ROCKY MOUNTAIN SCHOOL DISTRICT NO. 6 BOARD OF EDUCATION

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

For the Year Ended 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. 6 (Rocky Mountain) (the "District) for the year ended June 30, 2023. The purpose of the Financial Statement Discussion and Analysis ("FS D&A") is to highlight information and provide explanations, which enhance the reader's understanding of the school 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 school district.

This FS D&A 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, performance, and it may not be appropriate for other purposes.

The FS D&A information has not been audited.

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Land Acknowledgment Rocky Mountain School District No. 6 is honoured and grateful to be able to work, learn, and grow on the traditional unceded territories of the Secwépemc and the Ktunaxa Peoples and the chosen home of the Métis People of British Columbia.

OVERVIEW OF SCHOOL DISTRICT NO. 6

School District 6 Rocky Mountain serves all communities from Golden to Kimberley. There are 14 schools and three alternate schools in three zones: Golden, including the community of Nicholson; Windermere, including Edgewater, Invermere, and Canal Flats; and Kimberley, including Marysville.

The District serves approximately 3,500 students, employs approximately 550 staff. Nine Trustees make up the Board of Education; three from each major community. The Board of Education engaged in the development of a strategic plan, building the vision, mission, values and priorities that will set the stage for the next four years. The four priorities of the Board of Education, Equity and Inclusion, Success for Each Learner, Growing the Capacity of Self and Others, and Stewardship for the Future lay a solid foundation for continuous improvement.

School District 6 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 that acknowledges the past and paves the way for better future. The mission, vision and values guide all decisions, made by the Board of Education.

VISION

Limitless Potential

MISSION

To support, nurture and empower each student.

VALUES

Relationships

Connections with the land, self, and others develops compassion, safety, and well-being.

Equity

Support and opportunity to reach potential.

Integrity

Honesty and responsibility in respect and care for others.

Innovation

Courageously pursue continuous growth.

Curiosity

Seek to understand.

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 benefit 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. This provides an indication of the financial health of the District;
- **Statement of Operations** – summarizes the combined revenues received and expenses incurred during the twelve 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 Changes in Net Debt, Statement of Cash Flows and the Notes to the Financial Statements are also audited and provide further analysis of the financial situation of the District.

The schedules at the end of the financial statements are in a format prescribed by the Ministry of Education and Child Care (the "Ministry"). 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** – accounts for District grants and other operating revenues as well as the District operating expenses. As the District must present a balanced Operating Fund budget, any surplus is carried forward to future years or deficits are reduced from unrestricted surplus.
- **Schedule 3: Special Purpose** – accounts for grant and other contributions whereby spending is for specified activities. As these are targeted funding, any unspent funds are accounted as deferred revenue, not accumulated surplus. They carryforwards are typically available for the same purpose in the following year, although there are some amounts which are recovered back to the Ministry.
- **Schedule 4: Capital** – accounts for District investment in capital assets, local capital as well as bylaw capital and Ministry of Education restricted capital.

SUMMARY OF SIGNIFICANT EVENTS

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

- David Thompson Secondary – Refinish Gym Floor
- Golden Secondary School – Refinish Gym Floor
- J. Alfred Laird Elementary – Sprinkler Replacement
- Lindsay Park Elementary – Breezeway Construction
- Alexander Park Elementary – Refinish Gym Floor
- Lady Grey Elementary – Refinish Gym Floor
- Marysville Elementary – Hazardous Tree removal
- Windermere Operations Building – Rooftop Unit Replacement
- Multiple building component renewal upgrades throughout the District
- Continuous investment in technology

The COVID 19 outbreak was declared a pandemic by the World Health Organization in March 2020 and has had a significant financial, market and social dislocating impact worldwide. The ongoing impact of the pandemic presents uncertainty over future cash flows, may have a significant impact on future operations including decreases in revenue, impairment of receivables, reduction in investment income and delays in completing capital project work. As the situation is dynamic and the ultimate duration and magnitude of the impact are not known, an estimate of the future financial effect on the District is not practicable at this time.

