

FINANCIAL STATEMENT DISCUSSION & ANALYSIS REPORTING | For the Year Ended June 30, 2019.



SCHOOL DISTRICT NO. 73
(Kamloops - Thompson)



The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2019. This section of the report is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this report.

Overview of the School District



School District No. 73 (Kamloops-Thompson) is the thirteenth largest school district in the province servicing more than 14,000 K-12 students. The District encompasses an area greater than 26,000 sq. km. in south central BC serving the communities of Blue River, Vavenby, Clearwater, Barriere, Sun Peaks, Chase, Westwold, Savona, Logan Lake, and Kamloops with the majority of the students living in the city of Kamloops.

The District operates 45 schools in the communities it serves. SD73 employs more 1,900 staff and has annual operating, capital, and special purpose budgets totalling approximately \$182.5 million. Governed by a Board of Education, the nine elected trustees include five from Kamloops and four from the rural communities served by the District.

Student Population Rural and Kamloops	Schools	2018-2019 Students	Average Student Population
Elementary-Rural	9	1,205.0	133.9
Elementary-Kamloops	24	7,683.0	320.1
Total Elementary	33	8,888.0	269.3
Secondary-Rural	4	608.0	152.0
Secondary-Kamloops	8	4,920.0	615.0
Total Secondary	12	5,528.0	460.7
Total Schools & Students	45	14,416.0	320.4

Mission / Vision / Goals – Strategic Plan

Our educators are skilled and students are performing at the top of international assessments, but the world is changing and we need to make sure students have the skills to succeed in the 21st century. Dynamic organizations are driven by practices that challenge all to learn, work and lead in new ways.

Vision

To be a dynamic school district achieving success for all students through a commitment to equity and excellence.

Mission

We connect each student to their future by transforming the way all partners collaborate to create relevant, innovative and inclusive learning environments.

Theory of action

Success for each student will be achieved by focusing on relevant learning, organizational and instructional innovation, meaningful collaboration with all partners, and fostering an inclusive culture that values diversity.

District Strategic Priorities

The financial statements outlined in this discussion report support the six priorities set out in the District's Strategic Plan, which are to:

- Ensure every student acquires strong foundational skills and core competencies.
- Connect students to their passions and interests.
- Honour the First Peoples' principles of learning and Aboriginal worldview and perspectives.
- Foster an inclusive, adaptable and accountable district culture.
- Strengthen partnerships to enrich the way we lead, learn and work.
- Ensure the sustainable use of our resources.

Academic Achievement for the Year

Our District Learning Plan is built upon the priorities of our District Strategic Plan. The world is changing rapidly and students require not only strong foundational skills, but also competencies such as communication, critical thinking, creativity, and personal and social skills in order to develop into an educated citizen. In addition, we have made connecting students to their interests and passions as well as honouring the First People's principles of learning and Aboriginal worldviews and perspectives priorities in our work. These attributes ensure our students have the skills they need for success in the world.

Year-after-year our data proves out that our students have strong foundational skills. Our Foundational Skills Assessment (FSA) results, as well as our graduation rates, remain ahead of provincial averages. The number of our "on track" students continues to rise in all Grade 4 measures of the FSA and remains relatively consistent at the Grade 7 level. Regardless of whether improvement was shown or results remained nearly static, the overall number of students on track out-paced provincial results.

In the District, we have a strong graduation rate. Our "resident" graduation rate is 90.5%, while our "all student" rate is 85.3%. Although the District graduation rate is greater than the provincial rate, our real success is with our Aboriginal learners. The graduation rate for our Aboriginal learners of 78.5% is more than 12% higher than the provincial rate and we are very close to meeting parity between our Aboriginal and non-Aboriginal learners.

Our success in these areas is due to an increased focus on foundational skills and core competencies and ensuring that we have measures in place to not only see deficits in our system, but also provide timely and responsive interventions for our learners.

Beyond the core academic work, we also need to ensure that our students are engaged learners. The District supports the connection of students to their passions and interests through personalized learning, reflection, goal setting for improvement, and the ability to apply learning to relevant issues in our students' lives and communities. We know students become motivated when learning is relevant to their lives and captures their curiosity. We have made a marked effort to increase opportunities for experiential and relevant learning for our students. Many of these are immersive, authentic learning opportunities that extend beyond the classroom.

