

# Financial Statement Discussion and Analysis

For the Year Ended June 30, 2024

The following is a discussion and analysis of the District’s financial performance for the fiscal year ended June 30, 2024. 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



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## 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 on-line 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:**

- Renovation and upgrade of Correlieu High School gymnasium changerooms
- Carson Elementary replacement school project
- Various others including roof, lighting, flooring and classroom upgrades

**Other Significant Events:**

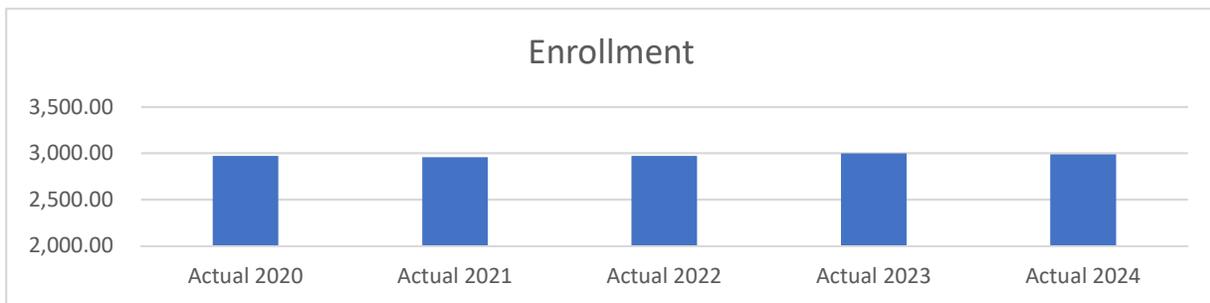
- The Board approved a budget for 2023/2024 school year of the reinvestment of accumulated surplus dollars of \$244,098. The District realized a surplus of \$381,097. The entire reinvestment plan was not realized due to difficulties hiring new staff to fill vacant positions.

**Overall as of June 20, 2024, 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 teaching staff to meet enrollment needs. The following table is in Full Time Equivalent (FTE); the headcount is approximately 600 employees.

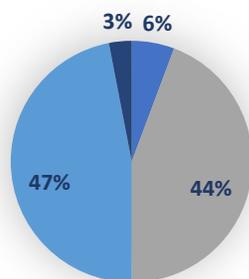
Full Time Equivalent (FTE)	23/24	22/23	Variance
Teachers	204	199	5
Principals and Vice Principals	22	22	-
Support Staff	199	201	- 2
Other Professionals	10	9	1
	435	431	4

## 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, 2024 and 2023 with a review of the more significant year over year changes discussed below.

Statement of Financial Position (In Thousands)	Jun 2024	Jun 2023	Increase (Decrease)	
	Actual \$	Actual \$	\$	%
Cash & Cash Equivalents	11,756	9,780	1,976	20%
Receivable Due from Province - MECC	456	563	(107)	-19%
AR Other	293	159	134	84%
<b>Total Financial Assets</b>	<b>12,505</b>	<b>10,502</b>	<b>2,003</b>	<b>19%</b>
Accounts Payable & Accrued Liabilities	446	4,217	(3,771)	-89%
Unearned Revenue	3,333	2	3,331	166550%
Deferred Revenue	895	834	61	7%
Deferred Capital Revenue	81,337	72,269	9,068	13%
Employee Future Benefits	919	919	0	0%
Asset Retirement Obligation	5,176	5,176	0	0%
Other Liabilities	2,168	2,666	(498)	-19%
<b>Total Liabilities</b>	<b>94,274</b>	<b>86,083</b>	<b>8,191</b>	<b>10%</b>
<b>Net Financial Assets (Debt)</b>	<b>(81,769)</b>	<b>(75,581)</b>	<b>(6,188)</b>	<b>8%</b>
Tangible Capital Assets	87,013	80,525	6,488	8%
Restricted Assets (Endowments)	122	122	0	0%
Prepaid Expenses	335	485	(150)	-31%
Supplies Inventory	35	27	8	30%
<b>Total Non-Financial Assets</b>	<b>87,505</b>	<b>81,159</b>	<b>6,346</b>	<b>8%</b>
<b>Accumulated Surplus (Deficit)</b>	<b>5,736</b>	<b>5,578</b>	<b>158</b>	<b>3%</b>



### Financial Position Allocation

- Financial Assets
- Non-Financial Assets
- Liabilities
- Accumulated Surplus

Financial Assets are assets that can be used to discharge liabilities and provide working capital funds in the normal course of operations. There was an increase in financial assets from the prior year resulting from the construction of the new Carson School. The cash balance has increased with funding received for the new Carson School and daycare build.