Overall as of June 30, 2023, the District has strong financial health. This strong financial health can be contributed to sound financial management, planning and governance and is illustrated throughout this report.

ENROLMENT & STAFFING

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

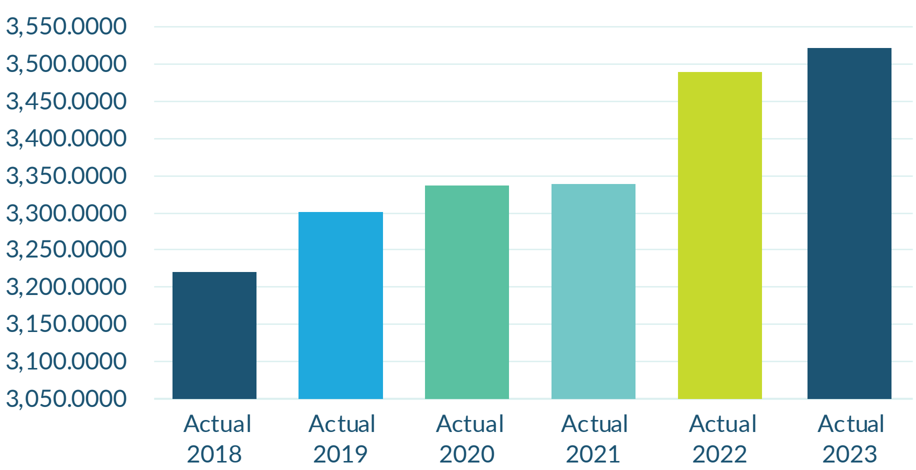
Enrolment

Provincial grant funding is primarily based on student enrolment, unique student needs, and unique geographical requirements, with additional funding for adult and summer school education. The District continues to see a growth in enrolment, as illustrated in the chart below.

Forecasting Enrolment

The District uses local knowledge to forecast enrolment based on the information available. Up until 2021, the District encountered minimal growth. In 2022, the District realized a large growth in enrolment largely due to net migration to the area. This was a result of a combination of factors which included: a large, multiyear capital project near Golden along Highway 1 where hundreds of workers (and families) moved to the area; and a trend caused mainly from COVID-19 where smaller communities realized movement of people from larger cities such as Kelowna and Calgary. The enrolment growth in 2023 was more in line with historical changed. The District is assessing the long term impact to the capacity of the facilities through the update of the long range facility plan expected to be completed in Spring 2024. The District continues to advocate for the replacement of Eileen Madson Primary (Invermere). Refer to the District website (Capital Planning) for more information on the current capital plans approved by the Board of Education.

