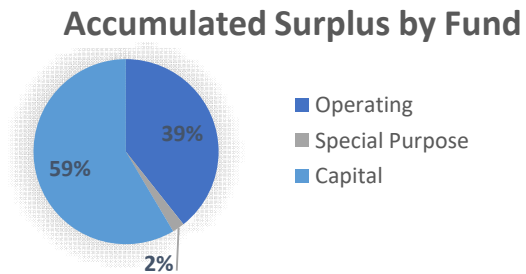


## ACCUMULATED SURPLUS (DEFICIT)

Accumulated Surplus (Deficit) equals the contingency reserve for the District and represents the net assets or debt of the District. The District had a surplus for the 2022/23 fiscal year and continues to be in an accumulated surplus position.

The Accumulated Surplus consists of balances from the three funds:

- Operating (usable cash for the District with restrictions)
- Special purpose fund (endowment funds; restricted funds with specific purpose)
- Capital (the majority of the surplus balance 59%; not usable cash for the District)



	Jun 2023	Jun 2022	Increase (Decrease)	
<b>Accumulated Surplus</b>	\$	\$	\$	%
Operating Fund	2,192	2,052	140	7%
Special Purpose Fund	122	122	0	0%
Capital Fund	3,264	1,358	1,906	140%
<b>Accumulated Surplus</b>	<b>5,578</b>	<b>3,532</b>	<b>2,047</b>	<b>58%</b>

Operating contingency reserves are necessary to cover emergent operating issues and to offset unrealized revenues.

Eligible expenses for operating contingency reserves include:

- Elimination of any deficit at the end of a fiscal year
- Cost pressures during the year
- Initial one-time and intermittent projects
- Coverage for disaster recovery expenditures
- Replacement of essential equipment
- To appropriate to balance the next year's budget

The operating fund accumulated surplus ("reserve") is the only surplus in the District's control and can be used to balance the budget. The Board had approved a one-time reinvestment of operating accumulated surplus of \$458,600 for the year end June 2023. The District realized a surplus of \$140,410. The reinvestment dollars spend were less than planned due to challenges with filling staffing positions.

The capital fund accumulated surplus change is a difference between the amortization of Deferred Capital Revenue (funds received from MECC for capital asset purchases) and amortization of Tangible Capital Assets.

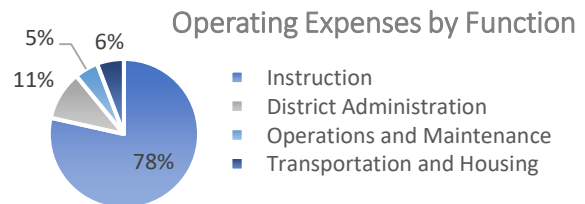
## OPERATING FUND

Operating Operations (In thousands)	2022/2023 Actual	2022/2023 Budget	2021/2022 Actual	Variance to Budget	Variance to 22/23
<b>Revenues</b>					
Provincial Grants					
Ministry of Education	38,757	38,746	36,304	11	2,453
Other Revenue	43	65	44	(22)	(1)
Rentals and Leases	190	191	191	(1)	(1)
Investment Income	291	200	36	91	255
<b>Total Revenue</b>	<b>39,281</b>	<b>39,202</b>	<b>36,574</b>	<b>79</b>	<b>2,707</b>
<b>Expenses</b>					
Instruction	30,454	30,678	28,817	(224)	1,637
District Administration	1,985	2,048	1,842	(63)	143
Operations and Maintenance	4,105	4,252	3,880	(147)	225
Transportation and Housing	2,266	2,272	2,061	(6)	205
<b>Total Expenses</b>	<b>38,810</b>	<b>39,250</b>	<b>36,600</b>	<b>(440)</b>	<b>2,210</b>
<b>Operating Surplus (Deficit) for the year</b>	<b>471</b>	<b>(48)</b>	<b>(26)</b>	<b>519</b>	<b>497</b>
<b>Budgeted Appropriation of Surplus</b>	<b>0</b>	<b>458</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Transfers to Capital Fund</b>	<b>(331)</b>	<b>(410)</b>	<b>(206)</b>	<b>79</b>	<b>(125)</b>
<b>Total Operating Surplus (Deficit)</b>	<b>140</b>	<b>0</b>	<b>(232)</b>	<b>598</b>	<b>372</b>

MECC funding makes up 98.7% of total operating revenue for the District, this means the District is almost solely reliant on the Base Operating Grant which is calculated mainly on student enrollments. The operating fund revenue increased by \$2.7M due to an increase in per student funding from the government and labour settlement funding. Overall, expenses increased by \$2.2M due mainly to an increase to all wages per the collective agreements.

