

**FINANCIAL STATEMENT DISCUSSION AND ANALYSIS
SCHOOL DISTRICT NO. 51 (BOUNDARY)
JUNE 30, 2023**



The following Financial Statement Discussion and Analysis should be read in conjunction with the audited financial statements and accompanying notes for School District No. 51 (Boundary) for the year ended June 30, 2023.

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, as well as the factors that influenced the financial results presented in these statements. The preparation of the Financial Statement Discussion and Analysis is the responsibility of the management of the District.

This summary of the District's financial activities is based on currently known facts, decisions and conditions. The results of the current year are discussed in comparison to the prior year and the approved annual budget. The Financial Statement Discussion and Analysis also contains forward-looking information, such as the planned use of local capital funds and accumulated surplus. The purpose of the forward-looking information is to provide management's expectations regarding results of operations and performance and may not be appropriate for other purposes.

The Financial Statement Discussion and Analysis has not been audited.

OVERVIEW OF SCHOOL DISTRICT NO. 51 (BOUNDARY)

As one of 60 public school districts in British Columbia, School District No. 51 (Boundary) (the “District”) is incorporated and operates under the authority of the *School Act of BC*. The District is governed by the Board of Education, including seven Trustees elected for a four-year term.

The District provides educational programs to approximately 1,300 students in grades K to 12 in 7 elementary schools, 2 high schools, 1 alternate school and a K-9 community school. The District covers approximately 250 square kilometers from Christina Lake to Big White. Enrolment has been moderately stable over the past 10 years, and a key focus for the District has been to keep small rural schools open with a full range of programs and services.

Some unique characteristics of the District include:

- Approximately 30% of our student population self-identifies Indigenous, Metis or Inuit heritage
- The District is 1 of only 2 districts in the Province that operates on a 4-day school week
- Over 70% of our students are registered for busing, with some students travelling more than two hours a day on the bus
- Our largest school has over 400 students and our smallest has only 10

In 2021, the Board of Education engaged in the development of a strategic plan. Working with a diverse group of stakeholders, the vision, mission and values of the District were created to guide our work over the next 4 years.



Our Vision

To nurture curiosity, resilience and joy in all

Our Mission

To ensure our students are flourishing today so they can build a confident future tomorrow



To ensure our vision and mission resonate and come alive for students, staff, families and the community, the Board established the following strategic directions as a lens for which to consider all decisions, financial and otherwise:

- Equity, inclusion and belonging
- Student voice and agency
- Wellness and resilience
- Community connections

COVID-19

Note 1 to the financial statements again highlights COVID-19 as a significant event for the District this year. Although fewer direct impacts of the pandemic existed in operations during the 2022/23 school year, the ongoing effects continue to present business and operational challenges. Amounts reported in the June 30/2023 financial statements may vary from budget and from prior year as a result. Any balances reported or changes in the delivery of education programs affected by COVID-19 will be highlighted in this report.

FINANCIAL HIGHLIGHTS

Financial statement highlights to note include:

- A **prior period adjustment** is reported in the financial statements due to newly adopted Canadian Public Accounting Standard *PS 3280 – Asset Retirement Obligations*. Details of the change are reported in Notes 16 and 20, and include a **\$4.76 mil decrease to opening Accumulated Surplus – Capital Fund** and addition of a **\$4.77 mil ARO liability** on the statement of financial position.
- Accumulated Surplus as restated **decreased \$775K** from prior year due to \$718K deficit in the operating fund and \$57K deficit in the capital fund.
- The **operating fund surplus of \$1.03 mil** includes \$444K appropriated by the Board for specific purposes and a \$590K unrestricted/contingency reserve.
- Total funding received from the Ministry of Education and Child Care increased \$1.15 mil to **\$21.7 mil**, compared to \$20.55 mil in 2021/22
- Total capital asset additions are **\$3.29 mil**, compared to \$2.23 mil in 2021/22
 - **\$2.45 mil** was received from the MECC for minor capital projects including:
 - Roofing upgrade at Boundary Central Secondary and Midway Elementary;
 - Purchase of HVAC units at Hutton Elementary (installed summer 2023);
 - Exterior wall system replacement and roof patching at West Boundary Elementary; and
 - Purchase of two electric buses, one of which is the District’s first accessible bus, and related charging infrastructure.
 - In addition, **\$670K in local capital expenditures** were made to support the 2023 hardware refresh, purchase a new server and wifi diagnostic tools, as well as fund a portion of the electric buses not covered by MECC grants and rebates.
- As per the Independent Auditor’s Report on page 2-3, the external auditors, BDO Canada LLP, concluded that the **2022/23 financial statements present fairly, in all material respects, the financial position** of the School District.

