



North Vancouver **School District**
the natural place to learn®

Financial Statements Discussion & Analysis
Year Ended June 30, 2023

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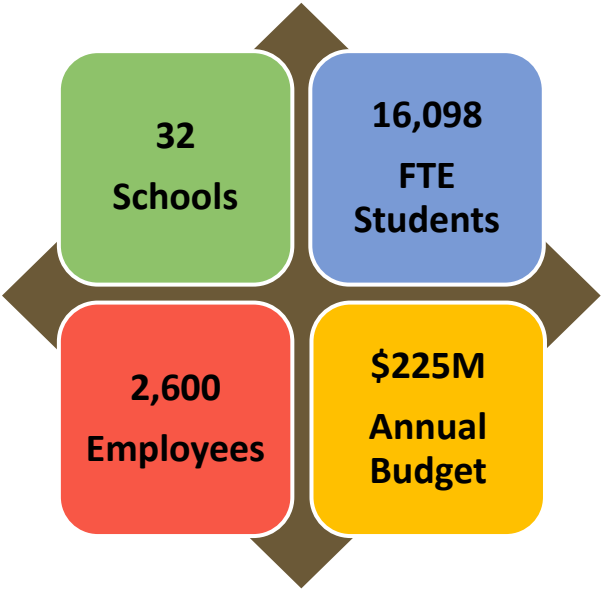
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Introduction

The following is a discussion and analysis of the financial performance of the North Vancouver School District for the fiscal year ended June 30, 2023. It should be read in conjunction with the audited financial statements for the same period. The report provides a detailed overview of the significant factors that influenced the financial results presented, and provides insight into future direction and events that will inform planning decisions.

About the North Vancouver School District

The school district operates in the City and District of North Vancouver on the unceded traditional territory of the Tseil-Waututh and Skwxwú7mesh Nations.



In 2022/2023 the school district served over 16,000 students and employed more than 2,600 staff. Of the sixty BC public school districts, it is the 11th largest, with 25 elementary schools and seven secondary schools. In addition to the 32 schools, the school district operates the Cheakamus Centre in Squamish, the Artists for Kids Program and the Gordon Smith Gallery of Canadian Art.

The school district is governed by seven Trustees elected every four years. The current term began in November 2022 with three Trustees representing the City of North Vancouver and four representing the District of North Vancouver. The Board of Education is responsible for making major policy decisions governing all aspects of education within the school district through the implementation of its strategic plan and as required by the *School Act*. In 2022/2023 the Board of Education oversaw a consolidated budget in excess of \$225 million.

Annual Financial Planning Timelines

Each year, the school district undertakes a comprehensive process to accurately estimate student enrolment which informs the following year's resource allocation plans. Budget development for the following school year takes place between February and June of the current year. The current year's budget is adjusted and approved between December and February.

Date	Current School Year Budget	Next School Year Budget
September 30	Student enrolment reported to Ministry; also known as the 1701 Report.	
December 15	Ministry provides revised Operating Grant based on actual September 30 student enrolment.	
January	Amended Operating Budget developed based on actual student enrolment, revised Operating Grant and revised revenues and expenses.	
February 15	Amended Operating Budget presented to Audit Committee and submitted to Board for approval.	Student enrolment estimates for next three years submitted to Ministry
February 28	Legislated deadline for Board to approve Amended Operating Budget	
March		Ministry provides Preliminary Operating Grant based on student enrolment estimates
March/April		Public consultation and partner input undertaken to inform budget development for next school year
April		Board approves Budget Priorities for next school year
April/May		Staffing Profiles and Departmental Expense Plans inform Preliminary Operating Budget.
May		Board approves next year Preliminary Annual Operating Budget
June 30	Fiscal Year End-June 30	Legislated deadline for Board to approve next year Budget
July/August	Preparation of Annual Audited Financial Statements	
September 30	Legislated deadline for Board to approve audited financial statements.	

Strategic Plan 2021-2031

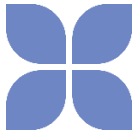
The Board’s 2021-2031 strategic plan guides the school district’s decision-making process and actions by providing a foundation underlying general policies, service delivery and accountability structures.

Our Vision is to provide world-class instruction and a rich diversity of engaging programs to inspire success for every student and bring communities together to learn, share and grow. Our values are reflected in our goals.

The six Strategic Goals include:



Student-Centred Education
Provide equity-based education that supports the learning needs of all students.



Innovative Instruction
Enhance innovative and effective approaches and curriculum to develop educated citizens.



Welcoming and Inclusive Culture
Enhance our welcoming, safe and inclusive culture and learning environment.



Mental Health and Well-Being
Promote mental health and well-being through social emotional learning and trauma-informed practices.



Truth, Healing and Reconciliation
Champion truth, healing and reconciliation and embed Indigenous ways of knowing.



Environmental Stewardship
Lead on sustainable practices and nature-based learning to address environmental challenges.

Priorities were established with a view to provide students with an awareness of shared human experience, encourage the development of core competencies, and promote opportunities for students to actively engage with society and affect positive change, both locally and globally.

Financial Statement Reporting for School Districts

School districts in BC must prepare their financial statements in accordance with Canadian Public Sector Accounting Standards and the *Budget Transparency and Accountability Act of BC* with some exceptions as explained in Note 2 of the statements.

The statements have a prescribed format and the information reported in Statements 1 through 5 is a consolidation of three separate funds, namely Operating, Special Purpose and Capital. The schedules that follow the notes provide detailed information for each fund separately.

- Operating revenues and expenses are reported in Schedules 2 to 2C
- Special Purpose revenues and expenses are reported in Schedules 3 – 3A
- Capital revenues, expenses, capital asset additions, dispositions, work in progress, are reported in Schedules 4 to 4D.

Each fund differs with respect to accounting treatment, legislative requirements and budget constraints, therefore to gain a full understanding of financial performance it is important to review each fund separately.

