

Financial Statements: Discussion and Analysis

The following Financial Statement Discussion and Analysis should be read in conjunction with the audited financial statements and accompanying notes for School District No. 42 (Maple Ridge – Pitt Meadows) for the year ended June 30, 2024.

The purpose of the Financial Statement Discussion and Analysis is to highlight information and provide explanations, that enhance the reader's understanding of the school district's financial statements and the factors that influenced the financial results presented in these statements.

While the preparation and presentation of the Financial Statement Discussion and Analysis is not a legislative requirement, the Financial Statement Discussion and Analysis is recommended by the Province of British Columbia's Ministry of Education and Child Care.

The preparation of the Financial Statement Discussion and Analysis is the responsibility of school district management.

ACCOUNTING POLICIES

The financial statements of School District No. 42 (Maple Ridge – Pitt Meadows) have been prepared in accordance with the Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

Significant accounting and reporting practices are summarized in Note 2 of the financial statements. These include the following:

- operating expenses are recorded in the year the good or service is received;
- operating grants are not restricted in use and are recorded as revenue when received or receivable;
- restricted contributions are recorded as deferred contributions until the funds are expended;
- contributions for capital projects are recorded as deferred capital contributions once they are invested in capital assets;
- capital assets and deferred capital contributions are amortized over the estimated useful life of the assets.

To meet reporting requirements, the following funds are utilized:

Operating Fund - The Operating Fund includes operating grants and other revenues used to fund instructional programs, school and district administration, facilities operations, maintenance, and transportation. In 2023/24, 92.50% of operating fund revenue came from the Ministry of Education and Child Care (MECC) and these grants are, for the most part, calculated on reported student enrolment.

Special Purpose Fund - The Special Purpose Fund is comprised of separate funds established to track revenue and expenditures received from the MECC and other sources that have restrictions on how they may be spent. Pursuant to Sections 156(4) and (5) of the School Act, each special purpose fund must be accounted for in accordance with the terms of that special purpose fund.

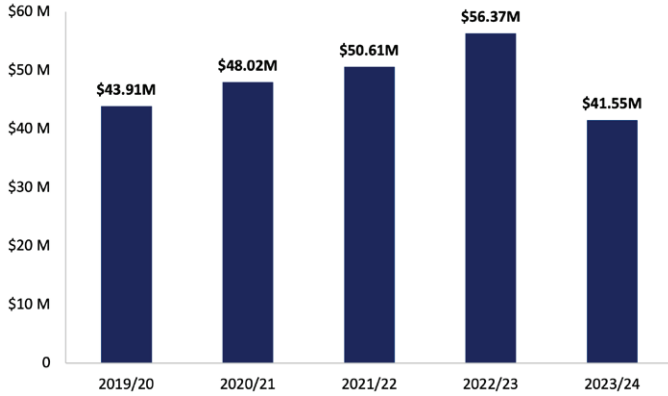
Capital Fund - The Capital Fund includes capital expenditures related to equipment and facility purchases and enhancements. The funding source of these purchases and enhancements determines to which capital fund the expenditures will be charged. Funding sources include MECC Bylaw Capital, MECC Restricted Capital, Other Provincially Restricted Capital, Land Capital, and Local Capital.

FINANCIAL ANALYSIS — ALL FUNDS

FIVE-YEAR TREND – STATEMENT OF FINANCIAL POSITION

Cash and cash equivalents have fluctuated over the last five years in conjunction with changes in accounts receivable, prepaid expenses, accounts payable, unearned revenue, and deferred revenue. At June 30, 2024, the school district reported \$41.55M in cash and equivalents.