Comparison to Prior Year

	2022/23	2021/22	Variance
Revenue	23,534,232	22,170,959	1,363,273
Expenditure	24,308,856	22,339,605	1,969,251
Surplus (Deficit)	(774,624)	(168,646)	(605,978)

The most significant change in revenue from the prior year is the 4.5% increase in the MECC operating grants from \$18.92 mil in 2021/22 to **\$19.77 mil** due to \$759K in labour settlement funding received to cover negotiated wage increases. In addition, special purpose funding increased \$390K due to increase in School Generated Funds, the new Student & Family Affordability Fund grant (\$250K) and various early learning initiative grants (\$470K).

The \$1.97 mil increase in expenditures is a result of wage increases of approximately 4% for all employees and increased replacement costs.

Annual Budget compared to Amended Budget

	Amended Budget 2022/23	Annual Budget 2022/23	Change
Revenue	23,412,900	21,576,406	1,836,494
Expenditure	24,326,087	22,131,942	2,194,145
Surplus (Deficit)	(913,187)	(555,536)	(357,651)

The budgeted deficit of \$555K in the annual budget included a deficit of \$245K in the operating fund and a deficit of \$281K in the capital fund after transfers.

The operating budget included additions for two new continuing teaching positions: 1.0 FTE elementary school counsellor in the East and 0.50 FTE outdoor education teacher. In addition, temporary teaching positions were approved for 4 alternate education program blocks at GFSS and 1.75 FTE of literacy support in elementary schools. The annual budget also included the addition of a temporary 0.25 FTE increase in Speech and Language Pathologist time, 1:1 student counselling support at West Boundary Elementary, Greenwood Elementary and Beaverdell Elementary, as well as a 1.0 FTE itinerant TTOC. Other approved projects/initiatives included in Supplies & Services were employee wellness counselling supports, teacher inquiries, story workshop carts, outdoor equipment at CLES, GFSS and GES, literacy resources, art supplies and Russian supplies.

The increase in expenditures in the amended budget is a result of recording approved salary increases for all employees of approximately 4% as negotiated, as well as adding 1.25 teacher FTE at West Boundary Elementary and 0.25 teacher FTE at Grand Forks Secondary due to enrolment increases. Replacement costs were increased \$165K to address sick time usage and negotiated wage increases. As well, other supplies and services were increased based on known rate increases.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The two key audited financial statements are:

- *Statement of Financial Position* – summarizes the combined assets and liabilities at June 30th. This provides an indication of the financial health of the District.
- *Statement of Operations* – summarizes the combined revenues received and expenses incurred during the 12 months between July 1 and June 30. This provides an indication of the funding received by the District and how that funding was spent.

A Statement of Change in Net Financial Assets (Debt), Statement of Cash Flows and the Notes to the Financial Statements are also audited and provide further analysis of the District's finances.

The schedules at the end of the Notes to the Financial Statements are in a format prescribed by the Ministry of Education and Child Care. These schedules provide more detail specific to each of the three funds (Operating, Special Purpose and Capital). The balances in these schedules are consistent, when combined together, with the audited financial statements.

OPERATING FUND	SPECIAL PURPOSE FUND	CAPITAL FUND
Includes revenue and expenses related to the daily operation of the District, including instructional programs, school and district administration, facilities operations, maintenance and transportation functions. Over 98% of operating fund revenue comes from MECC. Any surplus is carried forward to future budgeting years through the <i>Accumulated Surplus - Operating Fund</i> (see schedule 1 and note 18).	Includes targeted funding provided to the District that is subject to a legislative or contractual stipulation or restriction as to its use. Revenues are only recognized when the related expense is incurred, thus any unspent funds are recorded as a liability (deferred revenue).	Includes capital expenditures related to equipment and facilities purchases and enhancements. Funding is accounted for using the deferral method, whereby revenue is recognized over the life of the asset rather than in the period received. Therefore, funding reported in Schedule 4 does not match actual funding received in the year. Funding sources include MECC Bylaw Capital, MECC Restricted Capital, Other Provincially Restricted Capital, Land Capital and Local Capital.

