

2019/20

FINANCIAL STATEMENT DISCUSSION & ANALYSIS



SCHOOL DISTRICT NO. 62 (SOOKE)

**SCHOOL DISTRICT NO. 62 (SOOKE)
FINANCIAL STATEMENT DISCUSSION AND ANALYSIS (FSDA)
YEAR ENDED JUNE 30, 2020**

The discussion and analysis of School District 62's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2020. The intent of the Financial Statement Discussion and Analysis (FSDA) is to look at the District's performance as a whole. The FSDA should be read in conjunction with the financial statements and note disclosures to enhance the overall understanding of School District 62's performance.

THE SCHOOL DISTRICT

The District has approximately 11,400 students and serves the communities of Sooke, Port Renfrew, Metchosin, Highlands, Langford and Colwood. Surrounded by forests, ocean, mountains and lakes, we are located a short distance from Victoria, the capital city of the province of British Columbia. The District is one of the fastest growing school districts in the province.

The governing body of the School District is a Board of Education of seven school trustees who are each elected for a four-year term. The day-to-day matters are managed by the administrative staff of the School District, headed by the Superintendent of schools.

Our Vision

We honour student voice and choice through engaging, purposeful and experiential learning in a safe and respectful community.

Our Values

– Relationships – Choice – Respect – Integrity – Trust – Safety

FINANCIAL HIGHLIGHTS

The financial statements provide these insights into the results of this year's operations:

COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020 and has had a significant financial, market and social dislocating impact worldwide. Under direction of the Provincial Health Officer, all schools suspended in-class instruction in March 2020 and the District remained open to continue to support students and families in a variety of ways. Parents were given the choice to send their children back to school on a gradual and part-time basis beginning June 1 with new health and safety guidelines.

Although the uncertain nature of the pandemic made it extremely difficult to project what the financial and operational impacts on the District would be, it became increasingly likely that the pandemic would impact the finances and operations of the District in 2020/21. To maintain existing infrastructure and program services for the next fiscal (2020/21), the Board approved a one-time reserve threshold of 4% of operating expenses - an increase from the reserve threshold of 2% of operating expenses stated in the reserve policy. To build up the reserve available for 2020/21, the District focused on core services and restricted non-essential expenditures for the remainder of the 2019/20 school year. Combined with the restricted in-class instruction in the fourth quarter, this resulted in Operating Fund savings in services and supplies, employee benefits, and substitutes salaries.

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YEAR ENDED JUNE 30, 2020**

Operating Fund

- For the fiscal year 2019/20, the District Operating Fund had a surplus of \$2,477,275 (\$116,724,227 in revenues and \$114,246,952 in total expense and capital asset purchases). When added to the balance at the beginning of the year, the accumulated surplus in the Operating Fund ended the year with a balance of \$7,192,890.
- This year-end balance is fully restricted for the following purposes:
 - Due to the nature of constraints on funds: \$ 479,356
 - Due to operations spanning the school year: \$ 1,917,197
 - Due to unanticipated unusual expenses: \$ 4,796,337

Special Purpose Funds

- Special Purpose Funds had \$20,307,848 in total expenditures – an increase of 1% (\$0.3M) from the prior year.

Capital Fund

- The District had \$45,915,188 in tangible capital asset additions in the year – an increase of 50% (\$15.4M) from the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

The District's financial statements include a Statement of Financial Position (Statement 1), Statement of Operations (Statement 2), Statement of Changes in Net Financial Assets (Debt) (Statement 4), Statement of Cash Flows (Statement 5), and note disclosures.

These statements present aggregated information and serve as a means by which the District demonstrates its accountability for the resources, obligations and financial affairs for which it is responsible. They report information required to make assessments of and judgments on government financial operations and management.

As the Statement of Financial Position and Statement of Operations will be of particular concern to the users of the financial statements, the focus of this discussion and analysis will be on these two statements.

**SCHOOL DISTRICT NO. 62 (SOOKE)
FINANCIAL STATEMENT DISCUSSION AND ANALYSIS (FSDA)
YEAR ENDED JUNE 30, 2020**

STATEMENT OF FINANCIAL POSITION

The statement of financial position reports the financial position of the District at the financial statement date. Four key figures help describe the financial position of the District at the financial statement date: financial assets; non-financial assets; liabilities; and accumulated surplus or deficit.

	FY20	FY19	INCR / (DECR)	INCR /
FINANCIAL POSITION	ACTUAL	ACTUAL	FROM	(DECR)
(in \$ thousands)	A	B	C = A-B	D = C/B
			PRIOR YEAR	%
TOTAL FINANCIAL ASSETS	31,477	25,869	5,609	22%
TOTAL NON FINANCIAL ASSETS	326,634	288,196	38,438	13%
TOTAL ASSETS	358,111	314,065	44,047	14%
TOTAL LIABILITIES	221,581	205,056	16,525	8%
ACCUMULATED SURPLUS	136,531	109,009	27,522	25%

The **financial assets** are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations (such as inventory). As at the statement date, the District had financial assets of \$31.5M which is a 22% (\$5.6M) increase from the \$25.9M held the prior year.

The **non-financial assets** of the District are assets that are, by nature, normally for use in service provision and include purchased, constructed, contributed, developed or leased capital assets, and prepaid expenses. As at the statement date, the District had non-financial assets of \$326.6M which is a 13% (\$38.4M) increase from the \$288.2M held the prior year.