Operating	Special Purpose	Capital
<ul style="list-style-type: none">• The Operating Fund accounts for the School District's operating grants and other operating revenues. Legislation requires that the District present a balanced budget for the Operating Fund, whereby budgeted expenditures do not exceed the total budgeted revenues plus any surplus in the operating fund carried forward from previous years.	<ul style="list-style-type: none">• The Special Purpose Fund consists of grants and contributions that are directed by agreement with a third party towards specific activities. As these are targeted grants, any unspent funding is typically accounted for as deferred revenue, not as accumulated surplus.	<ul style="list-style-type: none">• The Capital Fund accounts for grants for the acquisitions and disposals of tangible capital assets such as sites, buildings, furniture & equipment, vehicles, computer hardware and software, and for funds restricted by the Board for future capital assets purchases from Local Capital.

Financial Analysis

Consolidated Statement of Financial Position - Statement 1

This statement provides an indication of the financial health of the school district. It summarizes the assets, liabilities and ending financial position of the school district. Significant year over year changes and select key financial indicators are discussed below.

	2023	(Restated) 2022	\$ Change	% Change
Financial Assets	\$ 52,285,398	\$ 54,065,772	\$ (1,780,374)	(3.3%)
Non-Financial Assets	402,304,406	404,043,891	(1,739,485)	(0.4%)
Total Assets	\$ 454,589,804	\$ 458,109,663	\$ (3,519,859)	(0.8%)
Liabilities	\$ 355,940,767	\$ 357,304,973	\$ (1,364,206)	(0.4%)
Accumulated Surplus	\$ 98,649,037	\$ 100,804,690	\$ (2,155,653)	(2.1%)

Financial Assets

Financial Assets provide the working capital needed in the normal course of operations. These include cash, accounts receivables and the inventory for resale from Artists for Kids. Financial assets decreased by \$1.78 million from \$54 million in 2022 to \$52.2 million in 2023 as a result of changes in the following accounts.

Cash

Cash is held in the school district's operating bank account, the Ministry of Finance's centralized deposit program, BlueShore Financial and in the bank accounts of each of the 32 schools. Cash in the operating bank accounts is maintained at a level sufficient to meet working capital requirements and fluctuates in conjunction with changes in accounts receivable, accounts payable, deferred and unearned revenue. Overall cash decreased by \$2.3 million mostly due to the timing on payments for capital projects that were outstanding at year end and receivable from the Ministry of Education and Child Care.

	2023	2022	2021	2020	2019
District operating bank account	\$ 21,761,213	\$ 25,079,329	\$ 36,769,289	\$ 61,088,054	\$ 44,941,014
Cash in Central Deposit Program	21,951,013	21,039,167	20,805,272	20,505,953	19,970,868
Blueshore Financial	2,591,421	2,572,487	2,552,619	2,540,957	2,487,332
Schools operating bank accounts	3,410,973	3,368,011	3,495,851	3,279,598	3,299,965
	\$ 49,714,620	\$ 52,058,994	\$ 63,623,031	\$ 87,414,562	\$ 70,699,179

Accounts Receivable

Timing of payments on By-law funded capital projects resulted in an increase of \$0.48 million from the Ministry of Education and Child Care.

	2023	2022	\$ Change	% Change
Due from Province - MOEC	\$ 1,172,979	\$ 690,521	\$ 482,458	69.9%

Non Financial Assets

Non Financial Assets are tangible assets that are used in the operations of the school district and are not readily converted to cash.

Tangible Capital Assets

Tangible capital assets include land, costs of upgrading and extending the useful life of buildings, construction of new ones, maintenance and replacement of vehicles, furniture, equipment and investments in technology. The costs of acquiring these assets are expensed over their expected useful lives through a systematic recording of amortization expense to arrive at a net book value of \$401 million at June 30, 2023.

The decrease of \$1.9 million from the prior year is the net difference between new purchases of \$13.3 million, less amortization of \$15.3 million. As described in Note 23 of the financial statements on July 1, 2022 school districts adopted Canadian public sector accounting standard PS3280 Asset Retirement Obligation. This standard was adopted using the modified retroactive approach which results in the restatement of the comparative information for 2022.

	2023	(Restated) 2022
Opening balance	\$ 403,247,820	\$ 385,092,293
Prior period Adjustment- Net (Note 23)		25,476
Adjusted Opening Balance	\$ 403,247,820	\$ 385,117,769
Capital Expenditures	13,379,405	35,235,814
Amortization	(15,312,483)	(13,518,328)
Write-off	-	(3,587,435)
Closing balance	\$ 401,314,742	\$ 403,247,820

Prepaid Expenses

Prepaid expenses decreased by \$193,593 due to a timing difference on the payment of software.

	2023	2022	\$ Change	% Change
Prepays	\$ 972,006	\$ 778,413	\$ 193,593	24.9%

Liabilities

Liabilities are future obligations of the school district arising from prior transactions. Unique to government organizations is Deferred Capital Revenue which does not require payment. This obligation is discharged over time through a recognition of revenue as the related asset is amortized. Overall, liabilities decreased by \$1.39 million as a result of changes in the following accounts.

	2023	(Restated) 2022	\$ Change	% Change
Due to Province - MOEC	\$ 26,898	-	-	100.0%
Accounts Payable and Accruals	17,267,565	16,951,081	316,484	1.9%
Unearned Tuition Revenue	10,388,535	10,843,224	(454,689)	(4.2%)
Deferred Revenue	5,147,645	4,758,800	388,845	8.2%
Deferred Capital Revenue	297,959,643	300,038,129	(2,078,486)	(0.7%)
Employee Future Benefits	8,777,427	8,295,704	481,723	5.8%
Asset Retirement Obligation	16,373,044	16,373,044	-	-
Capital Lease Obligation	-	44,991	(44,991)	(100.0%)
	\$ 355,940,757	\$ 357,304,973	\$ (1,391,114)	(0.4%)

Accounts Payable and Accrued Liabilities

Due to timing differences, trade accounts payable is \$1.3 million lower in 2023 offset by an increase in wage and vacation accruals of \$1.6 million for a net increase of \$0.31 million.