Statement of Financial Position at June 30:

	2023	2022 **(Restated)	2022
Financial Assets	5,386,102	5,931,010	5,931,010
Liabilities	27,540,617	**25,421,347	20,649,898
Net Debt	(22,154,515)	(19,490,337)	(14,718,888)
Non-financial assets	26,390,803	24,501,249	24,494,173
Accumulated Surplus	4,236,288	5,010,912	9,775,285
Accumulated Surplus – Operations	1,033,854	1,751,590	1,751,590
Accumulated Surplus – Capital	3,202,434	3,259,322	8,023,695

Financial assets are assets that can be used to discharge liabilities and provide working capital funds in the normal course of operations.

Cash and cash equivalents – At June 30, 2023, the District held \$4.71 mil in cash (2022 - \$5.58 mil), deposited in financial institutions and the Province's central deposit system. The District's holds cash for: payment of current liabilities, summer savings plan (teachers), deferred funds, and restricted operating and capital funds. Cash on hand does not represent funds available for new initiatives. Statement 5 provides information on how the District's cash is spent each year.

Accounts Receivable – Includes amounts due from the Ministry of Education and Child Care and Other. Amounts due from MECC represent Certificate of Approval funds requested for capital projects completed prior to June 30, 2023. Note 4 outlines the changes in *Other* AR from 2022. A significant variance in 2023 is a large receivable for costs incurred on an insurance claim in progress due to a flood at Grand Forks Secondary School.

Liabilities are present obligations of the District to others arising from prior transactions or events, the settlement of which will require the use of current and future financial assets.

Accounts Payable and Accrued Liabilities – Includes trades payable and salary and benefits payable. Fluctuations in AP are generally related to timing of cheque processing and accrual of salaries and benefits around year end, as well as changes in reserve funds for professional development. Five working days of salaries and benefits were accrued in 2023, compared to four in 2022.

Deferred Revenue – Consists of Special Purpose Fund balances deferred to subsequent periods for the intended use. Schedule 3 reports an increase of \$272,908 in deferred revenue in 2022/23, with the following programs having ending balances: School Generated Funds; OLEP; CEF – Remedies; Changing Results for Young Children; Seamless Day Kindergarten; Student & Family Affordability Fund; Just B4; Strengthening Early Years to Kindergarten Transition; and Early Care & Learning.

Deferred Capital Revenue – Is the total of funds received and spent on capital projects, which is being amortized annually at the same rate as the related capital asset. See Capital Fund Analysis section for more information.

Employee Future Benefits – Represents the total vested and non-vested sick leave benefits and retirement benefits that will be paid to employees in future years. The liability is actuarially determined and is adjusted annually for actual costs paid out to employees during the year.

****Asset Retirement Obligation (NEW)** – On July 1, 2022, the District adopted Canadian public sector accounting standard *PS 3280 – Asset Retirement Obligations*, which addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of certain tangible capital assets such as asbestos removal in buildings that will undergo major renovation or demolition in the future. The standard was adopted using the modified retroactive approach and, as such, these financial statements include disclosure and reporting of an ARO liability of \$4.77 mil on the statement of financial position related to the incremental costs associated with future asbestos abatement in district-owned buildings. Note 16 and 20 provide additional information.

Net Debt – The sum of the District’s financial assets and liabilities at June 30, 2022 is net debt of \$22.15 mil. This balance is skewed by the deferred capital revenue liability of \$19.1 mil. As there is no future cashflow associated with the deferred capital revenue balance, a more meaningful measure of net financial assets (debt) excludes the deferred capital revenue balance, giving a revised net debt figure of \$3.05 mil. The revised net debt balance is primarily comprised of the ARO liability of \$4.77 mil, less the accumulated operating fund surplus of \$1.03 mil (Schedule 2) and local capital fund balance of \$714K mil (Schedule 4). The use of these amounts is internally restricted, as outlined below.