ENROLMENT



Staffing

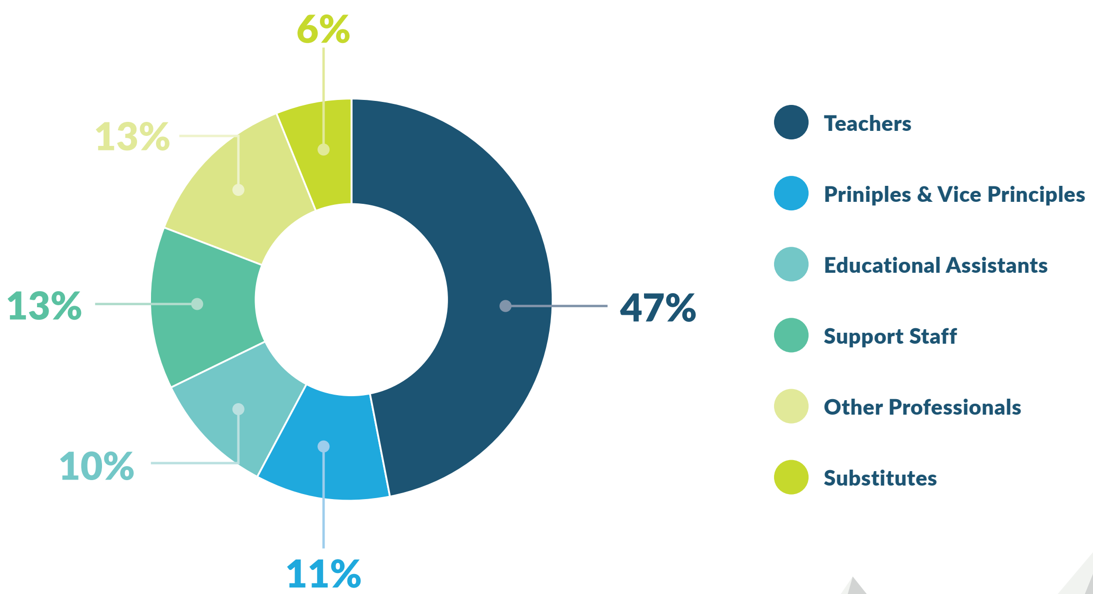
Staffing is the most significant operational expenditure of school districts. During the Spring, the Administrators work with Finance and Human Resources to configure the schools for the following September. This process derives the number of classroom Teachers required. In addition, the configuration and student needs of each classroom are reviewed and additional supports are allocated (Learning Services Teachers, Educational Assistants, Youth Care Workers and Indigenous Education Workers). This process determines a large part of the staffing compliment and is finalized once enrolment numbers are confirmed in September.

The Staffing budget is summarized below:

STAFFING BUDGET

	Fiscal 2022/23		Fiscal 2021/22	Variance from Budget		Variance from Prior Year	
	Budget	Actual	Actual	$	%	$	%
Teachers	14,813,964	15,479,612	15,068,828	691,966	4.67%	437,102	2.82%
Principals & Vice Principals	3,585,141	3,632,546	2,984,514	47,405	1.32%	648,032	17.84%
Educational Assistants	3,023,361	3,215,403	3,039,392	192,042	6.35%	176,011	5.47%
Support Staff	4,155,474	4,482,688	4,174,652	327,214	7.87%	308,036	6.87%
Other Professionals	4,099,498	4,313,693	4,025,138	214,195	5.22%	288,555	6.69%
Substitutes	1,775,747	2,020,531	1,643,268	244,784	13.78%	377,263	18.67%
Total Salaries	31,453,185	33,144,473	30,935,792	1,717,606	5.46%	2,234,999	6.74%