The cost of instruction plus busing the students to school comprises 84% of the cost of the District. With the remaining 16% left to maintain the facilities and management of the District. Staffing is the most significant operational expenditure of school districts. The staffing for the District makes up 90% of the operating expenses.

The actual operating revenue was \$79,000 higher than budgeted due to an increased in interest revenue. Expenses were lower than budgeted by \$440,000, this was mainly due to difficulties with hiring new staff for vacant positions.



## SPECIAL PURPOSE FUND

The Special Purpose funds are utilized to track funding for designated purposes. The balances can often be deferred to subsequent years for the intended purpose. Some of the funds require MECC approval to carry forward and other funds that carry a surplus at the end of the year reduce the funding received in the next fiscal year.

Special Purpose Fund (SPF) (In thousands)	2022/2023 Actual	2022/2023 Budget	2021/2022 Actual	Variance to Budget	Variance to 21/22
Provincial Grants	3,853	4,104	3,489	(251)	364
Other Revenue	725	611	480	114	245
Investment Income	4	3	3	1	1
<b>Total Revenue</b>	<b>4,582</b>	<b>4,718</b>	<b>3,972</b>	<b>(136)</b>	<b>610</b>
Instruction	4,317	4,404	3,716	(87)	601
District Administration	0	0	0	0	0
Operations and Maintenance	179	179	175	0	4
Transportation and Housing	86	135	81	(49)	5
<b>Total Expenses</b>	<b>4,582</b>	<b>4,718</b>	<b>3,972</b>	<b>(136)</b>	<b>610</b>
<b>SPF Surplus (Deficit) for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Transfers to Capital Fund</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total SPF Surplus (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Special purpose revenue and expenses increased from the prior year mainly due to the one-time Student and Family Affordability funding of \$518,000. The actual results versus budget are similar and differ mainly due to amounts carried forward to the next year.



Special purpose funds are mainly funded from MECC for specific programs and initiatives. Other significant special purpose funding mainly comes from school generated funds, Breakfast Clubs of Canada, scholarships and bursaries.

	Opening Jun 22	Revenue	Expense	Closing Jun 23
<b>Ministry of Education Grants</b>				
Annual Facility Grant	-	179,130	179,130	-
Classroom Enhancement Fund	-	2,196,090	2,196,090	-
Community Links	-	518,488	518,488	-
Early Learning	7,933	357,400	333,586	31,747
First Nation Student Transportation	123,486	11,768	86,464	48,790
French Language	11,852	95,751	92,328	15,275
Learning Improvement Fund	-	126,106	126,106	-
Mental Health in Schools	64,321	55,000	119,321	-
Student & Family Affordability	-	357,657	201,941	155,716
<b>Other Special Purpose Funds</b>				
Breakfast Club	132,658	31,941	109,566	55,033
Career Grants	58,189	30,940	40,612	48,517
Scholarships and Bursaries	141,295	49,269	32,900	157,664
School Generated Funds	231,916	529,587	469,097	292,406
Various	33,456	72,308	76,632	29,132
<b>Total</b>	<b>805,106</b>	<b>4,611,435</b>	<b>4,582,261</b>	<b>834,280</b>

The closing balance represents carry forward balances available for next year. These amounts are shown as deferred revenue on the Statement of Financial position because the spending of these dollars are restricted based on initial contracts.

## CAPITAL ASSETS

Tangible Capital Assets (Net of Amortization, in Thousands of Dollars)

	Beginning	Ending	\$ Change	% Change
Sites	2,843	4,763	1,920	68%
Buildings	62,334	69,735	7,401	12%
Furniture & Equipment	1,380	2,351	971	70%
Vehicles	2,661	2,500	(161)	-6%
Computer Software	316	277	(38)	-12%
Computer Hardware	509	899	390	77%
	70,042	80,525	10,483	15%

The major change to capital assets is for Quesnel Junior School which has increased Buildings by \$10.7 million. The District invested \$14.5 million in capital additions. Funding for these additions came from the following sources: \$14.2 million from the MECC and \$0.3 million from the District Operating Fund.

### Ministry of Education

Quesnel Junior School Replacement	10,678,745
Carson Land Purchase	1,920,000
Carson Emergent Project	39,345
Lakeview Exterior Envelope	540,356
Lighting Upgrades	518,029
Correliou interior upgrades	101,698
Correliou Gym Changeroom reno	84,446
Nazko Roof	147,910
HVAC Upgrades	175,737
General Facility upgrades	81,110
<b>Total</b>	<b>14,287,376</b>

### District Operating Funds

District Truck	55,708
Loader	136,293
District Van	57,659
Website	81,538
<b>Total</b>	<b>331,198</b>

## CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's stakeholders with a general overview of the District's finances and to demonstrate the 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 250-992-8802.