The **liabilities** are present obligations of the District to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. As at the statement date, the District had liabilities of \$221.6M which is an 8% (\$16.5M) increase from the \$205.1M held the prior year.

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YEAR ENDED JUNE 30, 2020

The **accumulated surplus or deficit** of the District is calculated as the sum of the total assets less the liabilities of the District. This indicator represents the net assets of the District.

	FY20	FY19	INCR / (DECR)	INCR /
ACCUMULATED SURPLUS / (DEFICIT)	ACTUAL	ACTUAL	FROM	(DECR)
(in \$ thousands)	A	B	C = A-B	D = C/B
			PRIOR YEAR	%
ENDOWMENTS	673	643	31	5%
INVESTED IN CAPITAL ASSETS	128,664	102,571	26,094	25%
LOCAL CAPITAL	-	1,080	(1,080)	-100%
OPERATING - RESTRICTED	7,193	4,716	2,477	53%
TOTAL ACCUMULATED SURPLUS	136,531	109,009	27,522	25%

As at the statement date, the District had an accumulated surplus of \$136.5M which is a 25% (\$27.5M) increase from the \$109.0M held the prior year. The increase largely is a result of the two elementary school site acquisitions (one in Royal Bay and the other in south Langford) along with site development costs for the Pexsisen Elementary and Centre Mountain Lellum Middle School.

SCHOOL DISTRICT NO. 62 (SOOKE)
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STATEMENT OF FINANCIAL POSITION METRICS

The following are some statement of financial position metrics that indicate the financial health of the District.

Working capital ratio / Current ratio is an indication of the ability of the District to meet its current financial obligations from the liquid assets it has at a point in time. The ratio is calculated as current assets divided by current liabilities.

If the ratio is less than 1.0, then the District may have trouble paying back creditors. If the ratio is greater than 1.0, then the District has working capital and may have the potential to invest and grow.

The District had a ratio of 1.55 as at June 30 2020, which is consistent with the prior year and significantly less than the current ratio of 3.10 of all the school districts in the province noted in the 2010 Office of the Auditor General Report on Management of Working Capital by Colleges and School Districts. The District's current ratio is also consistent with neighbouring districts SD61 (1.34) and SD63 (1.54) from 2018/19.

Cash asset ratio is a measure of the District's ability to pay its short-term obligations. The ratio is calculated as cash and cash equivalents divided by total current liabilities. The District had a ratio of 1.22 as at June 30 2020 which is a slight decrease over the 1.38 ratio from the prior year. The District's ratio is within the Office of the Comptroller General of BC suggested ratio of greater than 1.0 and is consistent with neighbouring districts SD61 (1.27) and SD63 (1.25) from 2018/19.

				INCR / (DECR)
		FY20	FY19	FROM
	STATEMENT OF FINANCIAL POSITION METRICS (in \$ thousands)	ACTUAL	ACTUAL	PRIOR YEAR
	CURRENT ASSETS			
	CASH AND CASH EQUIVALENTS	\$ 26,020	\$ 23,396	\$ 2,624
	ACCOUNTS RECEIVABLE	\$ 5,457	\$ 2,339	\$ 3,118
	PORTFOLIO INVESTMENTS	\$ -	\$ 133	\$ (133)
	PREPAID EXPENSES (excluding the prepaid lease)	\$ 1,602	\$ 695	\$ 907
	OTHER ASSETS	\$ -	\$ 100	\$ (100)
A	TOTAL CURRENT ASSETS	\$ 33,079	\$ 26,663	\$ 6,416
	CURRENT LIABILITIES			
	ACCOUNTS PAYABLE	\$ 14,619	\$ 8,697	\$ 5,923
	UNEARNED REVENUE	\$ 3,328	\$ 4,318	\$ (990)
	DEFERRED REVENUE (SPF BALANCES)	\$ 1,408	\$ 1,381	\$ 28
	DEFERRED CAPITAL REVENUE (UNSPENT)	\$ 2,018	\$ 2,526	\$ (508)
B	TOTAL CURRENT LIABILITIES	\$ 21,373	\$ 16,921	\$ 4,452
	WORKING CAPITAL			
	LONG TERM LIABILITIES: EMPLOYEE FUTURE BENEFITS	\$ 4,513	\$ 3,947	\$ 566
	ACCUMULATED SURPLUS - LOCAL CAPITAL	\$ -	\$ 1,080	\$ (1,080)
	ACCUMULATED SURPLUS - OPERATING FUND - RESTRICTED	\$ 7,193	\$ 4,716	\$ 2,477
C = A-B	TOTAL WORKING CAPITAL	\$ 11,706	\$ 9,742	\$ 1,964
D = A/B	CURRENT RATIO = CURRENT ASSETS / CURRENT LIABILITIES	1.5477	1.5758	-0.03
	CASH ASSET RATIO = CASH AND CASH EQUIVALENTS / CURRENT LIAB	1.2174	1.3826	-0.17

STATEMENT OF OPERATIONS

The Statement of Operations reports the surplus or deficit from operations in the accounting period. The statement displays the cost of District services provided in the period, the revenues it has recognized in the period and the difference between them.

The Statement of Operations consolidates all revenues and expenses by function reported for the Operating (Schedule 2), Special Purpose (Schedule 3) and Capital funds (Schedule 4).

The Operating Fund is where the majority of the District's operations are reported. As this will be of particular concern to the users of the financial statements, considerable focus and analysis is provided on the Operating Fund.