Unearned Revenue

Unearned revenues are funds that have been collected in advance of providing the related programming such as Academies and the International program and delivery of services such as deposits collected on rentals of facilities. Unearned revenues decreased by \$0.45 million largely as a result of fewer fees for the international program at June 30, 2023.

Deferred Revenues

Deferred revenues represent Special Purpose funds that have been collected but not yet earned. These funds will be recognized as revenue (earned) in future years, when the offsetting expenses are incurred. Deferred revenue increased \$0.38 million from the previous year as a result of the additional one-time grants received in 2023, namely the Student and Family Affordability Fund, Early Care and Learning and French Immersion Growth Initiatives totalling \$2.19 million.

Deferred Capital Revenues

These revenues relate to funding received, primarily from the Ministry of Education and Child Care which will be, or have been spent on the construction and acquisition of capital assets. The revenue is recorded as a deferred revenue liability when received and recognized into revenue over the expected life of the asset. The overall decrease of \$2 million is due to the completion of major capital projects in 2022 and subsequent amortization of deferred capital revenue in 2023 as summarized in the table below.

	2023	2022	\$ Change
Opening balance	\$ 300,038,129	\$ 287,340,700	\$ 12,697,429
Grant funds received	8,243,734	24,148,035	(15,904,301)
Amortization of deferred capital revenue	(10,322,220)	(8,985,880)	(1,336,340)
Write off of unamortized deferred revenue		(2,464,726)	2,464,726
Closing balance	\$ 297,959,643	\$ 300,038,129	\$ (2,078,486)

Employee Future Benefits

The \$8.7 million represents the estimated future cost to the school district to fund employee benefits such as retirement allowances, vacation, sick pay and parental leave benefits. The actual cost depends on the employees' years of service and salary. The liability amount is calculated by an independent third party and is based on age, length of service, contract terms and established actuarial assumptions.

Asset Retirement Obligation

Legal liabilities exist for the removal and disposal of asbestos and other environmentally hazardous materials within some of the District's buildings that will undergo major renovations or demolition in the future. This is a new standard adopted by school districts in July 2022 using the modified retroactive approach as directed by Treasury Board. There were no settlements in the year.

Capital Lease Obligation

The school district had a 5 year lease for photocopiers that expired in November 2022. During the year, the school district made lease payments of \$44,419 and continued to rent the photocopiers on a month to month basis.

Accumulated Surplus

Accumulated surplus is the extent to which revenues from all previous years exceed expenses from all previous years for all funds.

In the Operating Fund, the annual surplus is carried forward and can be used in the future. The accumulated surplus has two components including unrestricted and restricted operating reserves.

In the Special Purpose Fund, the accumulated surplus is always zero because revenues are recognized only as expenses are incurred with the unspent portion recorded as a liability in deferred revenue.

In the Capital Fund, revenues only offset amortization expense to the extent assets were funded by provincial capital grants. Since many capital purchases are funded by operating dollars and recorded as transfers from other funds, the capital fund normally reports an annual deficit.

Broken down by fund, the accumulated surplus over the last 5 years is made up of the following amounts.

	2023	2022	2021	2020	2019
Operating Fund	\$ 9,304,894	\$ 9,297,185	\$ 11,266,959	\$ 11,083,840	\$ 8,798,471
Local Capital Fund	2,604,472	5,171,736	11,412,863	14,430,537	10,967,907
Invested in Capital Assets	86,736,671	86,335,769	97,044,416	93,440,456	94,412,210
	\$ 98,646,037	\$ 100,804,690	\$ 119,724,238	\$ 118,954,833	\$ 114,178,588

Statement of Operations – Statement 2

The Statement of Operations summarizes the revenues and expenses for all three funds. Given the different accounting treatment and legislative requirements for each of the funds, the Operating, Special Purpose and Capital Funds are better understood by analyzing them separately.

	<i>Schedule 2 Operating Fund</i>	<i>Schedule 3 Special Purpose Fund</i>	<i>Schedule 4 Capital Fund</i>	Statement 2 2023	Statement 2 2022
Revenues	\$ 180,096,572	\$ 32,314,048	\$ 10,473,644	\$ 222,884,264	\$ 202,707,565
Expenses	178,850,266	30,879,623	15,313,028	225,042,917	205,279,545
Annual Surplus / (Deficit)	\$ 1,246,306	\$ 1,434,425	\$ (4,839,384)	\$ (2,158,653)	\$ (2,571,980)
Interfund Transfers	(1,238,597)	(1,434,425)	2,673,022	-	-
Total Surplus/(Deficit)	\$ 7,709	\$ -	\$ (2,166,362)	\$ (2,158,653)	\$ (2,571,980)

