



SCHOOL DISTRICT NO. 73
(Kamloops - Thompson)

FINANCIAL STATEMENT DISCUSSION & ANALYSIS REPORTING

September 21, 2018

Introduction

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2018. 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.

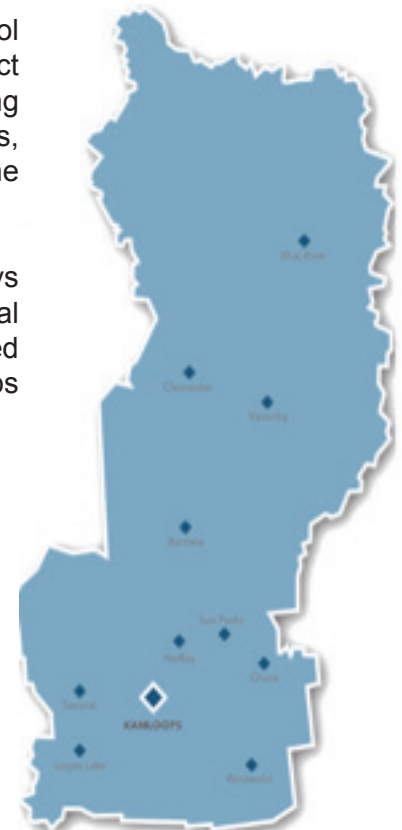




OVERVIEW OF THE SCHOOL DISTRICT

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 44 schools in the communities they serve. SD73 employs approximately 2,000 people and has annual operating, capital, and special purpose budgets totalling approximately \$175 million. The District is governed by a Board of Education comprised of nine elected trustees, five from Kamloops and four trustees from the rural communities the district serves.



Student Population	Schools	2017-2018	Average
Rural and Kamloops		Students	Student
			Population
Elementary-Rural	10	1,127.0	112.7
Elementary-Kamloops	23	7,561.0	328.7
Total Elementary	33	8,688.0	263.3
Secondary-Rural	4	622.0	155.5
Secondary-Kamloops	7	4,923.5	703.4
Total Secondary	11	5,545.5	504.1
Total Schools & Students	44	14,233.5	323.5



In 2017 the Board of Education adopted a new 5-year strategic plan known as Connecting Students to Their Future. More than 3,000 parents, students, staff and teachers provided feedback that supported the development of the plan. Our plan sets out six key priorities that guide staff and students to ensure each student is connected to their interests and passions through innovative and inclusive practices. Our financial discussion is informed by our belief that an excellent education system is achieved through future-focused investments in the staff who deliver quality educational services to our students.

PRIORITY 1: Ensure each student acquires foundational skills and core competencies.

GOALS:

- Students will demonstrate growth in the thinking, communication, and personal/social core competencies.
- Students will graduate with strong foundational skills in literacy and numeracy.
- Students will demonstrate proficiency in education, career and life planning.

PRIORITY 2: Connect each student to their interests and passions.

GOALS:

- Students will experience personalized learning that helps them discover their interests and passions.
- Students will be able to reflect on their learning and set goals for improvement.
- Students will apply their learning to address problems relevant to their lives and communities.

PRIORITY 3: Honour the First Peoples' Principles of Learning and Aboriginal Worldviews and Perspectives.

GOALS:

- Students will experience learning through Aboriginal ways of knowing and doing.
- Students will appreciate the historical and contemporary contributions of Aboriginal people and the local Secwepemc Nation.
- Students will appreciate how cultural identity shapes worldview.

PRIORITY 4: Foster an inclusive, adaptable, and accountable district culture.

GOALS:

- Staff will demonstrate their commitment to inclusive practices.
- Staff will demonstrate their adaptability to meet the changing needs and norms of the district.
- Staff will be individually and collectively responsible for meeting standards and positively contributing to the district.

PRIORITY 5: Strengthen partnerships to enrich the way we lead, learn, and work.

GOALS:

- Staff will practice effective collaboration at all levels of the district.
- Staff will build effective teams and networks to facilitate partnerships that support students.
- Staff will engage in community-based and job-embedded professional learning and training.