OPERATING FUND

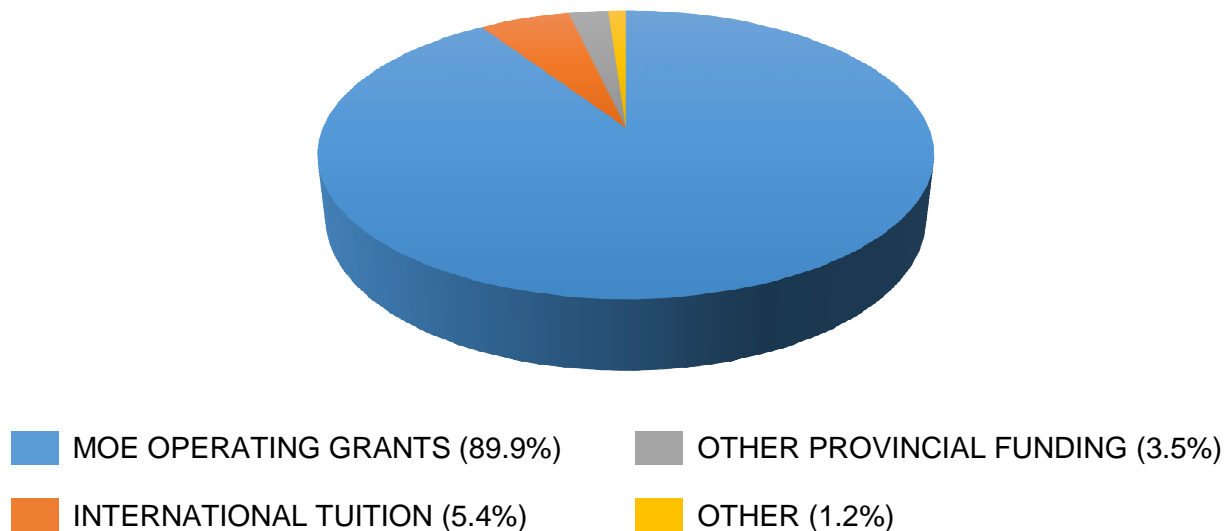
The Operating Fund is comprised of four components: revenues, expenses, tangible capital assets purchased, and operating surplus or deficit. The summary schedule for the Operating Fund can be found in Schedule 2 – the Schedule of Operating Operations in the financial statements.

REVENUES

The summary schedule for the District operating revenues can be found in Schedule 2A – the Schedule of Operating Revenue by Source.

The most significant District operating revenues are generated from three sources: the operating grant, international tuition, and other Ministry of Education grants.

OPERATING REVENUE ALLOCATION



SCHOOL DISTRICT NO. 62 (SOOKE)
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The District's operating revenues of \$116.7M increased by 6% (\$6.5M) over the prior year. Against a budget of \$115.0M, the \$116.7M in revenues resulted in savings of 2% (\$1.8M).

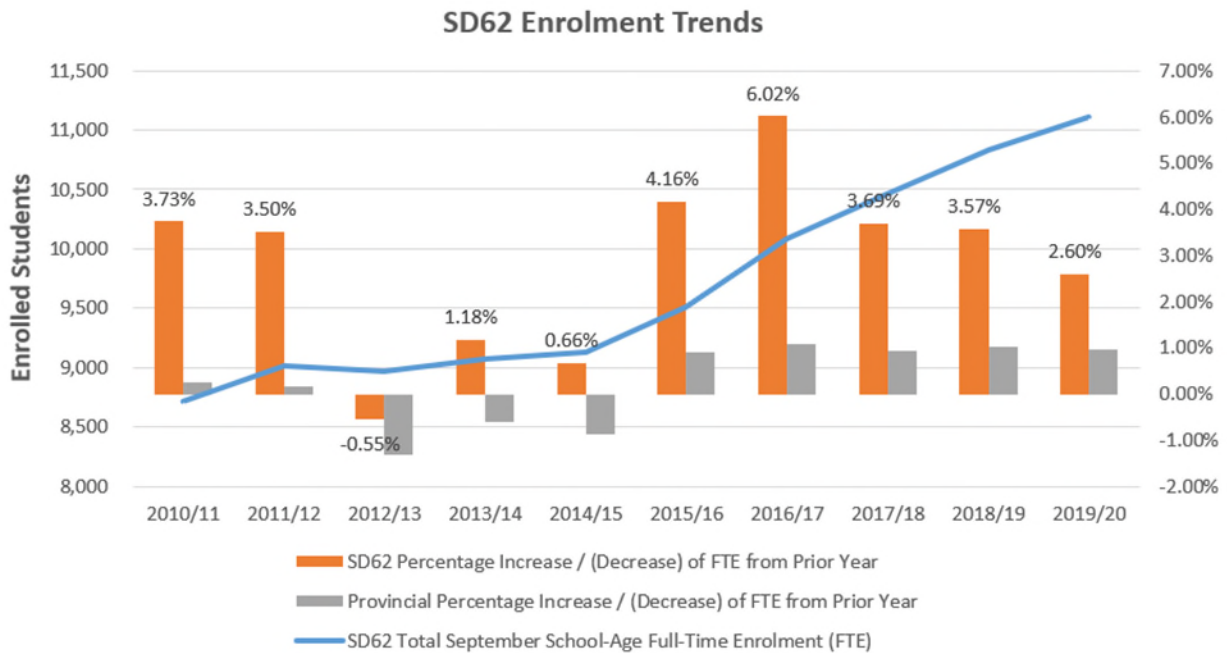
	BUDGET	ACTUAL	ACTUAL	SAVINGS /	SAVINGS /	INCR / (DECR)	INCR /
	FY20	FY20	FY19	(PRESSURE)	(PRESSURE) %	FROM	(DECR)
				FY20	FY20	PRIOR YEAR	%
OPERATING REVENUES (in \$ thousands)	A	B	C	D = A-B	E = D/A	F = B-C	G = F/C
MOE OPERATING GRANTS	104,465	104,955	99,820	490	0%	5,135	5%
OTHER PROVINCIAL FUNDING	2,224	4,029	1,921	1,805	81%	2,108	110%
NET LEA FUNDING	-	-	30	-	100%	(30)	(100%)
CONTINUING ED TUITION	110	111	96	1	1%	14	15%
INTERNATIONAL TUITION	6,860	6,303	6,927	(557)	(8%)	(624)	(9%)
MISCELLANEOUS	571	558	649	(13)	(2%)	(91)	(14%)
RENTALS AND LEASES	389	358	436	(30)	(8%)	(78)	(18%)
INVESTMENT INCOME	354	410	351	56	16%	59	17%
TOTAL OPERATING REVENUES	114,973	116,724	110,231	1,752	2%	6,493	6%