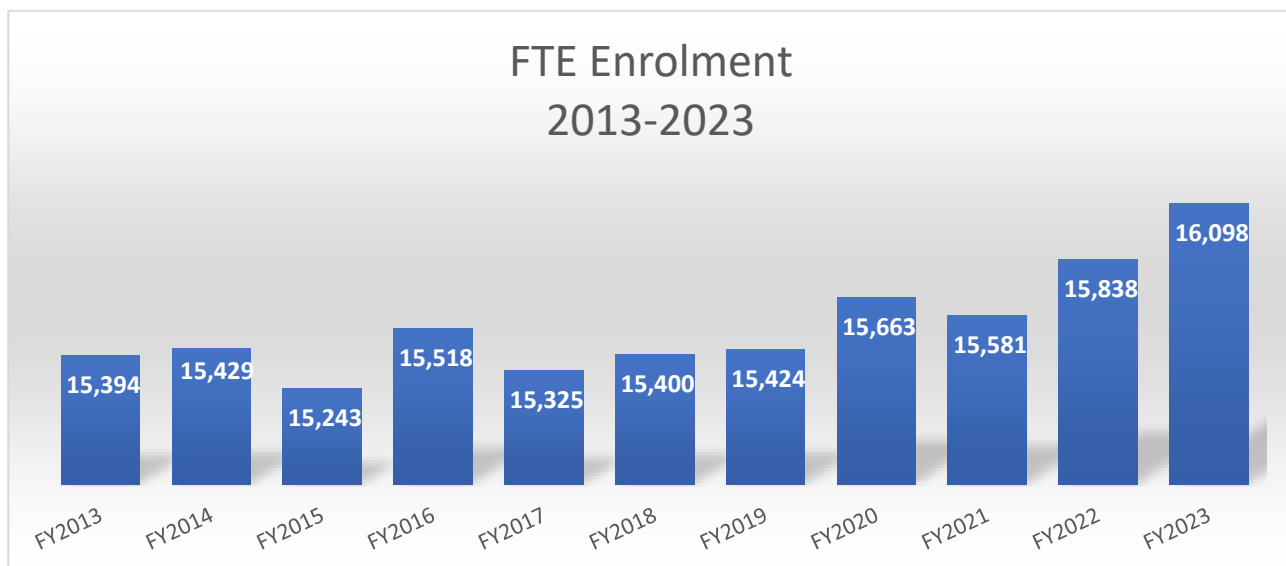
Operating Fund Analysis

Student Enrollment

The operations of the school district are primarily funded by the operating grant from the Ministry of Education and Child Care. The grant is based on student enrolment, confirmed four times per year in September, February, May and July. School districts receive a fixed amount for full-time equivalent (FTE) students. In 2023, the funding was \$7,885 per FTE, unchanged from 2022. Additional supplemental funding is provided for students with unique needs, English Language Learners and Indigenous students based on headcount.

Full time equivalent

In kindergarten through grade nine, one student equates to one full-time equivalent student (FTE). At the secondary level, in grades ten through twelve, students are funded on a per credit basis. Secondary students often take less than a full course load or seek learning opportunities and experiences outside of school to meet their credit requirements. This variation from year to year in student enrolment influences course offerings, staffing levels, and predictions of future capacity requirements for schools. Historically, student enrolment has fluctuated from year to year, directly influencing annual operating grant revenue. The graph below illustrates FTE enrollment from 2013 to 2023.



Operating Revenues

In 2023 the school district derived 89% (\$160.7 million) of operating revenue from the operating grant, followed by 6% (\$10.8 million) from tuition fees charged to international students, and the remainder 5% (\$8.5 million) from other sources. Schedules 2 and 2A present the breakdown by type of revenue for the current year with comparison columns to budget and the prior year.

Overall operating revenues for 2023 were \$3.2 million greater than budgeted and \$13.3 million greater than prior year.

Revenue	Amended Budget	2023	2022	Variance from Budget	Variance from Prior
Ministry of Education	\$ 158,207,942	\$ 160,728,964	\$ 151,627,106	\$ 2,521,022	\$ 9,101,858
Other Provincial Grants	14,100	3,300	14,100	(10,800)	(10,800)
Federal Grants	7,000	7,000	7,350		(350)
Tuition	10,800,450	10,803,313	9,106,174	2,863	1,697,139
Other Revenues	4,306,041	4,412,756	3,107,887	106,715	1,304,869
Rentals and Leases	2,509,751	2,576,726	2,494,396	66,975	82,330
Investment Income	1,003,500	1,564,513	417,008	561,013	1,147,505
Total	\$ 176,848,784	\$ 180,096,572	\$ 166,774,021	\$ 3,247,788	\$ 13,322,551

Ministry of Education and Child Care Grant

The increase of \$9.1 million from 2022 in the operating grant is the result of increased student enrollment funding of \$3.1 million and \$6.0 million in labour settlement funding received from Ministry for wage increases. The increase of \$2.5 million from budget is made up of \$1.8 million of additional labour settlement funding announced after the amended budget was finalized, \$0.4 million as a result of enrollment recounts in February and May 2023, and \$0.2 million for the benefits standardization grant.

Other Provincial Grants

Other provincial grants are provided to the school district for career and trades programs, as well as for school-based outreach for newcomers to Canada. The school district received a grant in 2023 in the amount of \$3,300 for Settlement Workers in Schools.

Federal Grants

The school district receives a small grant from the federal government for the salmon spawning channels accessible via the Cheakamus Centre. There was no significant change to this funding.

Tuition

Tuition revenue consists of fees collected for summer school (\$ 63,858 in 2023, \$60,600 in 2022) and fees charged to international students. International student enrollment was significantly higher in 2023 compared to 2022 as the school district continued to see a return to pre-COVID enrolment levels.

Other Revenues

Other revenues consist of fees for programs such as Academies, Elementary Band and Strings, the Cheakamus Centre and the Artists for Kids program as well as miscellaneous revenues from donations, student paid trips and community grants. Revenues increased by \$1.3 million from 2022 largely as a result of an increase to programming at the Cheakamus Centre of \$0.8 million and \$0.48 million from various other sources. These increases were budgeted for and the small increase from budget of \$0.1 million is negligible.

Rentals and Leases

Rentals and lease revenue remained consistent with budget and prior year.

Investment Income

The school district earns interest primarily from investing excess cash with the Ministry of Finance's Central Deposit Program which typically offers better rates than other financial institutions. In 2023 the interest rate ranged from 2.2% to 5.25% compared to 0.95% to 2.2% in 2022. The result is significantly higher revenues than budgeted and when compared to prior year.

Operating Expenses

Operating expenses were approximately \$13.9 million higher than prior year and \$0.5 million higher than budgeted as a result of changes in the following accounts:

	Amended Budget	2023	2022	Variance from Budget	Variance from 2022
Salaries	\$ 127,963,802	\$ 130,025,524	\$ 121,798,909	\$ 2,061,722	\$ 8,226,615
Employee Benefits	31,763,228	31,161,698	28,527,478	(601,530)	2,634,220
Services and Supplies	18,539,782	17,663,044	14,623,264	(876,738)	3,039,780
Total	\$ 178,266,812	\$ 178,850,266	\$ 164,949,651	\$ 583,454	\$ 13,900,615

Salaries and Benefits as % of Total Expense 90% 91%

Salaries and Benefits

Approximately 90% of the school district's operating expenses are for salaries and benefits. Benefits include the employer portion of CPP and EI, payments for the employer health tax, WorkSafeBC premiums, and pension plan contributions. These costs are charged as a percentage of salaries and increase or decrease in tandem with changes in salaries. In addition, the school district provides dental and health benefits to all its employees with costs varying by employee group depending on benefits provided by the plan. The increase in student enrollment and wage increases for staff resulted in an increase of \$8.2 million from prior year as detailed below.