PRIORITY 6: Ensure the sustainable use of our resources.

GOALS:

- Staff will align district priorities with sustainable budget planning.
- Staff will promote and incorporate sustainable environmental practices in all facilities.
- Staff will address facility and infrastructure needs as a result of changing demographics.

ACADEMIC ACHIEVEMENT FOR THE YEAR

In School District No. 73 (Kamloops-Thompson) we developed a District Learning Plan that captures the main themes for supporting academic achievement. There are four main threads that weave throughout the support network embedded in our plan: learning, engagement, choice, and professional learning.

Learning to further develop foundational skills and core competencies addresses our commitment to supporting our learners. We have paid particular attention to inclusive practices while demonstrating the ability to meet the changing needs and norms of the District. Our outstanding graduation rates of 79% for our Aboriginal learners and 87% for our non-Aboriginal students as well as an improving trend line tell us that ultimately, we are moving in a direction that supports the learning needs of our students.

Engagement to generate a culture that puts our students at the centre of the learning can best be demonstrated by the honouring the First People's Principles of Learning and Aboriginal world views as well as connecting our students to their interests and passions. We know that a personalized learning experience helps our students discover areas of learning that motivate and inspire them. Learners who are engaged are ultimately more amenable to reflecting on learning and setting goals for improvement and can apply their learning to address problems that are relevant to their lives and communities. For our Aboriginal learners, engagement allows opportunity for an appreciation of how cultural identity shapes not only their worldview, but that of non-Aboriginal learners as well.

Choice ensures students have the skills and opportunities to pursue a variety of career options allowing the District to plan for personalized learning experiences that is relevant to students. Choices such as trades and technology programs, Digi Pen, the IB program, and our partnership with Thompson Rivers University all ensure the experience our students have is second to none.

Professional learning focusing on research-based methodologies for deeper learning not only provides voice and choice for our students, but also supports our teachers and educational leaders. 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.

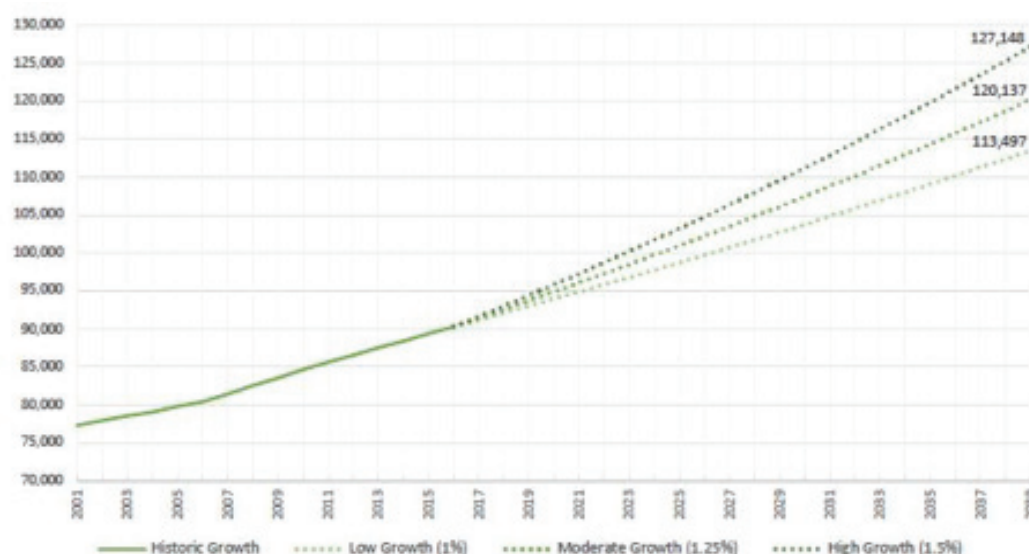


FUTURE CONSIDERATIONS

In considering a strategic framework and direction for its Capital Projects, the School District has identified future challenges. The city's South Shore, which is comprised of the Southeast and Southwest Sectors, has experienced the majority of growth in residential development in recent years. The City of Kamloops Official Community Plan projects a 30% growth in the population of Kamloops over the next 20 years with more than 60% of that projected growth occurring in the Southeast and Southwest Sectors.