Non-Financial Assets – By nature, non-financial assets are normally for use in service provision and include purchased, constructed, contributed, developed or leased capital assets, and prepaid expenses. Total non-financial assets at June 30, 2023 were \$26.3 mil, an increase of \$1.87 mil from 2022. More information is provided below in the Capital Fund Analysis section.

Statement of Operations:

Financial results for the year ended June 30/2023:

	Operating Fund (Schedule 2)	Special Purpose Fund (Schedule 3)	Capital Fund (Schedule 4)	Total (Statement 2)
Revenues	20,095,651	2,369,104	1,069,477	23,534,232
Expenditures	20,432,140	2,301,474	1,575,242	24,308,856
Net Surplus	(336,489)	67,630	(505,765)	(774,624)
Transfers	(381,247)	(67,630)	448,877	0
Surplus (Deficit) for the year	(717,736)	0	(56,888)	(774,624)
Surplus, beginning of year	1,751,590	0	3,259,322	5,010,912
Surplus, end of year	1,033,854	0	3,202,434	4,236,288

Financial results for the year ended June 30/2022, as restated:

	Operating Fund (Schedule 2)	Special Purpose Fund (Schedule 3)	Capital Fund (Schedule 4)	Total (Statement 2)
Revenues	19,209,460	1,979,356	982,143	22,170,959
Expenditures	18,920,562	1,912,950	1,507,291	22,340,803
Net Surplus	288,898	66,406	(525,148)	(169,844)
Transfers	(553,169)	(66,406)	619,575	0
Surplus (Deficit) for the year	(264,271)	0	94,427	(169,844)
Surplus, beginning of year	2,015,861	0	7,928,070	9,943,931
Prior period adjustment (ARO)			(4,763,175)	(4,763,175)
Surplus, end of year	1,751,590	0	3,259,322	5,010,912

OPERATING FUND ANALYSIS – REVENUE

Last Year	Budget	Current Year	Variance	
			Current Year/Last Year	Current Year/Budget
19,209,460	18,931,479	20,095,651	886,191	1,164,172
			4.61%	6.15%

Total grant funding from MECC increased 4.5% from \$18.90 mil in 2021/22 to \$19.77 mil in 2022/23 mainly due to \$760K in labour settlement funding to support negotiated wage increases in the sector. Actual student enrolment was consistent with prior year at 1,299.50 FTE, compared to 1,298.50 in 2021/22.

Increase from annual budget result of \$450K increase due to actual enrolment up 57.0 FTE from projected, as well as receipt of labour settlement funding which was unknown at time of budgeting, as well as increase of ~ \$100K in bank interest revenue due to continuing increase in bank rates throughout 2022/23.

Operating funding and student enrolment

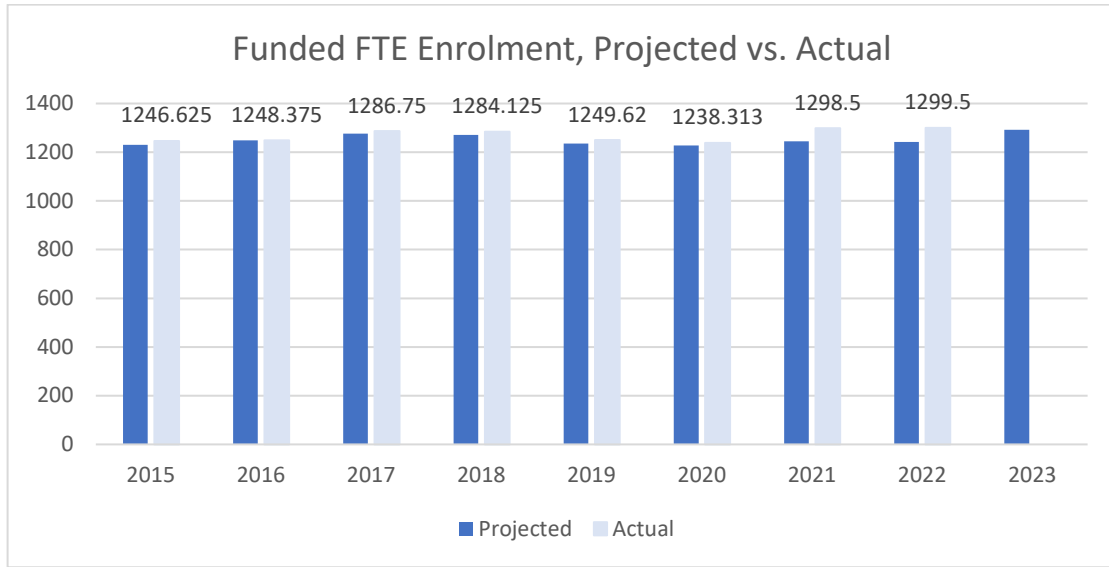
Over 95% of the District's operating funding is received through the Ministry of Education and Child Care's operating grant (\$18.7 million in 2022/23), the basis of which is student enrolment. The District receives a fixed amount per full-time enrolled (FTE) student, as well as supplementary grants for:

- Each identified student with unique needs, including Special Needs, Indigenous Education, English Language Learners and Adult Education;
- Teacher salary differential (additional funding to districts with higher average teacher salaries compared to provincial average per teacher FTE); and
- Unique geographic factors, including Small Community supplement, Low enrolment factor, Rural factor, Climate factor, Sparseness factor, and Student location factor.

For students in kindergarten to grade 9, one student equates to one FTE. For students in grades 10 to 12, students are funded based on course enrolment with eight (8) courses equaling full-time or 1.0 FTE.

Each Spring, the District undertakes a comprehensive process to establish enrolment projections, considering both current enrolment and population data. As the quantity and composition of students directs our staffing levels, a reliable estimate of student FTE is crucial to the integrity of the District's financial plan and operating results.

Projected and actual enrolment for the past 8 years is shown below:



OPERATING FUND ANALYSIS – SALARIES

Last Year	Budget	Current Year	Variance	
			Current Year/Last Year	Current Year/Budget
13,306,244	13,159,641	14,263,913	957,669	1,104,272
			7.20%	8.39%

The most significant change in salaries from 2021/22 is the negotiated wage increase of approximately 4% applied to all unionized employees, effective July 1/2022. Finally, substitute/sick time costs increased approximately \$200K from prior year.

Increase from budget also result of negotiated wage increases as collective bargaining had not concluded at time of budget preparation. Also, 86.75 teacher FTE budgeted compared to actual teacher FTE of 88.25 (1.25 FTE at Hutton and 0.25 at GFSS due to increase enrolment). Finally, substitute/sick costs time up approximately \$300K from budget.

OPERATING FUND ANALYSIS – BENEFITS

Last Year	Budget	Current Year	Variance	
			Current Year/Last Year	Current Year/Budget
2,969,045	3,156,618	3,279,068	310,023	122,450
			10.44%	3.88%

Prior year benefit costs were lower than budgeted due to premium holidays on extended health and dental. Benefits are connected to staffing levels and salary rates. Overall, increased benefit costs in 2022/23 related to increased staffing levels, salary increases, and fewer premium holidays on extended health and dental premiums.

Budget based on projected salary costs. Actual benefits higher as result of increased staffing, offset by premium holidays on extended health and dental premiums that were not budgeted.

OPERATING FUND ANALYSIS – SERVICES & SUPPLIES

Last Year	Budget	Current Year	Variance	
			Current Year/Last Year	Current Year/Budget
2,645,273	2,733,409	2,889,159	243,886	155,750
			9.22%	5.70%

The most significant increase from the prior year is in *Services* due to a new contract IT services with the City of Grand Forks and unplanned legal costs to resolve personnel issues. Other new supply and service costs included in the 2022/23 budget included: employee wellness counselling supports, teacher inquiries, story workshop carts, outdoor equipment at CLES, GFSS and GES, literacy resources, art supplies and Russian supplies.