	Amended Budget	2023	2022	Variance from Budget	Variance from 2022
Teachers	\$ 78,347,292	\$ 76,573,963	\$ 72,722,558	\$ (1,773,329)	\$ 3,851,405
Principals and Vice Principals	11,435,117	11,380,095	10,919,877	(55,022)	460,218
Educational Assistants	15,588,758	16,391,404	14,749,674	802,646	1,641,730
Support Staff	12,396,935	12,369,375	11,702,299	(27,560)	667,076
Other Professionals	5,618,568	5,368,850	5,180,992	(249,718)	187,858
Substitutes	4,577,132	7,941,837	6,523,509	3,364,705	1,418,328
Total	\$ 127,963,802	\$ 130,025,524	\$ 121,798,909	\$ 2,061,722	\$ 8,226,615

Teachers

Teacher FTE increased from the prior year as a direct result of higher student enrollment in 2023. Additionally, wages increased by 3.24% as negotiated in the collective agreement and wages increased for teacher increments by advancing through the grid contributed. These factors contributed to the year over year increase of \$3.8 million. The decrease of \$1.7 million from budget is largely due to school district "On Call" teacher costs being budgeted in teacher salaries but captured under the Substitutes category.

Principals and Vice Principals

Wage increases were consistent with the collective agreements and account for the increase of \$0.46 million from prior year. Expenditures in the current year are in line with budgeted amounts.

Educational Assistants

Aides include, educational assistants, behaviour support workers, supervision aides, lab and library technicians, crossing guards and bus drivers. Wage increases coupled with the need for additional hours for educational assistants to support students resulted in a significant increase in costs from the prior year and from budget.

Support Staff

Support staff includes administrative staff in schools and in the school district office, custodians and maintenance and grounds staff. The increase from prior year of \$0.6 million is due to wage increases. Costs are in line with current year budget.

Other Professionals

Other professionals includes speech language pathologists, executive and their assistants, management, exempt support staff and trustees. The \$0.18 million increase from the prior year is

due to wage increases. The decrease from budget of \$0.24 million in the current year is largely due to salary lag as a number of positions remained unfilled.

Substitutes

The increase of \$3.3 million in substitute costs is offset by the decrease of \$1.7 million in teacher salaries in 2023 as teachers with a contract who are not assigned to a particular school are budgeted in teacher salaries but replacement costs are charged to substitutes. The balance of \$1.5 million is due to increases related to sick leaves and the new Employment Standards Act that provides for 5 sick days for employees who don't qualify for benefits. Over the last few years there has been a steady increase in the amount of sick time taken by staff. As these are hard to predict significant variances can result.

Employee Benefits

Increases to wages, rate increases for WorkSafeBC premiums and an increase to the CPP and EI employer contribution rates resulted in an overall increase in costs of employee benefits of \$2.6 million from 2022. Benefit costs are in line with budget.

Services and Supplies

Operating services and supplies expenses were \$0.87 million lower than budget and \$3.0 million greater than prior year.

	Amended Budget	2023	2022	Variance from Budget	Variance from 2022
Services	\$ 9,300,065	\$ 9,515,131	\$ 7,139,085	\$ 215,066	\$ 2,376,046
Student Transportation	135,880	90,332	121,790	(45,548)	(31,458)
Pro D and Travel	1,046,145	1,011,854	687,572	(34,291)	324,282
Rentals	26,500	26,513			
Dues and Fees	84,000	82,216	82,141	(1,784)	75
Insurance	441,332	467,983	417,930	26,651	50,053
Supplies	4,320,310	3,419,875	3,163,739	(900,435)	256,136
Utilities	3,185,550	3,049,140	3,011,264	(136,410)	37,876
Total	\$ 18,539,782	\$ 17,663,044	\$ 14,623,521	\$ (876,751)	\$ 3,013,010

Services

Services include costs for the Cheakamus Centre, Academies, commission paid on international tuition fees, medical premiums, annual software licensing, contracted professional and technical services, repairs and maintenance, grounds upkeep, security services, communications, and printing services.

Cheakamus Centre, Sports Academies, and the International program were fully operational for the entire year when compared to 2022 resulting in increased costs of \$2.3 million. These programs also have offsetting revenues. When compared to budget costs are higher by \$0.2 million largely due to inflationary pressures in the cost of maintaining our facilities.

Student Transportation

Costs include operating buses that transport students with unique needs, and fees paid to public carriers that transport students on a contract basis. Costs were slightly lower than budgeted and when compared to prior year as fewer repairs were required in the current year.

Professional Development and Travel

These costs include training and travel, seminar fees, transportation, meals, accommodation, mileage and other relevant expenses. The school district experienced a reduction in travel, conference fees and accommodation throughout 2022 as most professional development activities were conducted virtually, while these activities have resumed to pre-COVID-19 levels in 2023.

Rentals

Expenditures relate to the Artists for Kids summer camp at the Cheakamus Centre. The camp did not run in 2022, which accounts for the year over year increase.

Dues and Fees

These costs include membership fees for associations such as British Columbia School Trustee Association and FocusEd. Costs are in line with budgeted amounts and consistent with the prior year.

Insurance

The cost of insurance premiums and deductibles continues to increase annually resulting in the slight increases when compared to the prior year and to budget.

Supplies

These costs include purchases of consumable and non-capital items, including school office supplies, learning resources, cleaning supplies, and furniture and computer equipment which are not considered capital given the low cost. With the return to normal operations in 2023, schools resumed spending from their block budgets that led to a moderate increase of \$0.25 million from the prior year but not quite reaching the expected levels budgeted for.