As one of three South Shore high schools, and the only high school located in the Southeast Sector of the city, Valleyview Secondary's catchment serves some of the fastest-growing neighbourhoods. Due to the growth in the Valleyview Secondary catchment enrolment at the school has increased by more than 30% since 2008 and the 2017-2018 Long Range Facilities Plan projects that the Capacity Utilization at Valleyview Secondary will exceed 170% by 2027.

Annual Population Growth City of Kamloops 2001 - 2039



Residential Growth Distribution by Sector Kamloops 2017 -2039

Sector	% of Total Growth	Total Population Growth 2017 - 2039
Core	20	6,060
Northeast	0	10
Northwest	18	5,510
Southeast	19	5,570
Southwest	43	12,710
Total	100	29,860



FINANCIAL HIGHLIGHTS

The District has experienced enrollment decline from a high of 17,767 FTE students in 1997 until 2010 when the enrollment decline levelled off at close to the 14,000 FTE students with actual enrollment in 2017-2018 at 14,359 FTE. The District is projecting slight growth over the next few years.

The operating statements for the 2017-2018 school year improved over the operating results achieved in the 2016-2017 school year for several reasons. Revenues were up due to an increase of 227.7 FTE students from 2016-2017 to 2017-2018. (See table below)

Student Population	Actual 2016-2017	Growth/ (Decline)	Actual 2017-2018
Elementary FTE	8,445.0	243.0	8,688.0
Secondary FTE	5,560.8	(15.3)	5,545.5
	14,005.8	227.7	14,233.5

The 227.7 increase in students at the 2017-2018 per FTE rate of \$7,301 equates to a revenue increase of \$1,662,437. The increase of \$83.00 in per FTE student rate added an additional \$1,162,481 in revenue to the 2017-2018 school year. There was not a significant increase in our Distance Learning (DL) students but the rate did increase by \$70.00/FTE student for the 2017-2018 school year.

Block Funding Rate Per FTE Student	2016-2017	Increase	2017-2018	Increase	2018-2019
	Per FTE Rate		Per FTE Rate		Per FTE Rate
Per Student Regular FTE Rate	\$ 7,218.00	\$ 83.00	\$ 7,301.00	\$ 122.00	\$ 7,423.00
Per Student DL FTE Rate	\$ 6,030.00	\$ 70.00	\$ 6,100.00	\$ -	\$ 6,100.00

Although the May 9, 2017 Provincial election was within the 2016-2017 school year, K-12 public education was considered a priority for all parties and this priority position translated into additional funding in 2017-2018 in the following categories:

- A \$83.00 per FTE rate increase in SD73 equates to \$1,162,481 in additional revenue to pay for contract increases with unionized staff and other inflationary pressures
- The Student Transportation Grant was continued at \$666,819
- The transition from Medical Service Plan premiums to the new Employer Health Tax saved the district \$550,000 in 2017-2018.
- The delay in the transitioning to the new excluded staff salary grids announced in April of 2016 saved the district almost \$350,000 from budget.
- The International Student Program recorded \$60,389 in additional revenue in 2017-2018 over budget and expenses were less than projected delivering a profit of \$347,420, approximately \$100,000 more than budgeted.
- 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 \$256,000 each year. Half of this rebate is transferred to Local Capital allowing the Information Technology department to further invest in technology projects in support of our students.
- The Employment Practices Liability Program Premium – initially expected to cost \$70,597, actual was \$62,134



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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 2017 and 2018.