SALARIES

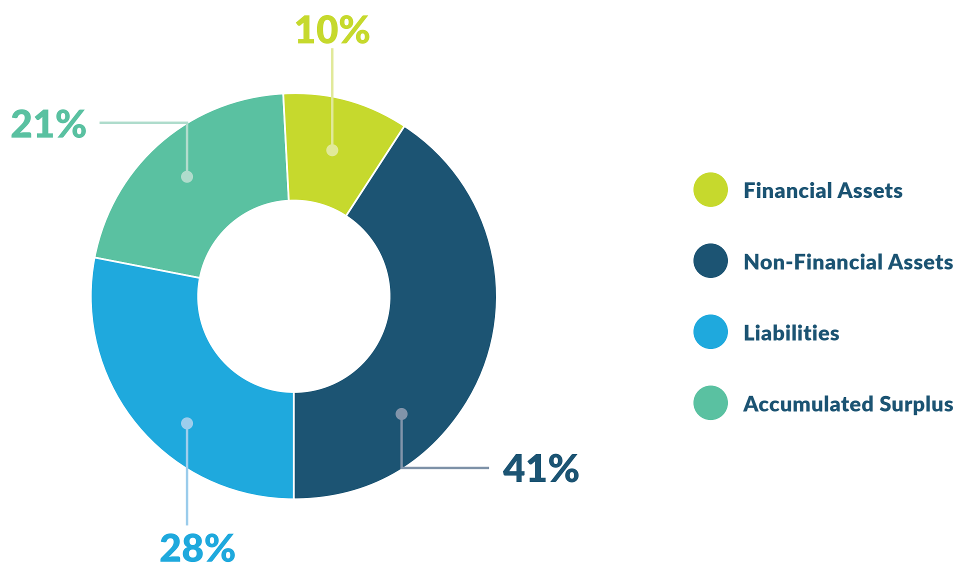


STATEMENT OF FINANCIAL POSITION

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

	2023	2022	Variance $	Variance %
FINANCIAL ASSETS				
Cash and Cash Equivalents	17,599,634	10,670,302	6,929,332	65%
Accounts Receivable				
Due from Ministry of Education	75,418	252,431	(177,013)	-70%
Due from LEA/Direct Funding	2,758	21,787	(19,029)	100%
Other	217,505	246,254	(28,749)	-12%
Portfolio Investments	1,229,782	2,505,772	(1,275,990)	-51%
Total Financial Assets	**19,125,097**	**13,696,546**	**5,428,551**	**40%**
Liabilities				
Trade Accounts and Other Payables	4,064,640	3,572,669	491,971	14%
Unearned Revenue	2,580,683	3,116,362	(535,679)	-17%
Deferred Revenue	1,290,966	1,393,415	(102,449)	-5%
Deferred Capital Revenue	39,738,462	32,012,046	7,726,416	24%
Employee Future Benefits	667,933	671,000	(3,067)	0%
Capital Lease Obligations	685,490	556,092	129,398	23%
Asset Retirement Obligations	4,786,000	4,786,000	0	0%
Total Liabilities	**53,814,174**	**46,107,584**	**7,706,590**	**17%**
Net Debt	**(34,689,077)**	**(32,411,038)**	**(2,278,039)**	**7%**
Non-Financial Assets				
Tangible Capital Assets	60,114,975	58,463,746	1,651,229	3%
Restricted Assets	54,031	54,031	0	0%
Prepaid Expenses	91,252	88,505	2,747	3%
Total Non-Financial Assets	**60,260,258**	**58,606,282**	**1,653,976**	**3%**
Accumulated Surplus	25,571,181	26,195,244	(624,063)	-2%

FINANCIAL POSITION ALLOCATION



Financial Assets are assets that can be used to discharge liabilities and provide working capital funds in the normal course of operations. The increase in financial assets from prior year resulted mainly from cash received from the New Spaces Fund for development of facilities in Marysville and Invermere. The projects will commence in 2023/24 and the cash is anticipated to draw down to historical levels.

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 2021/22 resulted from changes in the following accounts:

- Increase to accounts payable and accrued liabilities due to the timing of year end payroll cutoff.
- Decrease to unearned revenue as a result of the utilization of special purpose funds.
- Increase in deferred capital revenue related to receipt of New Spaces funds for the development of childcare centres as noted above in cash.

The 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 become due. A ratio of less than one indicates that the District would have to borrow to meet short term obligations. The current ratio is calculated as current assets divided by current liabilities. The District's current ratio is healthy and well above 1:1 (2023 – 2.2:1; 2022 – 1.5:1).

Tangible capital assets (TCA) are non-financial assets used in providing the services of the District and 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. The increase in TCA is comprised of new assets purchased totaling $5.2M less amortization of $3.5M and a prior period adjustment of $86K (see below).

Public Sector Accounting Board (PSAB) PS 3280 – Asset Retirement Obligations (ARO) is effective for school districts beginning July 1, 2022. An ARO were recognized when the following criteria were met:

a. there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
b. the past transaction or event giving rise to the liability has occurred (acquisition, construction, development or normal use of a TCA);
c. it is expected that future economic benefits will be given up; and
d. a reasonable estimate of the amount can be made.