The \$1.8M in savings was largely from other provincial funding (\$1.8M) and the Operating Grant (\$0.5M) offset by a pressure from International Tuition (\$0.6M).

Operating Grant

The Funding Allocation System allocates the General Operating Grants using individual district enrolments and specific factors that apply to each school district.

As highlighted in the graph below, enrolment has significantly increased over the past decade.



For the past four years, the District has seen enrolment increases of between 2.5% to 6.0% over the prior year compared to enrolment increases of between 0.9% to 1.1% province-wide.

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YEAR ENDED JUNE 30, 2020

The upward trajectory of student enrolment continued in the 2019/20 school year. As detailed in the table below, there was a 3.7% (505.75 FTE) increase in total enrolment from the prior year.

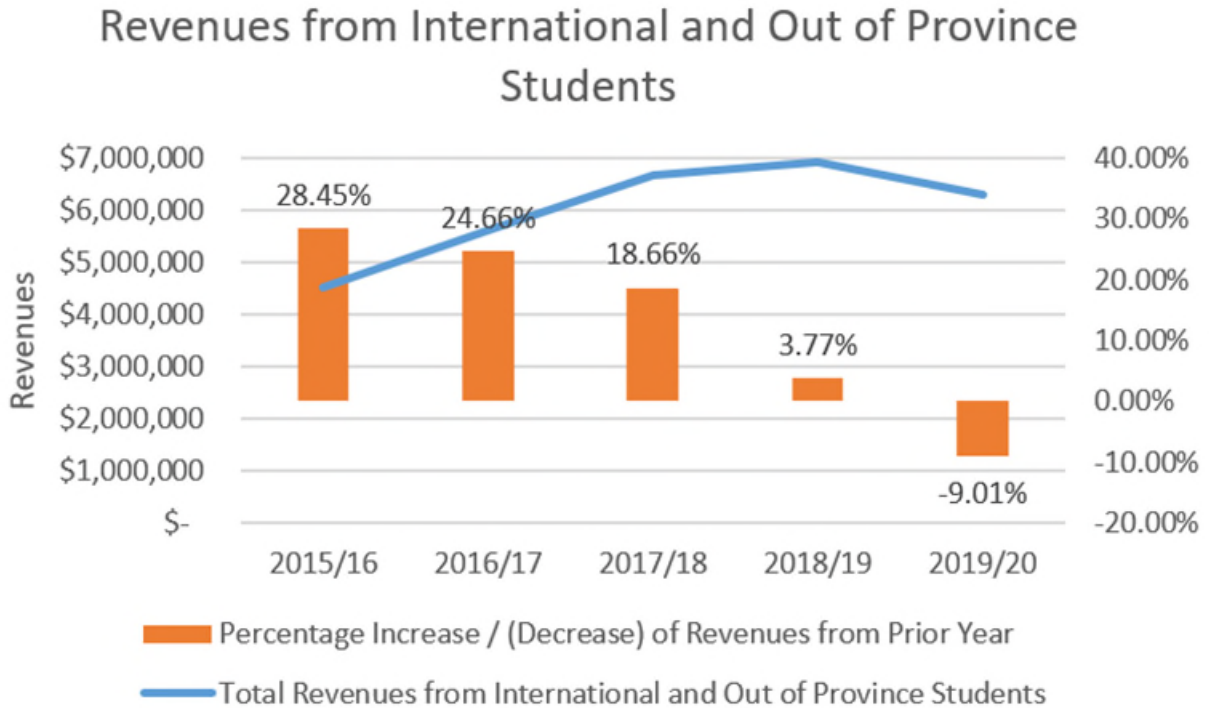
	BUDGET	ACTUAL	ACTUAL	SAVINGS /	SAVINGS /	INCR / (DECR)	INCR /
	FY20	FY20	FY19	(PRESSURE)	(PRESSURE) %	FROM	(DECR)
	A	B	C	D = B - A	E = D / A	F = B - C	G = F / C
ENROLMENT (in FTE)							
SEPTEMBER							
STANDARD (REGULAR) SCHOOLS	10,700.81	10,700.81	10,443.63	-	0.0%	257.19	2.5%
CONTINUING EDUCATION	17.81	17.81	21.00	-	0.0%	(3.19)	-15.2%
ALTERNATE SCHOOLS	258.00	258.00	243.00	-	0.0%	15.00	6.2%
DISTRIBUTED LEARNING	137.00	137.00	124.69	-	0.0%	12.31	9.9%
HOME SCHOOLING & COURSE CHALLENGES	6.00	6.00	6.00	-	0.0%	-	0.0%
DESIGNATED STUDENTS	727.00	727.00	655.00	-	0.0%	72.00	11.0%
ENGLISH LANGUAGE LEARNING	681.00	681.00	551.00	-	0.0%	130.00	23.6%
ABORIGINAL EDUCATION	1,205.00	1,205.00	1,173.00	-	0.0%	32.00	2.7%
ADULT EDUCATION	11.81	11.81	12.88	-	0.0%	(1.06)	-8.3%
TOTAL SEPTEMBER COUNT	13,744.44	13,744.44	13,230.19	-	0.0%	514.25	3.9%
FEBRUARY COUNT	136.00	211.50	213.38	75.50	55.5%	(1.88)	-0.9%
MAY COUNT	46.00	46.00	52.63	-	0.0%	(6.63)	-12.6%
TOTAL ENROLMENT	13,926.44	14,001.94	13,496.19	75.50	0.5%	505.75	3.7%