The district has numerous career-related opportunities (from the arts to trades) for our students to take advantage of while in secondary school. Many of the programs have dual credits which means university or trades credits are earned as well as a British Columbia Dogwood Diploma credits. Currently over 2,200 secondary students are in transition into post-secondary and workforce programming. Over the past five years an average of 68% of grade 12 students who responded to the Graduation Survey (administered by the school district) have indicated that they are planning on attending a post secondary program. Our strong results undoubtedly correlate to strong early experiences. We continue to support students in trade activities with more than 300 students involved each year. Of particular note, almost 2,000 elementary students participate in hands-on activities such as mini-samplers, Maker Days and constructed problem-solving opportunities each year. There are robust opportunities for participation in the arts from Children's Choir, District Strings, Young Authors, and Young Artists. These highly successful programs bring students of all ages together to expand their creativity.



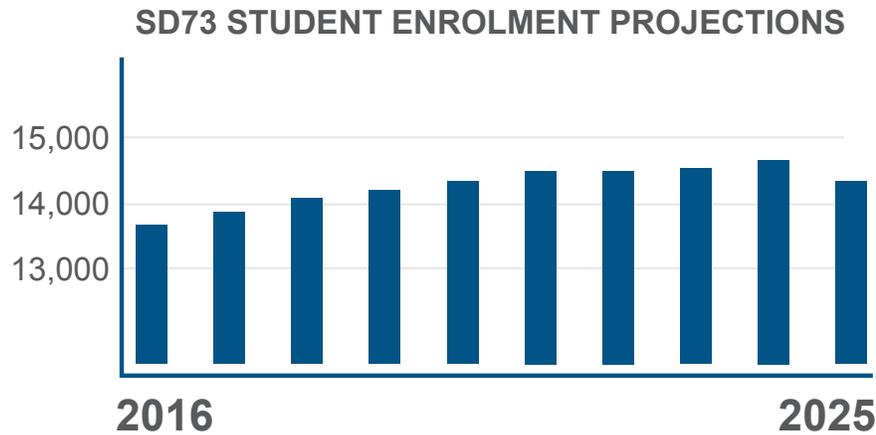
The successes noted above would not have been achievable without a focus on supporting the 18.6% of our students who self-identify as Aboriginal learners. Student participation rates in cross-cultural activities with a particular focus on Aboriginal culture, history and current issues as well as a marked increase in the past three years of Aboriginal parent engagement are undoubtedly significant factors in our strong achievement. When combined with strong classroom practices that include Aboriginal ways of knowing and doing with the support of our Aboriginal community, our students are better positioned for ongoing success.

Our District was selected to participate in the Ministry of Education's Equity in Action Project supporting an equity plan in service of our Aboriginal learners, families, and communities. At this time, we are very close to graduation rate parity between our Aboriginal and non-Aboriginal learners. Our work will continue to close the gap.

Throughout the 2018 – 2019 school year, we have continued to develop our work with professional learning, ongoing mentorship, and dedicated supports. We, as a district, can set direction and create targets and measures, but it is only by supporting learners, both students and adults, that we can really effect change. After all, as we grow and learn, so too do our students.

Financial Highlights

In 2015-2016, district enrollment was 13,860 Full Time Equivalent (FTE) Kindergarten to Grade 12 (K-12) students and since then, the District has experienced steady enrollment growth with enrollment in 2018-2019 at 14,416 FTE students and 14,559 FTE students at the start of September 2019 for the 2019-2020 school year. This is an increase of 699 FTE students in five years or an average increase of 140 students per year. The District is projecting continued growth over the next few years.