	2016-2017	Increase / (Decrease)	% Increase / (Decrease)	2017-2018
Assets	28,353,541	2,668,119	9.41%	31,021,660
Liabilities	61,839,360	2,032,043	3.29%	63,871,403
Debt	(33,485,819)	636,076	-1.90%	(32,849,743)
Non-Financial Assets	66,635,151	361,726	0.54%	66,996,877
Accumulated Surplus	31,149,332	2,997,802	9.62%	34,147,134

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

Summary Operating Results	2016-2017	Increase / (Decrease)	% Increase / (Decrease)	2017-2018
Revenues	142,001,390	3,212,085	2.26%	145,213,475
Wages	99,778,674	2,412,557	2.42%	102,191,231
Benefits	22,845,176	215,439	0.94%	23,060,615
Expenses	16,806,000	259,576	1.54%	17,065,576
Surplus (Deficit)	2,571,540	2,952,509		2,896,053
	1.81%			1.99%

Revenues for the District were up \$3.2 million over 2016-2017 for some of the reasons mentioned previously; restated in summary below:

- A \$83.00 per FTE student rate increase \$1,162,415
- An additional 227.7 students from 2016-2017 \$1,662,437
- International Student revenue increase \$60,389
- Student Transportation Grant \$666,819
- Next Generation Network (NGN) Self Provision Credit \$256,714
- Economic Stability Dividend \$87,156
- Investment income increase \$166,642
- Salary Differential increase \$262,984

The wages, benefits, and expenses for the District increased \$2.89 million over 2016-2017 results for the reasons listed:

- Salary expenses increased by \$2.41 million due to contractual wage increases for the 1,712 FTE positions (less the 79.473+FTE Classroom Enhancement Fund teaching positions) plus the 219 FTE Relief staff.
- Benefits increased over all by \$240,000 due to an increase in Teacher Pension Plan premiums of \$393,000, Extended Health premiums of \$213,000, Dental premium increases of 9.03% or \$122,000



Reserves – Operating

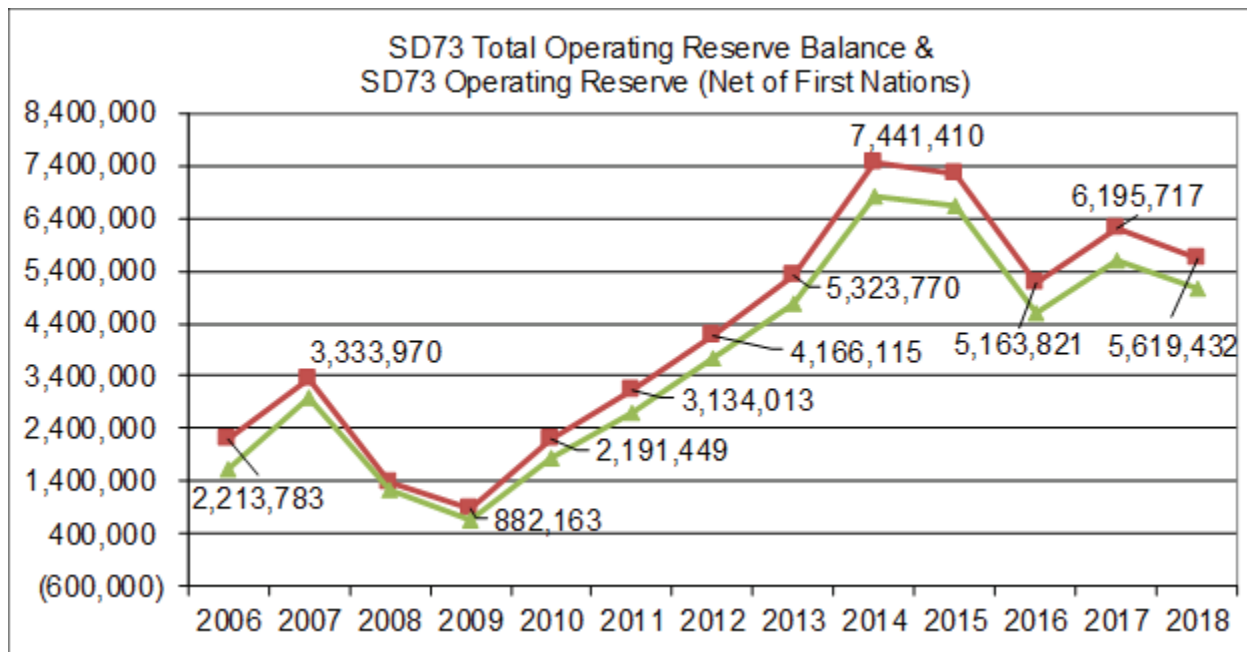
The District's Operating Reserve Funds are separated into two categories; Internally Restricted Reserve Funds and Unrestricted Reserve Funds. Internally Restricted Reserve Funds are specifically intended for expenditures based on specific criteria. The district is maintaining the following reserves: Utility/Fuel/Budget; Strategic Plan; Department; School Supply; Employee Benefits; Employer Health Tax; SD73BC Management Fee (2013-2017); Aboriginal Education and AFG (Other) Reserves.