The increased enrolment resulted in a 5% (\$5.1M) increase in the operating grant from the prior year. There were savings of \$0.5M due to the February count being higher than budgeted.

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International Tuition

The International Program experienced a decline in revenues from the prior year for the first time in a number of years. At \$6.3M for 2019/20, revenues decreased by 9% (\$0.6M) from the prior year.



The International Program cost \$4.5M in expenses to generate the \$6.3M in revenues – for net revenues of \$1.9M in 2019/20. This is consistent with the \$1.9M in net revenues generated in the prior year. The funds generated from the International Program go to support discretionary programs in the District.

Other Provincial Funding

There was an increase of \$2.1M in other Ministry of Education grants from the prior year largely due to two new grants to address wage increases as a result of collective agreement settlements: Support Staff (\$0.4M) and Teachers (\$1.2M). Against a budget of \$2.2M, the \$4.0M in other provincial funding revenues resulted in savings of 81% (\$1.8M) which largely was due to the aforementioned grants for collective agreement settlements. Both of these grants were issued after the budget had been finalized.

**SCHOOL DISTRICT NO. 62 (SOOKE)
 FINANCIAL STATEMENT DISCUSSION AND ANALYSIS (FSDA)
 YEAR ENDED JUNE 30, 2020**

EXPENSES

The summary schedule for the District operating expenses can be found in Schedule 2B (the Schedule of Operating Expense by Object) and Schedule 2C (the Schedule of Operating Expense by Function, Program and Object).

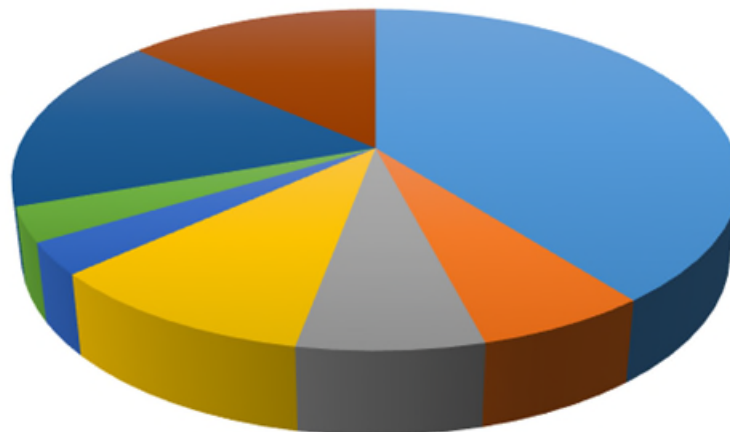
The provincial averages are taken from data available to the public on the Ministry of Education financial reporting website. At the time of issuance of this report, the provincial actuals for fiscal 2020 were not yet available, as such the provincial budgets for fiscal 2020 were used for comparative purposes.

Expenses by Type (Object)

The District’s spending allocations by object were in line with provincial averages - with 88.2% of its expenses on salaries and benefits (Province = 88.1%) and 11.8% on services and supplies (Province = 11.9%).

The chart below further details spending allocations for the District in the year compared to provincial averages.

FY20 EXPENSES BY OBJECT



- TEACHER SALARIES (SD62=39.9%; Prov=42.1%)
- PVP SALARIES (SD62=6.6%; Prov=5.7%)
- EA SALARIES (SD62=8.1%; Prov=8.0%)
- SUPPORT STAFF SALARIES (SD62=10.5%; Prov=9.1%)
- OTHER PROF. SALARIES (SD62=3.4%; Prov=2.7%)
- SUBSTITUTE SALARIES (SD62=2.8%; Prov=3.2%)
- EMPLOYEE BENEFITS (SD62=16.8%; Prov=17.3%)
- TOTAL SERVICES AND SUPPLIES (SD62=11.8%; Prov=11.9%)

SCHOOL DISTRICT NO. 62 (SOOKE)
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YEAR ENDED JUNE 30, 2020

The District's operating expenditures of \$113.7M increased by 4.8% (\$5.3M) over the prior year. Against a budget of \$116.1M, the \$113.7M in expenditures resulted in savings of 2.1% (\$2.4M).