As a result of the retroactive adjustment to the ARO the following entry was completed to recognize a $4.8M ARO obligation: increase to building asset of $4.7M; increase to building accumulated amortization of $4.7M; increase to ARO obligation of $4.8M; decrease to opening accumulated amortization of $4.7M.

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 had a deficit for the 2022/23 fiscal year and continues to be in an accumulated surplus position.

	2022	2022
Accumulated Surplus, beginning of the year	26,195,244	25,594,214
Net Changes for the year	(624,063)	601,030
Accumulated Surplus, end of the year	25,571,181	26,195,244
Comprised of:		
Capital fund	24,228,108	24,684,252
Special Purpose fund	54,031	54,031
Operating fund	1,289,042	1,456,961
Total	**25,571,181**	**26,195,244**

CAPITAL OPERATIONS

The Capital fund surplus is comprised of $21.9M invested in capital assets and $2.3M of local capital. Invested in capital assets in the net book value of the tangible capital assets less the balance of the deferred capital revenue.

Local capital is money that is set aside for future capital purchases. A number of projects were delayed or postponed during the year due to availability of labour, materials or inflationary pressures on the cost of projects. There were also delays in receiving permits where environmental approval was required from the Ministry of Environment and Climate Change Strategy. The District plans to complete these projects in 2023/24, subject to similar conditions as noted above.

The balance of the local capital is as follows:

MULTI-YEAR LOCAL CAPITAL SURPLUS PLANNING AND REPORTING (in 000's)

Local Capital	June 30, 2023	Budgeted for 2024	Planned for 2025	Planned for 2026	Planned for 2027
Opening Balance	$ 3,106	$ 2,316	$ 1,215	$ 840	$ 655
Total Sale of Property	-	-	-		-
Transfer from Operating	634	850	850	850	850
Investment Income	113	50	30	20	10
Uses of Local Capital					
Operations Capital Projects	303	510	320	120	120
School Use	377	150	150	150	150
Capital Lease Payment	427	335	350	350	350
Capital Lease Interest	37	37	35	35	35
Vehicles / Equipment	-	350	100	100	100
ERP System	151	159	-	-	
IT	242	460	300	300	300
Total Assets Purchased	1,537	2,001	1,255	1,055	1,055
Closing Balance	$ 2,316	$ 1,215	$ 840	$ 655	$ 460

The planned used for local capital is as follows (in 000's):

Schools	$ 232	$ 150
IT		
Capital Leases	372	372
Wireless	150	150
Switches	150	150
Phone System	100	100
Data Centre / Site Servers	200	-
IT Projects	50	50
Hardware	10	10
Kimberley Bus Barn	450	450
Vehicles / Machinery	340	340
ERP / District	159	159
Sites	93	$60
Equipment and other	10	10
	$ 2,316	$ 2,001

The operating surplus and planned use for the next three years is as follows:

MULTI-YEAR OPERATING SURPLUS PLANNING AND REPORTING (in 000's)

Schedule of Accumulated Operating Surplus	Opening Balance	Planned Use	Actual Use	Additions	Closing Balance	Planned	Planned	Planned	Expected Balance
	July 1, 2023	Current Year	Current Year		June 30, 2024	2025	2026	2027	
Internally Restricted Due to the Nature of Contraints on the Funds					$ -				$ -
School Surpluses	$ 590				$ 590	$ (60)	$ (60)	$ (60)	$ 410
International Program	$ 150	$ -		$ -	$ 150	$ -	$ -	$ -	$ 150
	$ 740	$ -	$ -	$ -	$ 740	$ (60)	$ (60)	$ (60)	$ 560
% of Operating Budget $ 49,900	1.5%				1.5%				1.1%
Internally Restricted for Operations Spanning Multiple School Years					$ -				$ -
Internally Restricted Operating Fund	$ 740	$ -	$ -	$ -	$ 740	$ (60)	$ (60)	$ (60)	$ 560
Unrestricted Operating Surplus	$ 549	$ -	$ -	$ -	$ 549	$ -	$ -	$ -	$ 549
% of Operating Budget $ 49,900	1.1%				1.1%				1.1%
Total Operating Fund Surplus	$ 1,289	$ -)	$ -	$ -	$ 1,289	$ (60)	$ (60)	$ (60)	$ 1,109
% of Operating Budget $ 49,900	2.6%				2.6%				2.2%

Per District Practice 3200, the unrestricted operating surplus should be no less than 1% and no more than 3%.