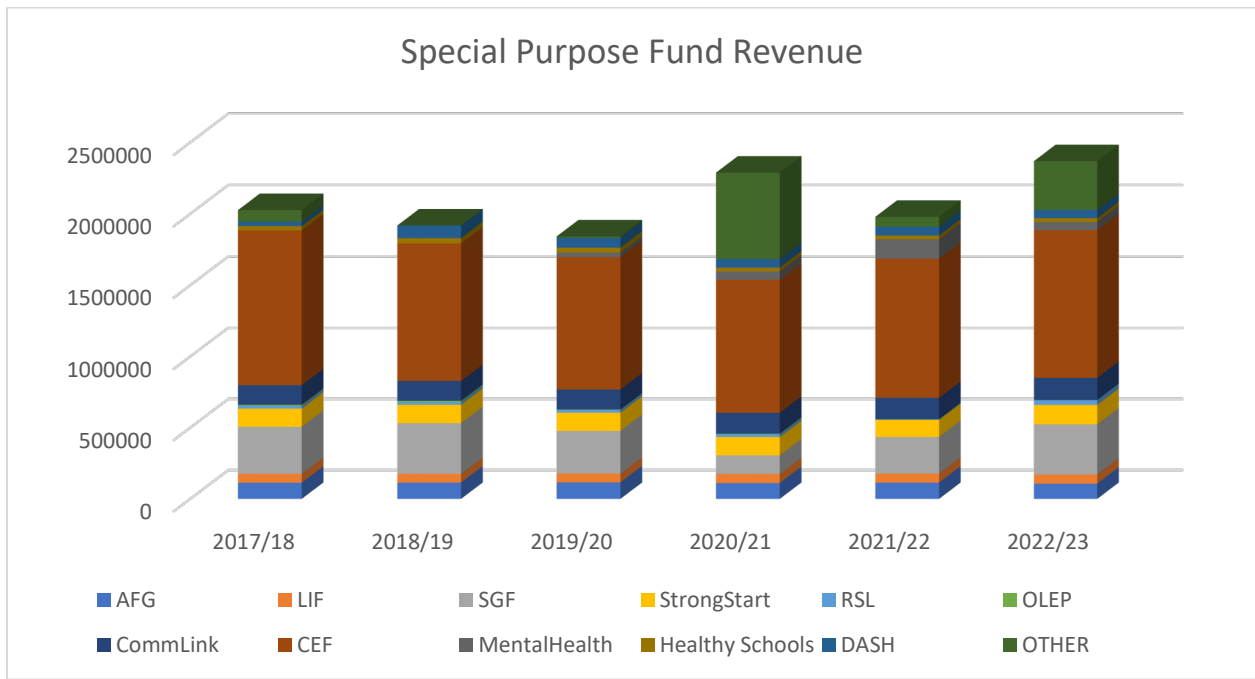
Supplies and services budgets increased to historical levels in all areas after reductions due to the COVID-19 pandemic in previous years. Actual costs slightly higher than originally budgeted due to unplanned legal costs, approved strategic plan initiatives approved in the Fall and continued inflation throughout the fiscal year.

SPECIAL PURPOSE FUNDS ANALYSIS

The Special Purpose Fund (Schedule 3) reports funds received from the Ministry of Education and Child Care or other sources that have been designated for specific purposes. During 2022/23, \$2.64 mil in special purpose fund contributions were received and \$2.37 mil was spent (see Schedule 3A for details).

As at June 30, 2023, \$720K in Special Purpose Funds remain available for expenditures in future years for designated purposes under the following programs: School Generated Funds; OLEP; CEF – Remedies; Changing Results for Young Children; Seamless Day Kindergarten; Student & Family Affordability Fund; Just B4; Strengthening Early Years to Kindergarten Transition; and Early Care & Learning. This balance is reported on the Statement of Financial Position as *Deferred Revenue*.

Special purpose fund expenses are contingent on the amount of revenue received for the purpose of providing a specific service or program. The chart below shows revenue recognized in the Special Purpose Fund by source and how it has changed over the last five years. The most significant changes are increase in Other in 2020/21 which represents COVID relief funding received from the Ministry of Education, and the decrease in School Generated Funds (SGF) in 2020/21 and 2021/22 due to the pandemic and reduction in curricular and extra-curricular school events.



Included in OTHER is \$342K in funding for early years from MECC, including: Changing Results for Young Children, Just B4, Strengthening Early Years to Kindergarten, and Early Care and Learning. As well, \$138K was spent from the Student and Family Affordability Fund, which is one-time funding from MECC to increase food security for students and their families and to support students, parents, and guardians with affordability concerns.