	BUDGET	ACTUAL	ACTUAL	SAVINGS /	SAVINGS /	INCR / (DECR)	INCR /
	FY20	FY20	FY19	(PRESSURE)	(PRESSURE) %	FROM	(DECR)
	A	B	C	D = A-B	E = D/A	F = B-C	G = F/C
EXPENSES (in \$ thousands)							
TEACHERS SALARIES	43,822	45,375	42,794	(1,553)	(3.5%)	2,581	6.0%
PVP SALARIES	7,592	7,555	7,044	36	0.5%	511	7.3%
EA SALARIES	8,719	9,249	7,590	(530)	(6.1%)	1,659	21.9%
SUPPORT STAFF SALARIES	11,793	11,950	11,247	(157)	(1.3%)	702	6.2%
OTHER PROFESSIONAL SALARIES	3,897	3,871	3,279	26	0.7%	592	18.1%
SUBSTITUTES SALARIES	3,820	3,228	3,537	592	15.5%	(309)	(8.7%)
EMPLOYEE BENEFITS	20,797	19,107	18,440	1,690	8.1%	666	3.6%
TOTAL SERVICES AND SUPPLIES	15,668	13,391	14,544	2,278	14.5%	(1,153)	(7.9%)
TOTAL OPERATING EXPENSES	116,109	113,726	108,475	2,383	2.1%	5,251	4.8%

The \$2.4M in savings was largely from services and supplies (\$2.3M), employee benefits (\$1.7M), and substitutes salaries (\$0.6M) offset by pressures in teacher salaries (\$1.6M), EA salaries (\$0.5M) and support staff salaries (\$0.2M).

The \$1.6M teacher salaries pressure, \$0.5M EA salaries pressure, and \$0.2M support staff salaries is largely due to wage increases as a result of collective agreement settlements.

The \$2.3M savings from services and supplies is largely from international program homestay expenses (\$0.5M), school supply budgets (\$0.2M), utilities (\$0.4M), school generated funds, and discretionary expenses (\$0.3M).

The \$1.7M savings from benefits is due to the District average employee benefit rate (23.5%) being lower than anticipated (26.1%). These benefits savings were largely due to restrictions on dental and health services due to COVID-19.

The \$0.6M savings from substitutes salaries is largely due to no in-class instruction in the months of April and May 2020 due to COVID-19.

These savings created flexibility in the budget to address other strategic priorities of the District and expected enrolment growth.

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YEAR ENDED JUNE 30, 2020

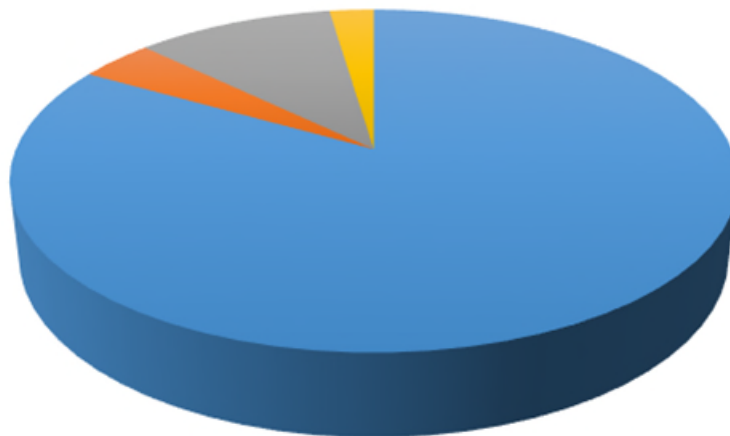
Expenses by Function

The District's expenditures can be categorized by the following functions: Instruction; District Administration; Operations and Maintenance; and Transportation. The functions are defined as follows:

- The **Instruction** function incorporates all programs related to the instruction of students.
- The **District Administration** function incorporates the cost of all programs related to district governance and district administration of educational, business, human resource and labour relations activities.
- The **Operations and Maintenance** function incorporates all programs related to the district's responsibility for the operation, maintenance and safety of sites, buildings, and equipment.
- The **Transportation** function incorporates programs involving the transportation of students.

Over 84% of the District's expenses are categorized under the Instruction function.

FY20 EXPENSES BY FUNCTION



INSTRUCTION
(SD62=84%; Prov=83%)

OPERATIONS AND MAINTENANCE
(SD62=9%; Prov=11%)

TRANSPORTATION
(SD62=2%; Prov=2%)

DISTRICT ADMINISTRATION
(SD62=4%; Prov=4%)

The District's expense allocations are generally in line with the Provincial averages, however the District's expenditures are slightly more heavily allocated towards Instruction and less in Operations and Maintenance than other Districts.

SCHOOL DISTRICT NO. 62 (SOOKE)
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YEAR ENDED JUNE 30, 2020

	BUDGET FY20	ACTUAL FY20	ACTUAL FY19	SAVINGS / (PRESSURE) FY20	SAVINGS / (PRESSURE) % FY20	INCR / (DECR) FROM PRIOR YEAR	INCR / (DECR) %
EXPENSES BY FUNCTION (in \$ thousands)	A	B	C	D = A-B	E = D/A	F = B-C	G = F/C
INSTRUCTION	97,891	95,815	90,280	2,077	2%	5,534	6%
DISTRICT ADMINISTRATION	4,951	4,624	4,272	328	7%	352	8%
OPERATIONS AND MAINTENANCE	10,646	10,707	11,373	(61)	(1%)	(666)	(6%)
TRANSPORTATION	2,620	2,580	2,549	40	2%	31	1%
TOTAL OPERATING EXPENSES	116,109	113,726	108,475	2,383	2%	5,251	5%

Instruction

The District's \$95.8M expenditures on Instruction for the year was an increase of \$5.5M over the prior year. The \$5.5M increase was largely from Regular Instruction (\$2.9M – mostly teacher salaries and benefits), and Special Education (\$2.2M – mostly education assistant salaries and benefits).