The District is within the Board approved parameters of the surplus guidelines.

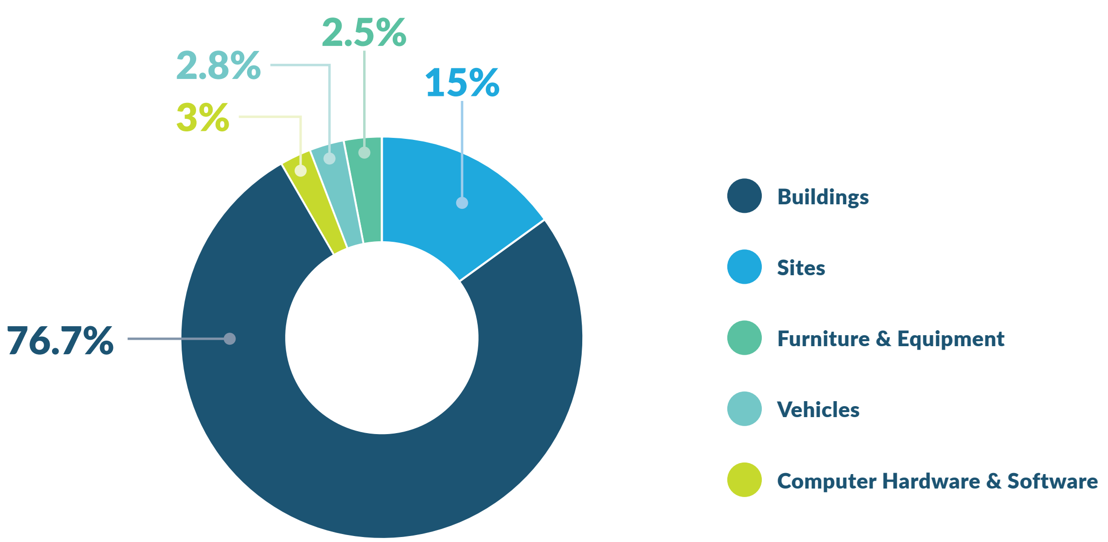
Capital Fund Balances are as follows:

Capital Funds	June 30, 2023	June 30, 2022	Variance
Restricted Capital Balance	-	467,699	(467,699)
Tangible Capital Assets	60,114,975	58,377,570	1,737,405
Other Provincial Capital	1,815,873	1,267,781	548,092
Local Capital Balance	2,316,091	3,105,881	(789,790)

(Ministry) Restricted Capital are funds held on behalf of the Ministry of Education and require approval from the Ministry to be used. The balance at June 30, 2023 is $nil and the District utilized these funds to complete roof upgrades at Selkirk Secondary School.

Tangible Capital Assets are non-financial assets used in providing the services of the District and include sites, buildings, equipment, furniture, vehicles and technology purchased or constructed by the District. The balance in the financial statements is the historical cost of the assets less accumulated amortization to June 30.

TANGIBLE CAPITAL ASSETS



Other Provincial Capital are funds provided by the Ministry of Jobs, Tourism and Skills Training to purchase trades training equipment in support of Industrial Training Authority Youth Trades programs.