CASH AND EQUIVALENTS (\$ millions)



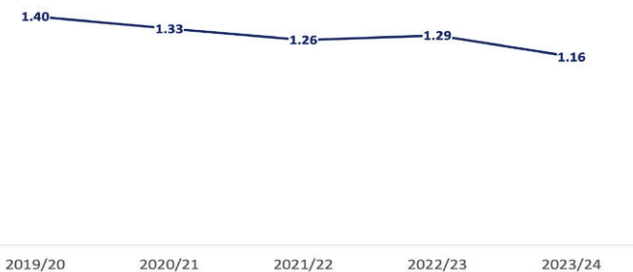
During 2023/24, the school district purchased \$20.86M of term deposits which are classified as portfolio investments on the statement of financial position (Statement 1), and this has resulted in decrease of cash and cash equivalents.

Cash and cash equivalents does not represent funds available for new initiatives. The \$1.32M balance in the MECC restricted capital fund is committed to fund the Eric Langton Elementary and Pitt Meadows Secondary school replacement capital projects.

LIQUIDITY

Liquidity, or the current ratio, is calculated as current assets divided by current liabilities. If the current ratio is greater than or equal to 1, then sufficient current assets are on hand to meet current liabilities. On the June 30, 2024 statement of financial position, the school district has a current ratio of 1.16.

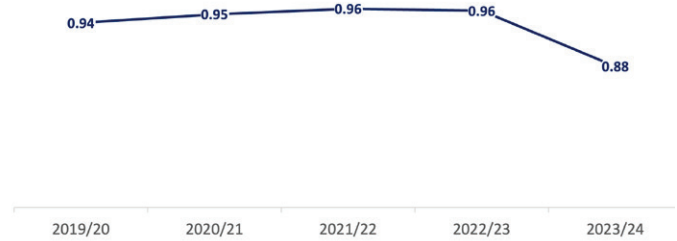
LIQUIDITY – CURRENT RATIO



CASH ASSET RATIO

The cash asset ratio is another tool to assess the ability of the district to meet its current obligations. The cash asset ratio equals cash and cash equivalents divided by current obligations to determine how quickly obligations can be met. At June 30, 2024, the school district had 88% of the cash and cash equivalents required to meet current obligations.

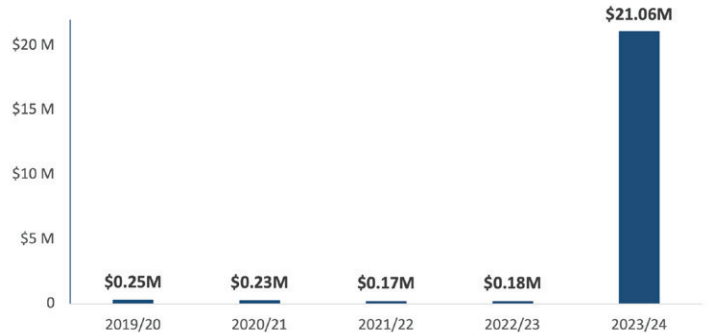
CASH ASSET RATIO



PORTFOLIO INVESTMENTS

The \$21.06 million portfolio investments represent the \$20.86M of term deposits purchased in 2023/24 and the \$0.20M long-term investment for scholarships and bursaries.

PORTFOLIO INVESTMENTS



The following is a detailed analysis of cash and investments at June 30, 2024.

CASH AND INVESTMENTS ALLOCATION SUMMARY	
Total Cash and Investments	\$62,606,793
Net Working Capital Requirements	(21,722,454)
External restrictions (external contributions for a specific use)	
Deferred operating contributions – restricted for specific program delivery	(10,433,133)
Land capital – restricted for land purchases	(3,084,076)
Other provincial capital – restricted for specific capital projects	(1,949,163)
Long Term Liabilities - Employee Future Benefits	(9,486,613)
Accumulated remeasurement gain	(24,980)
MECC restricted capital	(1,325,317)
Local Capital restricted for specific purposes*	(9,412,599)
Operating Fund accumulated surplus restricted for specific purposes**	(5,168,458)
Total cash and investments potentially available for cost sharing	\$0