CAPITAL FUND ANALYSIS

Note 10 and Schedule 4A report the net value of tangible capital assets. At June 30, 2023, the total net value of capital assets for the District is \$26.3 mil (2022 - \$24.4 mil). Of this amount, \$2.1 mil represents net investment in sites, \$21.7 mil in buildings (2022 - \$20.4 mil) and \$2.5 mil in furniture and equipment, vehicles and computer software and hardware (2022 - \$1.8 mil).

Once an asset is built or acquired and is in use, the cost of that asset is amortized over the asset's expected useful life using the rates reported in Note 2(h). The net value of capital assets described above represents the historical cost net of accumulated amortization. The net book value does not reflect current market value.

Capital assets can be acquired with Operating or Special Purpose funds, through the Local Capital reserve, or can be funded through capital grants from MECC (Capital Bylaw or Annual Facility Grant Bylaw) or other sources (i.e. Parent Advisory Council/PAC).

Any grants received to fund the acquisition of capital assets are also amortized over the expected life of the asset. The receipt and amortization of such grants are reported on Schedule 4C – Deferred Capital Revenue. The treatment of grants for capital asset purchases as deferred capital revenue is not consistent with Canadian public sector accounting standards, but is a requirement of the Provincial Government through the *Budget Transparency and Accountability Act*. More information on this accounting practice is included Note 2(e).

Total asset additions in 2022/23 are \$3.5 mil (2022 - \$2.7 mil), which includes \$157K transferred from Work-in-Progress at June 30/2022 and \$3.28 mil of current year purchases as follows:

	Buildings	Equipment	Vehicles	Hardware	Software	Total
Operating:	-	91,698	-	6,549	-	98,247
Special Purpose:	58,067	0	-	-	-	58,067
Local Capital:	-	16,127	138,865	514,285	-	669,277
Deferred Capital:						
Bylaw	521,421	-	-	-	-	521,421
AFG Bylaw	1,537,408	-	391,594	-	-	1,929,002
Other		3,000		-	-	3,000
	2,116,896	110,825	530,459	520,834	-	3,279,014

Significant minor capital projects completed during the year include:

- Roof replacement and upgrading exterior wall system (insulation) at BCSS (\$797K)
- Roof replacement at MES (\$400K)
- Purchase of 2 electric buses and related charging infrastructure (\$681K)
- School devices/hardware refresh (\$458K)

Other notable equipment purchases include: a utility trailer for maintenance, concrete picnic tables at West Boundary, Greenwood and Beavercell elementary schools, new taski for the custodial department and purchase of 3 adaptive bikes for the Inclusive Education department.

No major capital projects were in progress or initiated during the year, and there were no land sales or purchases.

RESERVE FUND ANALYSIS

Accumulated Surplus – Operating

Policy No. 2073 – *Accumulated Operating Surplus* was amended and adopted by the Board in June 2022 to align with MECC’s updated operating surplus policy. The goal of the amended policy is to ensure transparent and accountable financial planning and reporting, and outlines how an operating surplus enables the Board to engage in long-term planning, mitigate financial risk and support consistent programs and services to all students.

Of the \$1,033,854 Operating Surplus at the end of the year:

- \$192,925 is restricted due to the nature of constraints on the funds and includes categories like school carry-forward balances, the Community Network reserve and purchase order commitments to be fulfilled in the subsequent year.
- \$172,819 is appropriated to balance the 2023/24 annual budget, which was approved by the Board in June 2023.
- \$57,820 is restricted to support implementation of the Board’s strategic plan through various programs and initiatives in the coming school year.
- \$590,290 is reported as unrestricted.
 - The Board is responsible for ensuring the District is protected financially from extraordinary circumstances which would negatively impact operations and the education of students (i.e. through a contingency fund). This amount is equal to 3% of average operating expenditures and is kept to ensure the Board has access to funds to continue to provide educational services and maintain regular operations in the event of such circumstances.