Utilities

These costs include garbage and recycle collection, electricity, water, sewage, and heating costs. There were no significant changes in costs in the current year.

Accumulated Operating Surplus

Policy No. 710, Accumulated Operating Surplus requires that the Board of Education undertake an annual review of the Accumulated Operating Surplus balance and identify appropriations each year. At the end of the year the annual operating surplus was \$9.3 million resulting from current year operations summarized below.

	Amended Budget	2023	Variance from Budget	2022
Opening Balance	\$ 9,297,185	\$ 9,297,185		\$ 11,266,959
Operating Revenues	\$ 176,848,784	\$ 180,096,572	\$ 3,247,788	\$ 166,774,021
Operating Expenses	178,266,812	178,850,266	583,454	164,949,908
Annual Surplus (Deficit)	(1,418,028)	1,246,306	2,664,334	1,824,113
Capital Asset Purchases	(666,491)	(1,193,606)	(527,115)	(2,319,235)
Transfers to other funds		(44,991)	(44,991)	(1,474,652)
Total Surplus (Deficit)	\$ (2,084,519)	\$ 7,709	\$ 2,092,228	\$ (1,969,774)
Closing Balance	\$ 7,212,666	\$ 9,304,894	\$ 2,092,228	\$ 9,297,185

Internally Restricted Accumulated Operating Surplus

Policy No. 710, Accumulated Operating Surplus establishes the target balance for the Unrestricted Accumulated Operating Surplus in the range of 2 – 4 percent of operating expenses as approved in the Preliminary Annual Budget. The unrestricted balance at June 30, 2023 is \$4.8 million or 2.9% of total operating expenses of \$171 million, and falls within the target range 2% (\$3.4 million) and 4% (\$6.8 million).

	2023	2022
Annual Budget Surplus Appropriation	\$ 2,098,707	\$ 5,420,963
Early Teacher Mentorship	103,662	241,877
Restricted School Balances	499,647	686,711
Commitments	70,887	
Future Capital Projects	1,650,000	
Internally Restricted	4,422,903	6,349,551
Unrestricted	4,881,991	2,947,634
Total Accumulated Operating Surplus	9,304,894	9,297,185
Preliminary Budget Operating Expenses	171,092,322	165,182,571
Unrestricted Surplus as a % of Budgeted Operating Expenses	2.9%	1.8%

Special Purpose Funds

Presented on Schedules 3 and 3A of the financial statements are the Special Purpose Funds. These are restricted grants and funding is subject to legislative or contractual restriction on its use. These revenues are deferred until the relevant expenditures are incurred. The following table shows revenues and related expenditures for the year ended June 2023.

Grant Name	Opening Balance	Received in the Year	Spent During the Year	Returned to Ministry During the Year	Closing Balance	Purpose of Grant
Annual Facility Grant	-	\$ 626,391	\$ (626,391)	-	-	Funds may be used to improve or extend the service life of School buildings
Learning Improvement Fund	-	520,803	(520,803)	-	-	In consultation with CUPE, the funds are used to augment weekly hours for Educational Assistants providing "bell to bell coverage"
Strong Start	-	224,000	(224,000)	-	-	Seven Strong Start early learning centres operating throughout the District at elementary schools provide school-based, drop-in programs for children aged birth to five and their parents or caregivers
Ready Set Learn (RSL)	21,612	61,250	(26,016)	-	56,846	Eligible RSL events for 3 to 5 year olds and their parents are hosted to support early learning and facilitate a smooth transition to Kindergarten
Official Languages Education Program (OLEP)	780	804,705	(684,963)	-	120,522	Funding for core French-language programs, French Immersion, and curriculum resources
Community Link	-	1,199,071	(1,199,071)	-	-	Funding for programs and initiatives to support food security, academic achievement and social and emotional needs of vulnerable students
CEF - Overhead	-	6,329,266	(6,329,266)	-	-	Funding for added non-teaching staff and equipment needs required as a result of restoration of class size and composition language
CEF - Staffing	-	12,106,817	(12,106,817)	-	-	Funding for added teachers required as a result of restoration of class size and composition
CEF - Remedies	106,561	1,051,600	(1,051,600)	(106,561)	-	Funding to pay for the cost of Teacher Remedies owed in cases where class size or composition contract language cannot be met

Grant Name	Opening Balance	Received in the Year	Spent During the Year	Returned to Ministry During the Year	Closing Balance	Purpose of Grant
First Nation Student Transportation	8,958	192,614	(161,615)	-	39,957	Funds received to support Indigenous students' transportation to school and extra-curricular activities
Mental Health in Schools	308	51,000	(50,471)	-	837	Funds provided to support Mental Health. Resource kits were purchased for use in schools
Changing Results for Young Children	8,878	6,750	(9,005)	-	6,623	Funds provided to support Early Learning and Physical Literacy
Federal Safe Return to Class	329,674	-	(329,674)	-	-	Federal funds targeting improvements to existing ventilation systems that increase airflow within schools
Student & Family Affordability	-	1,472,288	(1,271,217)	-	201,071	Funds to increase food security and support for students and families with affordability concerns
Early Care & Learning	-	175,000	-	-	175,000	Funds to establish and expand an integrated early learning and child care system on school grounds
Carlile Youth Inpatient	987	243,462	(237,681)	-	6,768	Funding provided to operate educational support program for youth with mental health challenges and substance abuse issues. Program is delivered at inpatient centre at Lions Gate Hospital
Violence Prevention	8,506	20,000	(7,744)	-	20,762	Funding to support various School District initiatives to address violence in the community
Metro Regional Implementation	162,259	47,160	(48,272)	-	161,147	These are funds held on behalf of several regional school districts and are used to support professional development seminars and collaboration among school district administrators
Sutherland Track	10,000	-	-	-	10,000	Donated funds to support the revitalization of the track at Sutherland Secondary School
School Generated Funds	4,014,817	7,330,412	(7,115,497)	-	4,229,732	Funds collected at schools for student programs. All revenue is deferred and recognized as revenue when spent
NSSSAA	85,460	346,865	(313,945)	-	118,380	North Shore Secondary Schools Athletics Association - these are funds are collected from public and private school districts on the North Shore for sports. All revenue is deferred and recognized as revenue when spent.
Total	\$4,758,800	\$32,809,454	(\$32,314,048)	(\$106,561)	\$5,147,645	

Capital Fund

Capital Assets are purchased using various funding sources including Operating Funds, Special Purpose Grants, Ministry of Education and Child Care Capital Grants authorized under separate Certificates of Approval, and the school district's own Local Capital Funds.