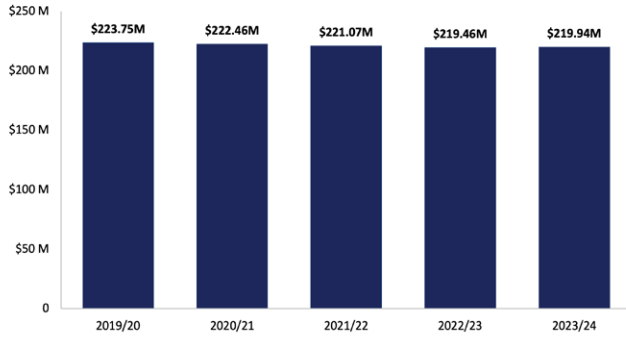
*LOCAL CAPITAL RESTRICTED FOR SPECIFIC PURPOSES	
Information technology capital plan	\$1,806,445
Facilities equipment and vehicles	35,405
Child care capital	132,737
Emergency preparedness	11,636
Virtual boardroom	11,225
Strategic facilities plan implementation	
New temporary classrooms	2,448,450
Capital planning	201,125
Sustainability	
HVAC upgrades	504,373
Other sustainability upgrades	336,202
Other facilities renewal	1,114,987
Capital cost share	700,000
Contingency reserve held in local capital	2,110,014
Total local capital restricted for specific purposes	\$9,412,599

**OPERATING FUND ACCUMULATED SURPLUS RESTRICTED FOR SPECIFIC PURPOSES	
Indigenous education (targeted funding)	\$233,975
School budget balances	426,103
Contractual professional development	256,342
Financial provisions	100,000
Multi-year grants and projects in progress	
Early Career Mentorship grant	334,429
Integrated Child and Youth grant	659,914
Other grants	21,621
Other district initiatives	27,706
Purchase order commitments	94,481
Support for school growth plans	
Literacy	112,829
Numeracy	20,000
Early Learning - StrongStart	45,162
Secondary Assessment Committee	18,000
Educational leadership - mentorship	1,836
Safe and caring schools	226,480
Indigenous Education, Racial Inclusivity and Equity	90,175
Student voice leadership	43,381
Elementary staffing	21,821
Principal and vice principal mentorship	7,500
Social emotional learning	59,454
School teams	17,533
Support for operational plans	
Business systems implementation and upgrades	70,977
Human resources	125,607
Indigenous education	48,896
English Language Learners	4,784
Ridge Meadows College program development	21,780
Strategic facilities plan	137,752
Facilities staffing	183,407
Succession planning	16,559
Learning services - Early intervention inclusionary programming	236,896
Budgeted use to fund 2024/25 operating shortfall	1,067,696
Facilities renovations and new classroom setup	151,995
Student transportation	283,367
Total operating fund accumulated surplus restricted for specific purposes	\$5,168,458

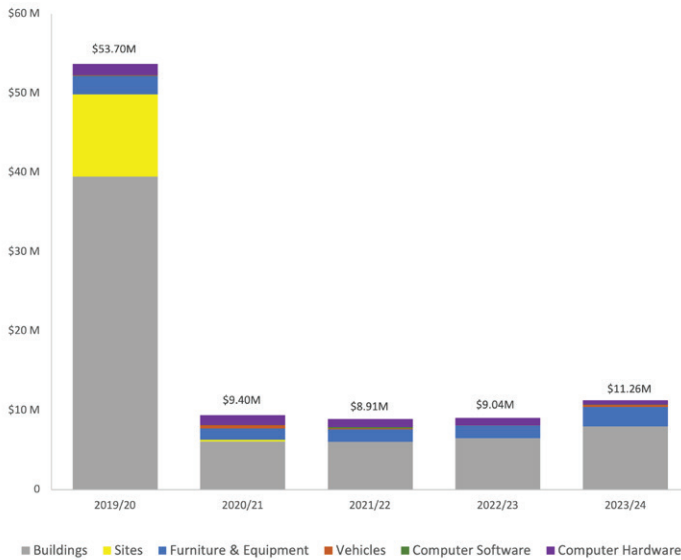
TANGIBLE CAPITAL ASSETS

In addition to current assets and current liabilities, the statement of financial position reports the total tangible capital assets of the district. The net book value, representing cost less accumulated amortization, of tangible capital assets at June 30, 2024, is \$219.94M.