Against a budget of \$97.9M, the \$95.8M expenditures resulted in savings of 2% (\$2.1M). The savings were largely driven by services and supplies (\$1.8M) and employee benefits (\$1.4M) offset by a \$1.4M pressure in salaries.

District Administration

The District's \$4.6M expenditures on District Administration for the year was an increase of 8% (\$0.4M) over the prior year. The increase is largely due to exempt staff wage increases and two new positions in the Human Resources Department.

Against a budget of \$4.9M, the \$4.6M expenditures resulted in a savings of 7% (\$0.3M). The savings was largely driven by a vacancy in the Finance Department, and lower bad debt expenses, legal expenses, and benefits than budgeted.

Operations and Maintenance

The District's \$10.7M expenditures on Operations and Maintenance for the year was a decrease of 6% (\$0.7M) over the prior year. This was largely due to the field upgrades at Happy Valley Elementary and Poirier Elementary in the prior year having completed. Against a budget of \$10.6M, the \$10.7M expenditures resulted in an insignificant pressure of 1% (\$0.1M).

Transportation

The District's \$2.6M expenditures on Transportation for the year was consistent with the prior year and on budget.

TANGIBLE CAPITAL ASSETS PURCHASED AND WORK IN PROGRESS

The amount of tangible capital assets purchased and tangible capital assets that are a work in progress can be found in Schedule 2 – the Schedule of Operating Operations in the financial statements. The District spent \$521,200 on tangible capital assets including portables and bleachers at Dunsmuir Middle School.

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YEAR ENDED JUNE 30, 2020

ACCUMULATED SURPLUS (DEFICIT)

Pursuant to *Section 156(12)* of the *School Act*, school districts must obtain prior approval from the Minister before incurring deficits in the operating fund. The District's year end position as reflected in the table below is a nil unrestricted surplus.

OPERATING FUND SURPLUS		
FOR THE FISCAL YEAR ENDING JUNE 30 2020		
		FINAL AMOUNT
A	OPERATING SURPLUS, BEGINNING OF YEAR	\$ 4,715,615
B	OPERATING SURPLUS, FOR THE YEAR 2019/20	\$ 2,477,275
C = A+B	OPERATING SURPLUS, END OF YEAR	\$ 7,192,890
INTERNALLY RESTRICTED SURPLUS		
	Due to nature of constraints on funds	
	Indigenous Education	\$ 45,971
	Discretionary School Generated Funds	\$ 134,351
	School budget balances	\$ 268,697
	Various unspent grants	\$ 30,337
	Budgeted 2020-21 shortfall	\$ 2,194,758
	Total - Due to nature of constraints on funds	\$ 2,674,114
	Due to operations spanning the school year	
	IT Dept	\$ 176,137
	Careers	\$ 83,108
	Curriculum	\$ 50,000
	Inclusive Education Services	\$ 169,142
	English Second Dialect	\$ 1,708
	Transportation	\$ 50,432
	Rental revenue	\$ 120,000
	Emergency supplies	\$ 9,898
	VOIP	\$ 40,000
	EMCS theatre seats	\$ 109,849
	Transportation Safety Committee	\$ 30,791
	Electric buses	\$ 232,577
	Sewage hookups	\$ 488,146
	Port Renfrew update	\$ 75,000
	Other FY20 enhancements	\$ 5,409
	COVID 19 Incremental Expenditures	\$ 275,000
	Total - Due to operations spanning the school year	\$ 1,917,197
	Due to unanticipated unusual expenses	
	Total accumulated financial reserves remaining	\$ 2,601,579
	Total - Due to unanticipated unusual expenses	\$ 2,601,579
D	TOTAL INTERNALLY RESTRICTED SURPLUS	\$ 7,192,890
E = C-D	UNRESTRICTED SURPLUS	\$ -

The total Operating Fund financial reserve of \$4,796,337 is 4.00% of the \$119,930,423 Operating Fund expenses currently budgeted for the year ended June 30 2021. As such, the financial reserve is compliant with the 4% threshold established by the Board in response to the COVID-19 pandemic.

**SCHOOL DISTRICT NO. 62 (SOOKE)
FINANCIAL STATEMENT DISCUSSION AND ANALYSIS (FSDA)
YEAR ENDED JUNE 30, 2020**

SPECIAL PURPOSE FUNDS

All restricted contributions received, with the exception of capital contributions and unearned revenues (tuition, rentals, etc.) must be reported as special purpose funds. Revenues are recognized when the stipulation or restriction the contribution is subject to is met.

The following table compares the most material expenditures for the year to the prior year of the special purpose funds.