The operating surplus for the 2018-2019 school year was \$1,560,307, which is down from the \$2,797,100 operating surplus the District achieved in the 2017-2018 school year. Revenues per FTE were up \$122 increasing from \$7,301 to \$7,423/FTE student and enrollment was up 182.5 FTE students from 2017-2018 to 2018-2019

K-12 per FTE Students 2017-2018 versus 2018-2019:

Actual 2017-2018	Growth/ (Decline)	Actual 2018-2019
8,688.0	200.0	8,888.0
5,545.5	(17.5)	5,528.0
14,233.5	182.5	14,416.0

Below is a table that indicates the Regular and Distance Learning per FTE rates for 2017-2018 versus 2018-2019 and for 2019-2020 school year as well:

Block Funding Rate Per FTE Student	2017-2018 Per FTE Rate	Increase	2018-2019 Per FTE Rate	Increase	2019-2020 Per FTE Rate
Per Student Regular FTE Rate	\$7,301.00	\$122.00	\$7,423.00	\$45.00	\$7,468.00
Per Student DL FTE Rate	\$6,100.00	\$-	\$6,100.00	\$-	\$6,100.00

Financial Analysis of the School District as a Whole

Below is a table that summarizes the 2017-2018 versus the 2018-2019 Operating results.

Summary Operating Results	2017-2018	Increase / (Decrease)	% Increase / (Decrease)	2018-2019
Revenues	145,213,475	7,253,609	5.00%	152,467,084
Wages	102,265,446	5,569,952	5.45%	107,835,398
Benefits	23,085,353	1,116,499	4.84%	24,201,852
Expenses	17,065,576	1,803,951	10.57%	18,869,527
Surplus (Deficit)	2,797,100	5,449,648		1,560,307
	1.93%			1.02%

K-12 public education remains a priority for Government which translated into additional funding in 2018-2019. Revenues for the District were up \$7.2 million over 2017-2018 in the following areas:

- Additional 182.5 FTE students at the 2018-2019 per FTE rate of \$7,423 equates to a revenue increase of \$1,354,975 for the additional students.
- An increase of \$122.00 in the per FTE student rate added an additional \$1,736,487 in revenue for 14,233.5 FTE students in the 2018-2019 school year to assist our district in dealing with negotiated contract increases with unionized staff and other inflationary pressures.
- Revenue increases for Unique Geographic factors added \$161,894 in support of our rural district and associated financial challenges.
- The Distance Learning (DL) student rate for the 2018-2019 remained the same as the 2017-2018 DL rate per FTE student.
- Continuation of the Student Transportation Grant in 2018-2019 at \$666,819.
- To assist with the transition from Medical Service Plan employee premiums to the new Employer Health Tax, the Ministry of Education provided a \$359,022 grant to offset the additional cost during the 2018-2019 school year.
- Additional revenue of \$1,269,489 recorded by the International Student Program in 2018-2019 resulted in a total gross revenue of \$4.4 million. After expenses, the District delivered a profit of \$730,282 or 16.5% versus a profit in 2017-2018 of \$347,420 or 11.0% on revenues of \$3.15 million.
- The Next Generation Network (NGN) self-provision credit associated with the District's investment in the Kamloops Fibre Network and our "dish-to-dish" network connecting elementary schools to our secondary schools provides an annual rebate of \$251,244 each year. Half of the rebate was transferred to Local Capital to allow the Information Technology department to further invest in technology projects in support of our students.



- The Employment Practices Liability Program Premium – initially expected to pay \$65,000, but our actual cost was \$62,433 for 2018-2019.
- District’s targeted Aboriginal Education funds were budgeted to utilize \$185,275 of their reserve funds but revenues were up \$134,070 from budget and expenses were down from budget by \$142,494 generating a small surplus of \$91,289 on revenues of \$3,244,185.

The wages, benefits, and expenses for the district increased \$8.49 million over 2017-2018 results for the reasons listed:

- Salary expenses increased by \$5.569 million due to contractual wage increases and the cost of 35.84 additional staff. The District employs 2,078 FTE full and part time positions (this includes the 89.47 FTE Classroom Enhancement Fund positions and 303 relief-staff.)
- Employee benefit plans increased overall by \$1,116,499 from last fiscal year. See the table below for a detailed comparison 2017-2018 versus 2018-2019 as well as a comparison 2006-2007 to 2018-2019.
- This year’s benefit plan increase of \$1,116,499 was mitigated by the \$638,511 in savings from the reduction in the employer premiums for the Teacher Pension plan. The reduction in employer premium rates were effective January 1, 2019 so this savings will continue into 2019-2020. The Medical Services Plan transition to the Employer Health Tax (EHT) premiums saw an increase of \$963,189 over last year but the District did retain a \$425,000 EHT surplus in the District’s operating reserve from 2017-2018. In addition, the District received an EHT grant from the Ministry of Education of \$359,022 in 2018-2019 to help the District offset the cost of transitioning from MSP to EHT.
- Since 2006-2007, wages in the District have increased approximately 27.44%, or \$23.219 million, and benefits have increased over the same period by 44.04%, or \$7.40 million. The annual benefit cost increases we are experiencing each year is one area of our financial performance we have very limited control over. Annual increases in our per FTE funding are needed to keep pace with the ever-increasing cost of employee benefits.

School District No.73 (Kamloops/Thompson) Schedule of Employee Wages and Benefits					
For the Thirteen years 2006-2007 to 2018-2019					
				Variance to	Increase
Employee Benefits	2006-2007		2018-2019	2017-2018	06-07 to 18-19
FTE Staff	1,417.879	a)	1,429.670	to 2018-2019	11.791
Total Wages	84,616,240.000	a)	107,835,398.00	2,412,557.00	23,219,158.00
Percentage Increase					27.44%
Total Dollar Value Increase					23,219,158.00
Teacher Pension	7,053,965.23		9,262,204.89	(638,510.75)	2,208,239.66
Municipal Pension	1,550,539.09		2,543,027.77	37,437.15	992,488.68
CPP	2,945,406.03		3,912,415.09	244,584.17	967,009.06
EI	1,429,074.84		1,657,580.77	20,001.03	228,505.93
WCB	417,814.93		675,926.30	139,629.57	258,111.37
Medical (MSP & EHT)	1,201,267.18		2,108,830.51	963,188.66	907,563.33
Extended Health	879,594.97		2,079,040.60	239,783.35	1,199,445.63
Dental	1,059,521.70		1,642,518.77	171,112.24	582,997.07
Group Life	222,118.11		255,519.27	(65,185.47)	33,401.16
Emp. Assistance	42,511.93		64,781.49	4,439.41	22,269.56
	16,801,814.00		24,201,845.46	1,116,479.36	7,400,031.46
Percentage Increase				4.84%	44.04%
Total Dollar Value Increase (decrease)				1,116,479.36	7,400,031.46

Below is a table that indicates the dollar value and percentage change in the District's assets, liabilities, debt, non financial assets, and our accumulated surplus when comparing June 30 balances in 2018 and 2019.

	2017-2018	Increase / (Decrease)	% Increase / (Decrease)	2018-2019
Assets	31,279,864	579,071	1.85%	31,858,935
Liabilities	64,026,938	575,496	0.90%	64,602,434
Debt	(32,747,074)	3,575	-0.01%	(32,743,499)
Non-Financial Assets	66,996,877	114,276	0.17%	67,111,153
Accumulated Surplus	34,249,803	117,851	0.34%	34,367,654

As indicated in the table above, the District does not experience significant year-over-year increases or decreases in Assets, Liabilities, Debt, Non-Financial Assets or Accumulated Surplus.

Reserves – Operating

The District's Operating Reserve Funds are separated into two categories: Internally Restricted Reserve Funds and Unrestricted Reserve Funds. Internally Restricted Reserve Funds are specifically intended for expenditures based on specific criteria. The District is maintaining reserve balances as per Board Policy 1154.1 – OPERATING AND CAPITAL RESERVES.

The Restricted Reserve balances represent an accumulation of operating surpluses the Board and senior administration allow departments and schools to carry forward for expenditure in a subsequent school year. The practice of carrying forward unspent budget dollars eliminates staff spending to the full extent of their budget by June 30th each year, which in turn allows educators and managers to improve the efficient and effective use of funds as they proactively manage the district with a longer-term perspective.