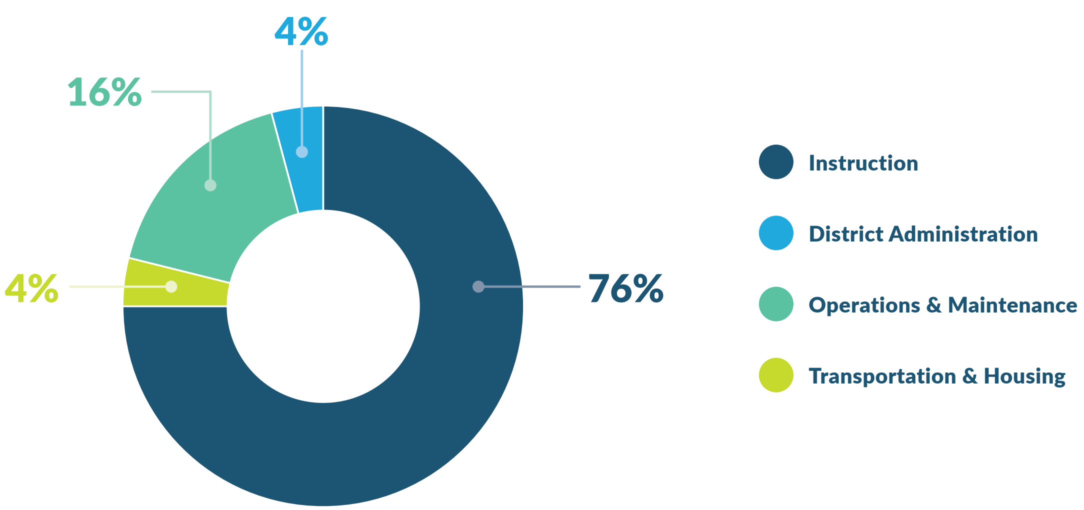
OPERATING OPERATIONS

The District's revenue is heavily reliant upon the Operating Grant from the Ministry. 90% of District operating revenue comes in the form of an operating grant which is based on enrolment levels and other student and geographical factors. 8% of revenue is generated from International Education programs and the balance through other revenue programs such as special purpose funding, facility rental and lease income, investment income and donations.

82% of District expenditures are associated with salaries and benefits. The balance of expenditures are related to supplies and services including utilities, professional development, transportation and maintenance.

	Budget	2023	2022	Variance
Revenue	55,180,750	58,907,085	55,556,756	3,222,300
Expenses	56,403,660	59,531,148	54,955,726	4,473,711
Surplus (Deficit) for the year	(1,222,910)	(624,063)	601,030	(1,251,411)
Accumulated Surplus - Opening		26,195,244	25,594,214	
Total Accumulated Surplus		25,571,181	26,195,244	

EXPENSES BY FUNCTION



	Fiscal 2022/23		Fiscal 2021/22	Variance from Budget		Variance from Prior Year	
	Budget	Actual	Actual	$	%	$	%
Instruction	42,721,349	45,214,998	41,457,594	2,391,938	5.30%	3,655,693	8.10%
District Administration	2,009,771	2,322,306	1,955,085	312,535	13.46%	367,221	15.81%
Operations and Maintenance	9,379,681	9,630,078	9,293,276	250,397	2.60%	336,802	3.50%
Transportation and Housing	2,275,259	2,327,148	2,233,267	51,889	2.23%	93,881	4.03%
Debt Services	17,600	36,618	16,504	19,018	51.94%	20,114	54.93%
Total Expense	56,403,660	59,531,148	54,955,726	3,025,777	5.09%	4,473,711	7.53%

Instruction expenses increased from 2021/22 mainly due to increases to staff wages and increases due to inflationary costs for supplies.

District Administration costs increased from prior year due to increases in wages, additional supports targeted at supportive the development of child care within the district, and professional services and travel required for Ministry and association meetings.

Operations and Maintenance costs increased from prior year and budget due to a variety of factors including:

- Wage increases across all employee groups
- Increase of supplies and materials due to inflationary pressures.

Transportation costs increased from prior year and budgeted amounts due to salary increases across all employee groups. This was partially offset by lower than anticipated repairs to the bus fleet.