Construction projects are accumulated in Work in Progress accounts, and the total value of the addition is added to the Capital Buildings account once the project is complete. Assets are amortized using the half-year rule method of accounting which requires amortization of capital assets to start in the first year they are put into service.

Buildings – Capital Projects

The school district invested \$11.2 million in the following capital projects in 2023.

Projects Completed in 2023	Operating Funds	Special Purpose Funds	Ministry Grants	Local Capital	Total
Handsworth Replacement			\$ 1,372,539	\$	1,372,539
Mountainside Seismic Upgrade			1,503,653		1,503,653
School Enhancement Program			536,622		536,622
Carbon Neutral Capital Program			500,000		500,000
Annual Facilities Grant		573,081	2,611,411		3,184,492
Cheakamus				3,781,060	3,781,060
Covid Ventilation		329,674			329,674
Total Completed Projects	\$ -	\$ 902,755	\$ 6,524,225	\$ 3,781,060	\$ 11,208,039

An additional \$1.2 million was invested in projects started but not completed by June 30, 2023.

Projects In Progress	Operating Funds	Special Purpose Funds	Ministry Grants	Other Grants	Local Capital	Total
School Enhancement Program		\$ 478,655			\$	478,655
Carbon Neutral Capital Program			347,263			347,263
Cloverley Replacement			160,974			160,974
Lynn Valley Expansion			181,028			181,028
Cheakamus Composting Toilets				80,924		80,924
New Child Care Spaces			5,632			5,632
Total Projects in Progress		\$ 1,173,551	\$ 80,924		\$	1,254,476

The following are major capital projects that completed and/or are currently active in the school district.

Major capital projects	Project Budget	Project Expenditures to June 30/23	Budget Remaining (Overspent)
Handsworth Secondary Seismic Replacement	\$ 69,884,755	\$ 67,405,535	\$ 2,479,220
Mountainside Secondary Phase 2 - Seismic Upgrade	\$ 23,717,511	\$ 23,363,188	\$ 354,323
Cloverley Replacement	\$ 64,394,754	\$ 160,974	\$ 64,233,780
Lynn Valley Expansion	\$ 9,309,507	\$ 181,028	\$ 9,128,479

Furniture and Equipment

Furniture and equipment additions in 2023 totalled \$1.7 million as detailed below.

Furniture & Equipment	Operating Funds	Special Purpose Funds	Ministry Grants	Other Grants	Local Capital	Total
New Argyle School					\$ 19,815	\$ 19,815
New Handsworth School	54,094		566,095		236,025	856,213
Mountainside	4,125					4,125
Inclusive Education	68,302					68,302
Brooksbank Playground			165,000			165,000
Other Miscellaneous	304,210	242,426		69,844		616,480
Total Furniture & Equipment	\$ 430,731	\$ 242,426	\$ 731,095	\$ 69,844	\$ 255,839	\$ 1,729,935

Vehicles

Vehicle purchases totalled \$0.28 million.

Vehicles	Operating Funds	Special Purpose Funds	Ministry Grants	Other Grants	Local Capital	Total
Maintenance & Operations	\$ 285,537					\$ 285,537

Information Technology

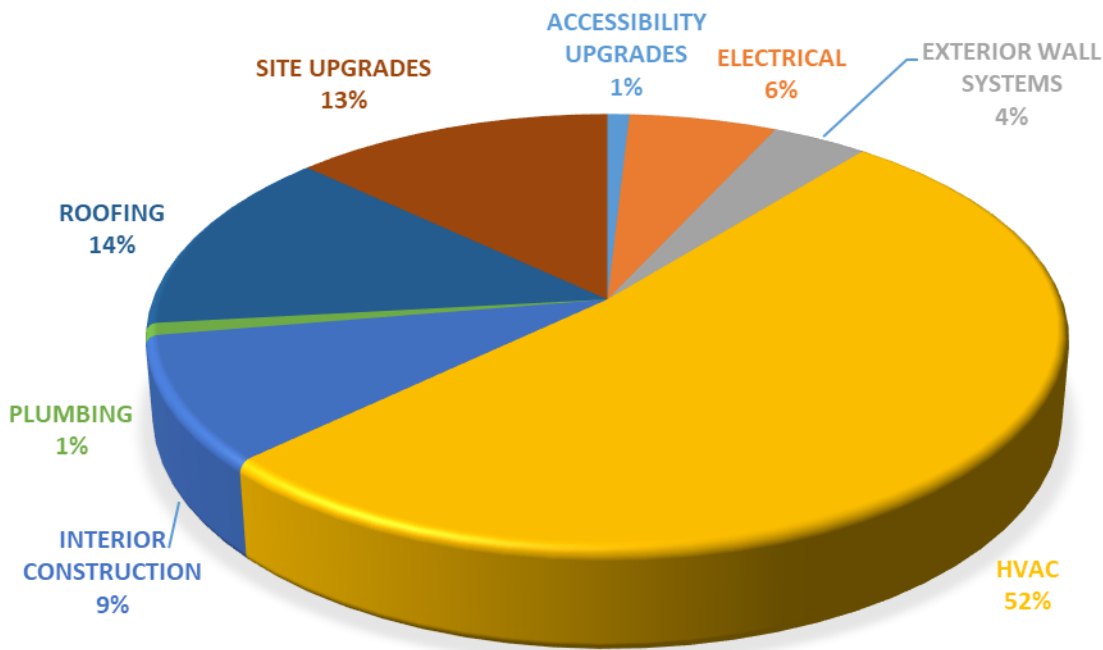
The school district invested \$2 million on IT infrastructure and equipment. These investments are consistent with the IBM Review completed in 2019 and include replacement of old hardware to minimize risks to the school district.