Annually in September, once the year end operating results are known, the Audit Committee of the Board of Education meet to review the Operating Reserve balances and make recommendations on these Reserve Funds to ensure these funds are positioned to deliver on the District's vision, mission and long-term strategic plan in support of our students. Based on that review, the Audit Committee make recommendations to the Board of Education for consideration and approval of the year end balances in each of the operating reserves. These recommendations will then come forward at a school board meeting in September. At that meeting, the Board of Education has an opportunity to further discuss the reserve balance recommendations with the district's external auditors prior to finalizing the audited financial statements for the year just completed.

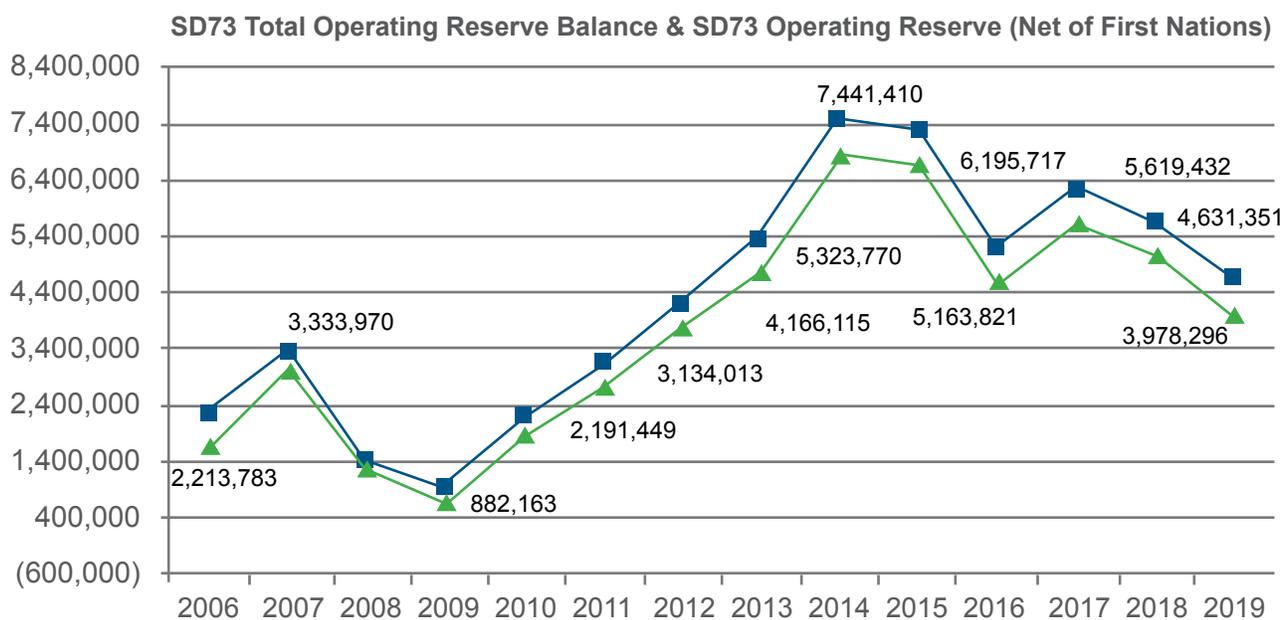
Board approval is required to expend Unrestricted Operating Reserve funds. Once approval is granted, the funds move from the Unrestricted Reserve Fund to a Restricted Reserve Fund where the funds are held pending expenditure for their intended purpose. At June 30, 2018, the district had \$237,390 in their Unrestricted Reserve. The Audit committee of the Board of Education approved the transfer of these funds to local capital in support of the District's contribution to the Valleyview Secondary Expansion Project. These funds are held in a Local Capital account referred to as our Facility Renewal Reserve Fund. Operating Surpluses will increase and deficits will decrease the Restricted and Unrestricted Reserve Fund balances.

Below is a schedule that provides year-over-year increases and/or decreases in our Internally restricted and unrestricted reserves.