These reserve balances represent an accumulation of operating surpluses the board and senior administration allow departments and schools to carry forward for expenditure in in the next 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.

As of mid-September, the \$237,390 Unrestricted Reserve is surplus to our 2018-2019 school year but these funds are available for district use if approved by the Board of Education. Annually in September, and once the operating results for the year are known, the Audit Committee of the Board of Education meet to review the Operating Reserve balances and make recommendations on the Reserve Funds to ensure these funds are positioned to deliver our Vision, Mission and our 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 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 following the presentation of the audited financial statements for the year just completed.

Board approval is required to expend funds in the Unrestricted Operating Reserve. Once approval is granted, the funds move from the Unrestricted Reserve Fund to the Restricted Fund where the reserve is set up and the funds are spent for their intended purpose. Operating Surpluses will generally increase and deficits will generally reduce the Unrestricted Reserve Fund. The \$237,390 in Unrestricted Operating reserve is currently \$500,000 less than the minimum reserve balance in the board's policy due to a recommended transfer from the Unrestricted Operating Reserve Fund to Local Capital Reserve where the district establishment a Facility Renewal Reserve Fund.

	Balance at June 30, 2017	Increases 2017-2018	Decreases 2017-2018	Revised Balance at June 30, 2018
Operating Fund:				
Internally Restricted - Operating Reserve:				
Internally Restricted - Future School Years				
1 Utility/Fuel Cost/Budget	700,000.00	22,419.00	(22,419.00)	700,000.00
2 Strategic Plan C/F Year 2		546,500.00	-	546,500.00
3 Department	407,402.61	100,722.79	-	508,125.40
4 School Supply	1,212,622.56	-	(137,905.17)	1,074,717.39
5 School Supply - Student Learning	625,214.53	-	(625,214.53)	-
	2,945,239.70	669,641.79	(785,538.70)	2,829,342.79
Internally Restricted - Anticipated Unusual Expenses - Future School Years				
6 Employee Benefits	986,632.30	-	-	986,632.30
7 Employer Health Tax	-	425,000.00	-	425,000.00
Total Restricted Operating Reserve	986,632.30	425,000.00	-	1,411,632.30
Internally Restricted - Funds with Constraints				
8 SD73BC Management Fee (2013-2017)	-	485,872.00	-	485,872.00
9 Aboriginal Education	581,195.55	-	(19,428.99)	561,766.56
10 AFG Other	82,649.00	10,779.37	-	93,428.37
	663,844.55	496,651.37	(19,428.99)	1,141,066.93
Total Internally Restricted - Operating Reserve:	4,595,716.55	1,591,293.16	(804,967.69)	5,382,042.02
Unrestricted - Operating Surplus:				
11 Unrestricted Operating Reserve	1,600,000.00	-	(1,362,609.70)	237,390.31
Total Unrestricted - Operating Reserve:	1,600,000.00	-	(1,362,609.70)	237,390.31
Total Operating Reserve Balances	6,195,716.55	1,591,293.16	(2,167,577.39)	5,619,432.33



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, Support Staff Learning Improvement Fund, CommunityLINK, Early Learning programs, OLEP French, Classroom Enhancement Fund, and SetBC. Revenues match expenditures for the specific program. Unspent funds are carried forward and utilized for the intended purpose in the 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.