	FY20 ACTUAL	FY19 ACTUAL	INCR / (DECR) FROM PRIOR YEAR	INCR / (DECR) %
SPECIAL PURPOSE FUNDS (in \$ thousands)	A	B	C = A-B	D = C/B
ANNUAL FACILITIES GRANT	337	337	-	0%
LEARNING IMPROVEMENT FUND	391	382	9	2%
SCHOOL GENERATED FUNDS	2,173	3,112	(939)	-30%
STRONG START	230	228	2	1%
OFFICIAL LANGUAGES IN EDUCATION PROTOCOL	223	242	(19)	-8%
COMMUNITY LINK	775	818	(44)	-5%
ACADEMIES	826	791	35	4%
CLASSROOM ENHANCEMENT FUND	14,904	13,610	1,294	10%
RURAL EDUCATION ENHANCEMENT FUND	242	230	12	5%
OTHER	207	271	(64)	-24%
TOTAL SPECIAL PURPOSE FUNDS EXPENSES	20,308	20,020	288	1%
CAPITAL PURCHASES	-	-	-	100%
TOTAL SPECIAL PURPOSE FUNDS	20,308	20,020	288	1%

The District's \$20.3M expenditures on Special Purpose Funds for the year was a 1% (\$0.3M) increase over the prior year. There was a \$1.3M increase in Classroom Enhancement Fund expenditures offset by a \$0.9M decrease in school generated funds expenditures as a result of the impact of COVID-19.

SCHOOL DISTRICT NO. 62 (SOOKE)
FINANCIAL STATEMENT DISCUSSION AND ANALYSIS (FSDA)
YEAR ENDED JUNE 30, 2020

CAPITAL FUND

The District's tangible capital asset additions of \$45,915,188 for the year was a 50% (\$15.4M) increase from the prior year. The increase is largely due to an increase in Expansion Program purchases from the prior year.

	FY20 ACTUAL	FY19 ACTUAL	INCR / (DECR) FROM PRIOR YEAR	INCR / (DECR) %
	A	B	C = A-B	D = C/B
CAPITAL ADDITIONS (in \$ thousands)				
CAPITAL FUND				
EXPANSION PROGRAM	42,336	26,380	15,956	60%
SCHOOL ENHANCEMENT PROGRAM	1,040	1,228	(188)	-15%
SEISMIC MITIGATION PROGRAM	0	449	(449)	-100%
CARBON NEUTRAL CAPITAL PROGRAM	36	27	9	33%
BUS ACQUISITION PROGRAM	352	462	(110)	-24%
ANNUAL FACILITIES GRANT	382	121	260	215%
CLASSROOM ENHANCEMENT FUND	-	217	(217)	-100%
PLAYGROUNDS	97	107	(10)	-9%
LOCAL CAPITAL	1,085	99	985	991%
OTHER	66	23	43	190%
OPERATING FUND	521	1,426	(905)	-63%
SPECIAL PURPOSE FUND	-	-	-	100%
TOTAL CAPITAL ADDITIONS	45,915	30,539	15,376	50%

Some of the more significant capital projects include:

- **Expansion Program (EXP)** – in 2019/20 the District acquired two elementary school sites with a total cost of \$17.5M: one in south Langford and the other in Royal Bay. Also, \$13.9M was spent continuing the Royal Bay Secondary expansion project and \$10.9M was spent on site development and design for the Pexsisen Elementary and Centre Mountain Lellum Middle School.
- **School Enhancement Program (SEP)** - \$1.0M was spent on energy upgrade work at Dunsmuir Middle.
- **Annual Facilities Grant (AFG)** – \$0.4M was spent on roof replacements at Wishart Elementary and Sangster Elementary.
- **Local Capital** – the remaining \$1.1M of Local Capital was spent on the procurement and preparation of additional portables in the District.
- **Operating Fund** – there were \$0.5M in Operating Fund tangible capital asset purchases including bleachers at Dunsmuir Middle School and portables at various schools in the District.

RISKS AND UNCERTAINTIES

The following list are some of the significant financial risks that the District is aware of that could negatively affect operations:

- **Enrolment** – Enrolment drives the District's revenues and an inaccurate estimation of future enrolment could result in either an over or under deployment of resources. Additionally, an inaccurate estimation of future enrolment could further exacerbate the capacity issues the District is currently experiencing.
- **Staff benefit rates** – Benefit rates fluctuate from year to year dependent on staff usage so are difficult to accurately predict. In 2019/20, the District benefit rate decreased by 0.9% from the prior year (2019/20= 23.52%; 2018/19= 24.43%). A one per cent fluctuation in \$80M in salaries amounts to \$800,000.
- **Utilities** – Expenditures on utilities fluctuate based on usage, and usage typically depends on the weather which, even for the Farmers' Almanac, is impossible to predict.
- **Leave liability** – Leave balances (such as unused vacation balances) are recorded in the year they are earned. The larger the balance, the larger the expense. It is difficult to predict with accuracy across the District exactly how many vacation days staff plan on using in any given year.
- **Salary differential** – A component of the Operating Grant is the supplement for salary differential which provides additional funding to districts with average teacher salaries higher than the provincial average. In 2019/20, the District received \$268,393 more than the prior year (FY20=\$1,900,558; FY19=\$1,632,165).
- **COVID-19** - The ongoing impact of the pandemic presents uncertainty over future cash flows, may have a significant impact on future operations including decreases in revenue, impairment of receivables, reduction in investment income and delays in completing capital project work. Examples of the more significant operational impacts include the International Student Program, Academies Program, and Transportation Department. As the situation is dynamic and the ultimate duration and magnitude of the impact are not known, an estimate of the future financial effect on the District is not practicable at this time.