Operating & Capital Fund Balances For the School Year Ending June 30, 2019					
OPERATING FUND		Balance at June 30, 2018	Increases 2018-2019	Decreases 2018-2019	Revised Balance at June 30, 2019
INTERNALLY RESTRICTED OPERATING RESERVE					
a	Utility/Fuel CEA Cost/Budget	700,000.00	394,849.00	(394,849.00)	700,000.00
b	Strategic Plan C/F Year 2	546,500.00	50,000.00	(208,000.00)	388,500.00
c	Department	508,125.40		(53,134.08)	454,991.32
d	School Supply	1,074,717.39	160,291.54		1,235,008.93
e	School Supply - Student Learning	-			-
f	Employee Benefits	986,632.30		(328,877.00)	657,755.30
g	Employer Health Tax	425,000.00		(425,000.00)	-
h	SD73BC Management Fee (2013-2017)	485,872.00			485,872.00
i	Aboriginal Education	561,766.56	91,289.00		653,055.56
Total Restricted Operating Reserve:		5,288,613.65	696,429.54	(1,409,860.08)	4,575,183.11
UNRESTRICTED OPERATING RESERVE					
j	AFG Other	93,428.37		(37,260.00)	56,168.37
k	Unrestricted Operating Reserve	237,390.31		(237,390.31)	-
Total Unrestricted Operating Reserve:		330,818.68	-	(274,650.31)	56,168.37
TOTAL OPERATING FUND BALANCES		5,619,432.33	696,429.54	(1,684,510.39)	4,631,351.48



Below is a graph that indicates the District's Operating Reserve Balances from 2005-2006 to 2018-2019.



Reserves – Special Purpose

Special Purpose Fund balances represent funding for specific programs. The majority of funding is from the Ministry of Education for programs such as the Annual Facility Grant, Classroom Enhancement Fund (CEF) Support Staff Learning Improvement Fund, CommunityLINK, Early Learning programs, OLEP French, and SetBC. Revenues match expenditures for the specific program. Unspent funds are carried forward and utilized for the intended purpose in a subsequent year(s). Other Special Purpose Funds include Government of Canada funding for youth and environmental programs, scholarships, and contributor restricted funds. See Schedule 3A in the audited financial statements for details on the various Special Purpose Funds. Below is a table that summarizes the Special Purpose Funds by Ministry, School and Other.

	2017-2018	Increase / (Decrease)	Increase / (Decrease)	2018-2019
Ministry of Education	527,949	12,954,738	(13,169,520)	313,167
School Generated Funds	2,530,504	4,496,203	(4,315,046)	2,711,661
Other Special Purpose Funds	1,042,013	1,117,447	(901,001)	1,258,459
	4,100,466	18,568,388	(18,385,567)	4,283,287

Reserves – Local Capital Reserve

The Local Capital Reserve fund represents a portion of accumulated operating surpluses designated to fund the purchase of Tangible Capital Assets (TCA). The Local Capital Reserve fund is increased if the Board of Education passes a motion to transfer operating surpluses to Local Capital. The Local Capital fund balance is also increased when the District invests the cash associated with the Local Capital fund balance in the Provincial Central Deposit Program or through the sale of board owned and funded capital assets. The Operating Reserve and the Local Capital Reserve fund balances are reviewed each year by the Audit Committee and the Audit Committee makes recommendations to the full board on the appropriate reserve balances for operations and the funds required for the purchase of capital assets. The Local Capital Reserve is used to purchase maintenance vehicles, information technology equipment, custodial equipment or small capital expenditures in our schools not covered by our operating grant or the Annual Facilities Grant. A purchase is considered capital if it benefits more than one school year. Below is a table that provides the summary balances, revenues, transfers and capital purchases for 2018-2019.

NET CHANGE IN OPERATING RESERVES		(988,080.85)		
AVAILABLE FOR TRANSFER TO LOCAL CAPITAL		(988,080.85)		
TOTAL NET CHANGE IN OPERATING SURPLUS		988,080.85		
Operating Trsf's to Local Capital	183,051.00			
Operating Trsf's Re VSS to Local Capital	237,390.31			
Operating Reserve to Local Capital	1,139,865.69			
Operating Income (Schedule 2)		1,560,307.00		
		2,548,387.85		
LOCAL CAPITAL FUND		Balance at June 30, 2018	Revenues & Transfers 2018-2019	Capital Purchases 2018-2019
General Reserve	3,876,693.54		(3,322,658.90)	554,034.64
Local Capital Misc Revenues		353,698.71		353,698.71
Transfer Re: Operating Surplus		2,548,387.85		2,548,387.85
				(500,000.00)
Total General Reserve	3,876,693.54	2,902,086.56	(3,322,658.90)	2,956,121.20
Bus Reserve	396,612.72	-	(14,472.49)	382,140.23
Valleyview Expansion Reserve				500,000.00
Total Local Capital Fund	b) 4,273,306.26	2,902,086.56	(3,337,131.39)	3,838,261.43