Special Purpose Fund:	2016-2017	Increase / (Decrease)	Increase / (Decrease)	2017-2018
Ministry of Education	557,071	11,919,145	(11,956,079)	520,137
School Generated Funds	2,353,089	4,399,781	(4,222,366)	2,530,504
Other Special Purpose Funds	891,751	893,735	(735,662)	1,049,824
	3,801,911	17,212,661	(16,914,107)	4,100,465



Tangible Capital Assets in Thousands of Dollars)					
		Balance at	Additions	Disposals	Balance at
		July 1, 2017			July 1, 2018
Sites		10,345	-	-	10,345
Buildings		132,249	2,690	-	134,939
Furniture & Equipment		10,067	1,660	702	11,025
Vehicles		11,833	684	1,945	10,572
Computer Software		259	139	150	248
Computer Hardware		2,828	353	501	2,680
Total		167,581	5,526	3,298	169,809

For School District No. 73, major capital expenditures in 2017-2018 totalled \$5.526 million. Below are details of the projects completed in 2017-2018.

1. Capital Grants from the School Enhancement Program and Classroom Enhancement Fund relating to adding portables or building upgrades:

• Classroom Enhancement Fund (Portables)	\$1,180,472
• Classroom Enhancement Fund (Renovations)	221,924
• Valleyview Secondary (HVAC Upgrade)	775,662
• Westsyde Secondary	30,332
• Barriere Elementary (Mechanical Upgrade)	465,856
• McQueen Lake/Sagebrush/Other	63,810
• Youth in Trades	<u>639,887</u>
• Total Capital Grants	<u>\$3,369,943</u>

2. Furniture and Equipment:

• District Rekey Project	\$314,339
• Custodial Equipment	199,238
• VOIP Telephone System	32,044
• Drinking Fountains	106,078
• New Shop Vac's	11,550
• District Facility Capital Plans	40,974
• School Cafeteria Equipment	225,706
• SKSS Science Lab	<u>16,820</u>
• Total Furniture and Equipment	<u>\$1,215,257</u>

3. District Vehicles:

• Buses	\$663,596
• Replacement of Maintenance Trucks	<u>20,852</u>
• Total District Vehicles	<u>\$684,448</u>

4. Software:

• Fresh Grade (Report cards for students)	\$13,575
• Voice Over Internet Protocol (VOIP)	32,044
• SRB - New modules in HR - Employee on boarding	<u>7,789</u>
• Total Software	<u>\$53,408</u>

5. Computer Hardware:

• Annual Technology	\$295,742
• Website Redesign	138,965
• Innovation and Creativity – Computers	12,188
• Computer/iPads for schools	24,715
• Total Computer Hardware	<u>471,610</u>
• Total Capital Expenditures (Bylaw, Local Capital & CEF)	<u>5,526,158</u>

The District produced a better-than-average operating surplus in 2017-2018. The most significant factor in the 2017-2018 operating surplus was the district’s inability to conclude some planned projects due to the overwhelming amount of work relating to the implementation of the Classroom Enhancement Fund (CEF). 2017-2018 was probably one of the busiest years in the past ten years and this additional work was a significant factor in the additional operating surplus over the 2016-2017 school year. Another compounding factor relates to distributing funds late in a school year which forces districts to work diligently to implement the plans and spend the associated funding from the previous school year. The implementation of the “NEW” curriculum and year one of the districts 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, 2018-2019.

Our new strategic plan will guide the District in the delivery of educational programming for the next four years. Budgets have been developed to support the new strategic plan. Next year’s FSD&A will provide feedback on District progress as it relates to the delivery of that strategic plan in 2018-2019.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's stakeholders with a general overview of the School District's finances and to demonstrate the School 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.





SCHOOL DISTRICT NO. 73
(Kamloops-Thompson)