Computer Technology	Operating Funds	Special Purpose Funds	Ministry Grants	Other Grants	Local Capital	Total
Refresh and Infrastructure					\$ 1,321,914	\$ 1,321,914
School Technology	477,338	289,244				766,582
Total	\$ 477,338	\$ 289,244			\$ 1,321,914	\$ 2,088,496

Annual Facilities Grant

In 2023 the school district was allocated \$3.1 million from the Annual Facilities Grant (AFG). These funds are used to address ongoing maintenance and improvements to extend the useful life of facilities. Total work completed in 2023 included the installation of HVAC systems and ventilation enhancements in 10 schools, roof repairs and replacements, and electrical, accessibility and other upgrades across all schools.

PERCENTAGE USE OF AFG BY CATEGORY



Local Capital Funds

The provincial government does not provide funding for asset acquisitions such as computer equipment, school furniture and equipment replacement, vehicle maintenance, photocopiers or district administration buildings. The only source of funding available for these is typically from Operating Funds. The Board of Education may transfer funds from the Operating Fund to the Local Capital Fund for these purchases. At the close of 2023, the school district had \$2.6 million in Local Capital Reserve Funds set aside for the following purposes.

	2023	2022
Argyle Secondary Seismic	\$ 389,937	\$ 409,751
Handsworth Secondary Seismic	45,818	281,841
District Technology	321,274	1,643,188
Proposed Capital Projects	114,901	1,782,151
Asset Renewal & Replacement Reserve	1,732,542	1,054,804
Total Local Capital Reserve	\$ 2,604,472	\$ 5,171,735

During the year the activity in the local capital fund was as follows.

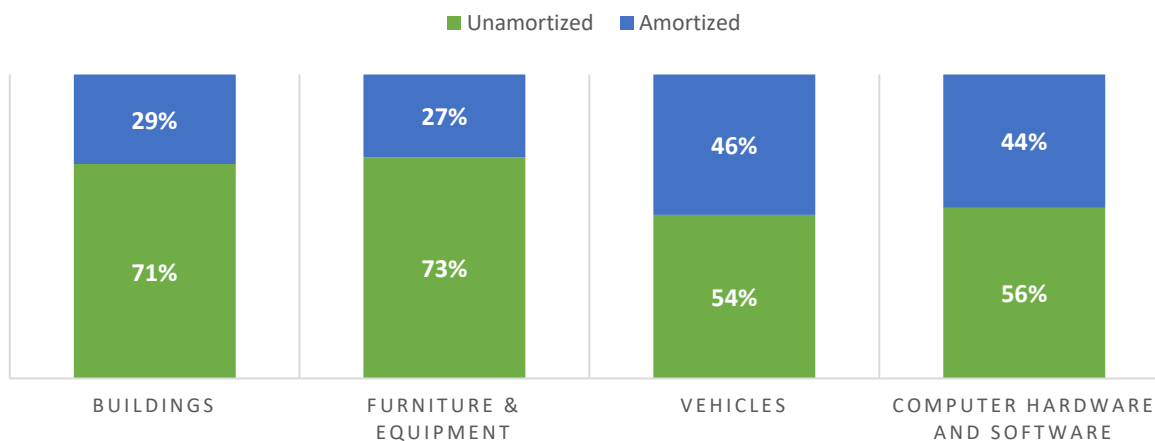
	2023	2022
Opening balance	\$ 5,171,735	\$ 11,412,863
Investment income earned	151,424	61,272
Transfers from accumulated operating surplus	-	1,300,000
Capital Lease interest payments	(545)	(7,497)
Investments in capital assets	(1,577,752)	(5,064,894)
Investment in work in progress	(1,140,390)	(2,530,009)
Closing balance	\$ 2,604,472	\$ 5,171,735

Amortization of Tangible Capital Assets

Amortization expense recorded on Tangible Capital Assets totalled \$15.3 million in 2023.

The percentage of fully amortized tangible capital assets by category is presented below. A high proportion of fully amortized assets may suggest an organization's assets are nearing the end of their expected lives and additional investments in capital renewal and replacement should be considered.

PERCENTAGE OF FULLY AMORTIZED TANGIBLE CAPITAL ASSETS BY CATEGORY



Risks

Enrolment Growth

The school district has been consistently growing over the past decade. The growth will put pressure on existing facilities, and worse case, may result in the need for portables. The enrolment growth also requires additional supports and services that are not directly supported through the Operating Grant.

International Program

Enrollment of students in the International Program is increasing, however the school district continues to face challenges in the availability of home stay families which may impact the ability to accommodate all student applications. As overall student enrollment grows, there may be additional challenges in accepting international students.

Inflation

Inflationary pressures continues to increase costs for supplies such as fuel, paper, cleaning supplies, computer technology and other equipment. These purchases are not optional and will create future budgetary pressures.

Cloverley Elementary Replacement

School districts are required to contribute a share of the total construction costs on capital projects. The \$3.0 million contribution will be needed at the end of the project, which leaves the school district multiple years to set aside the required fund in future budgets.

Reserves in Operating Surplus (Contingency)

The annual operating budget provides limited contingencies for any unbudgeted or unforeseen costs that may arise. The unrestricted accumulated operating surplus is relied upon to absorb unplanned budget changes and is within the target range, it is on the lower side of the minimum threshold.

Conclusion

As the school district approaches 2023/24, it will be important to be mindful of potential risks and future obligations that will impact the school district's financial outlook. Through a prudent and conservative approach to managing resources, the Board of Education will continue its commitment to world-class instruction and a rich diversity of engaging programs in order to meet its fiduciary responsibilities.