Capital Assets

Below is a schedule summarizing the changes in Tangible Capital Assets. (Note 4 of the Audited Financial Statements contains a more detailed analysis of implications relating to the addition and/or the deletion of the District's assets.) Between Bylaw Capital provided by the Ministry and funds expended in support of our capital needs from the Local Capital Reserve, the district invested \$4.949 million in capital funds to address aging facilities and planned equipment replacement.

CAPITAL ASSETS (NOTE 4)					
Tangible Capital Assets in Thousands of Dollars					
	Balance at July 1, 2018	Additions	Disposals	Transfers	Balance a July 1, 2019
Sites	10,345				10,345
Buildings	134,938	1,502		27	136,467
Furniture & Equipment	11,025	1,875	822		12,079
Vehicles	10,573	1,179	680		11,071
Computer Software	248	83	18		312
Computer Hardware	2,680	310	472		2,518
Total	169,809	4,949	1,992	27	172,792



District major capital expenditures totalled \$4.949 million in 2018-2019. The projects listed on the next few pages were paid for by lower case capital grants from the School Enhancement Program and the District's Local Capital Reserve Fund. Below are details of the project expenditures in 2018-2019.

Portables, Building and Playground Upgrades:

Westsyde Elementary Upgrade	\$649,841
Sagebrush Theatre Repair	\$173,032
School Enhancement Projects	\$792,000
Playground – Summit Elementary	\$90,000
Industrial Education Equipment	\$27,294
Valleyview Secondary Expansion	\$26,734
Site Inspections	\$13,208
Westmount Improvements	\$27,213
McQueen Lake	\$11,396
Other Misc. Projects	\$142,446
Total Capital Grants	\$1,953,164

Furniture and Equipment:

Misc. Furniture and Equipment purchases	\$398,980
Custodial Equipment	\$143,213
Voice Over Internet Protocol (VOIP) Telephone System	\$8,466
Drinking Fountains	\$16,981
District Facility Capital Plans	\$143,538
Youth in Trades	\$639,887
Total Furniture and Equipment	\$1,351,065

District Vehicles:

Bus Purchases	\$697,084
Bus Shop Equipment	\$14,472
Replacement of Maintenance Vehicles	\$546,052
Total District Vehicles	\$1,257,608

Software:

Website Redesign	\$53,875
Voice Over Internet Protocol (VOIP)	\$8,466
Total Software	\$62,341

Computer Hardware:

Annual Technology	\$295,742
Computers, Printers & Video Conference Equipment	\$ 29,725
Total Computer Hardware	\$325,467

Total Capital Expenditures (Bylaw, Local Capital & CEF) \$4,949,645

The District produced a reasonable operating surplus in 2018-2019 or just over 1.02%. The most significant factor in the 2018-2019 operating surplus was the District's inability to conclude some planned projects due to the continuing work associated with the Classroom Enhancement Fund (CEF). The continued implementation of the "NEW" curriculum and year three of the district's five-year strategic plan focussed energy away from some areas of our budget which meant some expenses were not incurred and some professional development was deferred until next school year, 2019-2020.

Our strategic plan continues to guide the District in the delivery of educational programming. Budgets have been developed to support the new strategic plan. Next year's Financial Statement Discussion and Analysis (FSD&A) report will provide feedback on the District's progress as it relates to the delivery of the strategic plan in 2019-2020.

Contacting the School District's Financial Management

This financial report is designed to provide the District's stakeholders with a general overview of the School 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, contact the Secretary Treasurer's office.