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 Carson 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, 2024. The increase in TCA is comprised of new assets purchased totaling \$9.6M less amortization of \$3.1M.
- 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 2023/24 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 2023		Increase (Decrease)	
					\$	%	\$	%
<b>Revenues</b>								
Provincial Grants								
MECC	41,874	4,441	3,003	46,315	44,526	1,789	4%	
Other	0	0	0	0	4	(4)	-100%	
Other revenue	91	824	0	915	768	147	19%	
Gain (Loss) on Disposal of Capital		0	0	0	45	(45)		
Rentals and Leases	188	0	0	188	190	(2)	-1%	
Investment Income	361	3	0	364	295	69	23%	
Amort of Deferred Capital Rev	0	0	3,003	3,003	2,156	847	39%	
<b>Total Revenue</b>	<b>42,514</b>	<b>5,268</b>	<b>3,003</b>	<b>50,785</b>	<b>47,984</b>	<b>2,801</b>	<b>6%</b>	
<b>Expenses</b>								
Instruction	33,297	4,973	0	38,270	34,771	3,499	10%	
District Administration	2,184	0	0	2,184	1,985	199	10%	
Operations and Maintenance	4,219	179	2,919	7,317	6,419	898	14%	
Transportation and Housing	2,263	116	477	2,856	2,763	93	3%	
<b>Total Expenses</b>	<b>41,963</b>	<b>5,268</b>	<b>3,396</b>	<b>50,627</b>	<b>45,938</b>	<b>4,689</b>	<b>10%</b>	
<b>Surplus (Deficit) for the year</b>	<b>551</b>	<b>0</b>	<b>(393)</b>	<b>158</b>	<b>2,046</b>	<b>(1,888)</b>	<b>-92%</b>	
<b>Net Transfers (to) from other funds</b>	<b>(170)</b>	<b>0</b>	<b>170</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>	
<b>Accum Surplus (Deficit), opening</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>	
<b>Accum Surplus (Deficit), closing</b>	<b>2,573</b>	<b>122</b>	<b>3,041</b>	<b>5,736</b>	<b>5,578</b>	<b>158</b>	<b>3%</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.

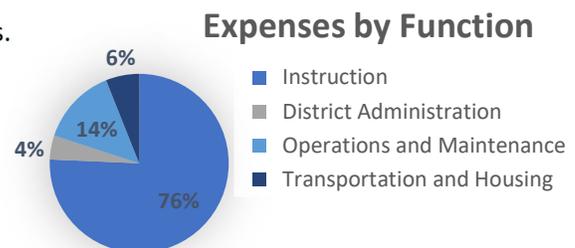
Expenses can be reviewed by four functions:

**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.

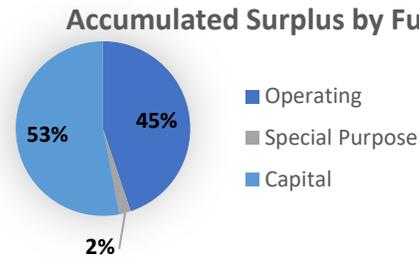


## ACCUMULATED SURPLUS (DEFICIT)

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 2023/24 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 53%; not usable cash for the District)



Accumulated Surplus	Jun 2024	Jun 2023	Increase (Decrease)	
	\$	\$	\$	%
Operating Fund	2,573	2,192	381	17%
Special Purpose Fund	122	122	0	0%
Capital Fund	3,041	3,264	(223)	-7%
<b>Accumulated Surplus</b>	<b>5,737</b>	<b>5,578</b>	<b>158</b>	<b>3%</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 \$244,098 for the year end June 2024. The District realized a surplus of \$381,097. 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.