Accumulated Surplus – Capital

The accumulated surplus in the capital fund at **June 30, 2022** as per the prior year audited financial statements was \$8.0 mil and included \$6.927 of Invested in Capital Assets and \$1.095 mil of Local Capital reserve. As described in note 20 of the 2023 financial statements, the adoption of accounting standard *PS 3280 - Asset Retirement Obligations (ARO)* using the modified retroactive approach resulted in a prior period adjustment and decrease of \$4,763,175 of the Accumulated Surplus – Invested in Capital Assets balance. The change in accumulated surplus in the capital fund for the current year is as follows:

	Opening Balance *** (Restated)	Current Year Surplus (Deficit)	Ending Balance
Invested in CA	2,163,340	325,160	2,488,500
Local Capital	1,095,982	(382,048)	713,934
Total	3,259,322	(56,888)	3,202,434

Funds available for future use included in Invested in Capital Assets are the \$151K of MECC Restricted Capital reported on Schedule 4D. At June 30, 2023, a specific project has not been identified for these funds.

The Local Capital reserve fund includes the Board’s portion of any proceeds from the disposition of capital assets, transfers from operating funds and any bank interest earned. The following table outlines planned Local Capital expenditures over the next 3 fiscal years:

	Opening Balance	Technology Replacement Plan	White Fleet Replacement Plan	OTHER	Interest Earned	Reserve Contributions	Ending Balance
2022-23 *Actual results	1,095,982	(514,285)	(16,127)	(138,865)	37,229	250,000	713,934
2023-24	713,934	(630,859)	(201,000)	(108,000)	35,000	275,000	84,075
2024-25	84,075	(293,000)	(105,000)	(13,500)	5,000	325,000	2,575
2025-26	2,575	(138,840)	(90,000)	0	1,000	250,000	24,735

To ensure the Local Capital reserve is appropriately funded for scheduled costs over the next 3 fiscal years, the Board approved a transfer from operating to Local Capital of \$250,000 at June 30, 2023.

FUTURE CONSIDERATIONS – RISKS & UNCERTAINTIES

There are several risk factors that may have a future financial impact on the District. The most significant potential risks and uncertainties are described below.

Aging Infrastructure

While District facilities are currently in satisfactory condition, our facilities are aging and there are some significant renovation/system replacements scheduled in the coming years. Annual capital funding for such projects is on a submission-basis and, as such, is not guaranteed. Furthermore, capital funding allocations are subject to the provincial climate. Many districts are facing significant enrolment growth and there is pressure on the provincial capital funding envelope for expansion and new builds to accommodate this growth, which results in uncertainty for capital funding allocation levels to districts such as SD 51 with stable enrolment.

The District will be developing its first Long-Range Facilities Plan (LRFP) in 2023/24 to guide facilities planning for the future, but unplanned or unforeseen capital projects that arise during the year may have to be funded through the contingency reserve in the operating fund or through the Local Capital reserve.

Inflation and Rising Costs

Inflationary pressures have been an increasing area of concern since 2022 as cost of living continues to rise across the country. As described above, District operations are primarily funded through the MECC operating grant and, although per student rates have increased to fund negotiated wage increases, no additional funding has been provided to account for inflation or other cost pressures.

The most significant cost pressure in the District’s current budget is employee replacement costs. Future planning will require use of contingency reserves to support existing service levels and program delivery

if employee absence trends continue. Moreover, as the unrestricted accumulated operating surplus is finite, reliance on this funding source is not sustainable long-term.

Other Assets/Local Capital

Technology, including computer devices/hardware for staff and students and network infrastructure, and the District's white fleet are not eligible for capital funding through MECC. Instead, these items are funded through the Local Capital reserve, which is maintained through transfers from the operating fund. As operating cost pressures rise, transfers to Local Capital may be impacted and the District may have to amend or postpone refresh schedules for technology and white fleet assets.

Recruitment & Retention

All sectors continue to face significant challenges in the recruitment and retention of qualified staff, and K to 12 is no exception. School District No. 51 (Boundary) is a rural/remote district and is struggling to fill all vacant positions, as well as have robust casual and TTOC lists to fill employee absences. The District uses many strategies to attract and retain qualified personnel, but competitiveness in the market and a lack of available/affordable housing in the region will continue to create recruitment challenges.

Contacting Management

This financial report is designed to provide the School District's stakeholders with a general but more detailed overview of the school district's finances and to demonstrate increased accountability for the public funds received by the District.

If you have questions about this financial report, please contact the Office of the Secretary Treasurer at 250-442-8258 or at info@sd51.bc.ca.