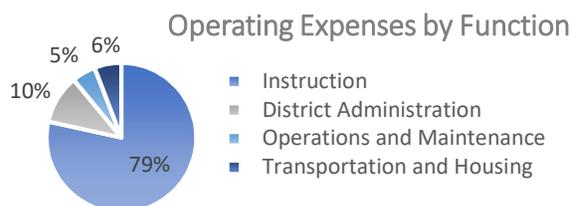
## OPERATING FUND

Operating Operations (In thousands)	2023/2024 Actual	2023/2024 Budget	2022/2023 Actual	Variance to Budget	Variance to 22/23
<b>Revenues</b>					
Provincial Grants					
Ministry of Education	41,874	41,784	38,757	90	3,117
Other Revenue	91	30	43	61	48
Rentals and Leases	188	193	190	(5)	(2)
Investment Income	361	200	291	161	70
<b>Total Revenue</b>	<b>42,514</b>	<b>42,207</b>	<b>39,281</b>	<b>307</b>	<b>3,233</b>
<b>Expenses</b>					
Instruction	33,297	33,230	30,454	67	2,843
District Administration	2,184	2,173	1,985	11	199
Operations and Maintenance	4,219	4,657	4,105	(438)	114
Transportation and Housing	2,263	2,391	2,266	(128)	(3)
<b>Total Expenses</b>	<b>41,963</b>	<b>42,451</b>	<b>38,810</b>	<b>(488)</b>	<b>3,153</b>
<b>Operating Surplus (Deficit) for the year</b>	<b>551</b>	<b>(244)</b>	<b>471</b>	<b>795</b>	<b>80</b>
<b>Net Transfers to Capital Fund</b>	<b>(170)</b>	<b>0</b>	<b>(331)</b>	<b>(170)</b>	<b>161</b>
<b>Total Operating Surplus (Deficit)</b>	<b>381</b>	<b>(244)</b>	<b>140</b>	<b>625</b>	<b>241</b>

MECC funding makes up 98.5% 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 \$3.2M due to an increase in per student funding from the government and labour settlement funding. Overall, expenses increased by \$3.2M due mainly to an increase to all wages per the collective agreements.

The cost of instruction plus busing the students to school comprises 85% of the cost of the District, with the remaining 15% 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 \$307,000 higher than budgeted due mainly to an increased in interest revenue. Expenses were lower than budgeted by \$488,000, 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)	2023/2024 Actual	2023/2024 Budget	2022/2023 Actual	Variance to Budget	Variance to 22/23
Provincial Grants	4,441	4,614	3,853	(173)	588
Other Revenue	824	561	725	263	99
Investment Income	3	3	4	0	(1)
<b>Total Revenue</b>	<b>5,268</b>	<b>5,178</b>	<b>4,582</b>	<b>90</b>	<b>686</b>
Instruction	4,973	4,786	4,317	187	656
District Administration	0	0	0	0	0
Operations and Maintenance	179	179	179	0	0
Transportation and Housing	116	213	86	(97)	30
<b>Total Expenses</b>	<b>5,268</b>	<b>5,178</b>	<b>4,582</b>	<b>90</b>	<b>686</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 new Feeding Futures funding of \$420,850. 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.

<b>Special Purpose Funds Breakdown</b>	<b>Opening Jun 23</b>	<b>Revenue</b>	<b>Expense</b>	<b>Closing Jun 24</b>
<b>Ministry of Education Grants</b>				
Annual Facility Grant	-	179,130	179,130	-
Classroom Enhancement Fund	-	2,341,093	2,341,093	-
Community Links	-	552,327	552,327	-
Early Learning	31,747	357,400	364,297	24,850
First Nation Student Transportation	48,790	163,894	115,973	96,711
French Language	15,275	140,351	139,645	15,981
Learning Improvement Fund	-	152,064	152,064	-
Mental Health in Schools	-	55,000	55,000	-
Student & Family Affordability	155,716	100,000	120,816	134,900
Project Penny	-	100,000	-	100,000
Feeding Futures	-	420,850	420,850	-
<b>Other Special Purpose Funds</b>				
Breakfast Club	55,033	47,097	58,039	44,091
Career Grants	48,517	33,380	60,912	20,985
Scholarships and Bursaries	157,664	35,430	44,750	148,344
School Generated Funds	292,406	563,786	601,801	254,391
Various	29,132	87,566	61,842	54,856
<b>Total</b>	<b>834,280</b>	<b>5,329,368</b>	<b>5,268,539</b>	<b>895,109</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	4,763	4,763	0	0%
Buildings	109,757	118,603	8,846	8%
Furniture & Equipment	3,028	3,062	34	1%
Vehicles	4,202	5,126	924	22%
Computer Software	626	467	(159)	-25%
Computer Hardware	1,022	995	(27)	-3%
	123,398	133,016	9,618	8%

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.

<b>Ministry of Education</b>	
Quesnel Junior School Replacement	484,571
Carson Elementary School Replacement	5,402,278
Bouchie Lake Exterior Envelope	371,902
Lighting Upgrades	373,007
Correlieu Gym Changeroom reno	1,324,554
Bus Replacement	732,863
Breakfast Club Van	60,000
Lakeview Exterior upgrades	59,787
Parkland Exterior upgrades	289,415
Various Roofing upgrades	209,337
General Facility upgrades	411,109
<b>Total</b>	<b>9,718,823</b>
<b>District Operating Funds</b>	
District Truck	146,891
Website	23,063
<b>Total</b>	<b>169,954</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.