TANGIBLE CAPITAL ASSETS



The following chart shows capital asset additions by type. Building additions are the most significant tangible capital asset addition in 2023/24 and include portable classrooms and improvements to existing buildings such as roof replacement.



Capital asset additions fluctuate from year to year based on the capital funding provided by the MECC as well as board approval of projects funded from local capital.

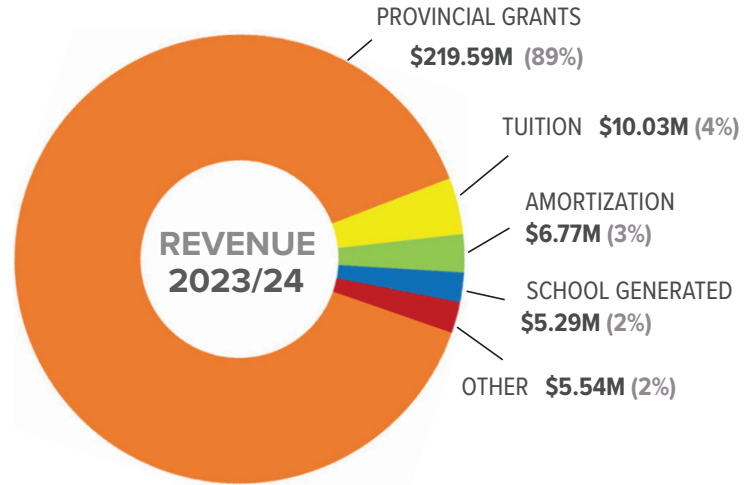
LIABILITIES

Total liabilities at June 30, 2024, are \$199.54M. Accounts payable and accrued liabilities have increased from the prior year by \$1.42M primarily due to the increase in accrued salaries, capital project invoices, and accrued remedies under the Classroom Enhancement Fund. Other liabilities include unearned revenue collected for tuition and other fees (up \$1.10M), deferred revenue for special purpose funds (up \$0.45M), deferred capital revenue on capital projects being amortized at the same rate as the related capital assets (up \$1.75M), employee future benefits (up \$0.29M), and asset retirement obligations.

FIVE-YEAR TREND – STATEMENT OF OPERATIONS

REVENUE

While the school district receives revenue from many sources, most of the revenue reported on the statement of operations (Statement 2) comes from the MECC.

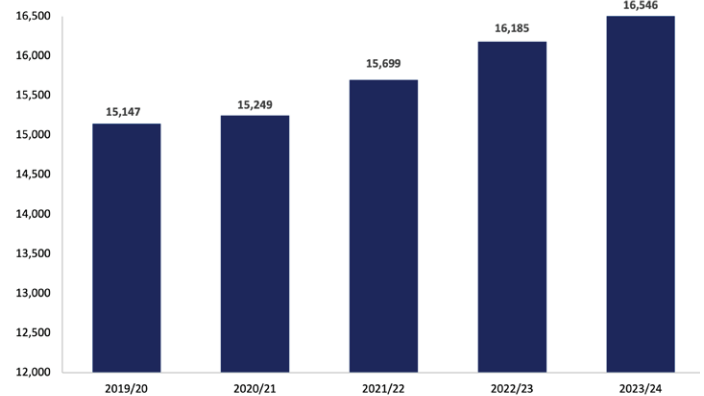


Tuition revenue is from non-resident students attending schools in the district. Amortization of deferred capital contributions is the accounting recognition of funding received from the provincial government for capital projects. School generated revenue is raised at the school level through fundraising, school cafeteria and store sales, and various other activities. Other revenue includes rental and investment income.

CORRELATION BETWEEN STUDENT ENROLMENT AND REVENUE

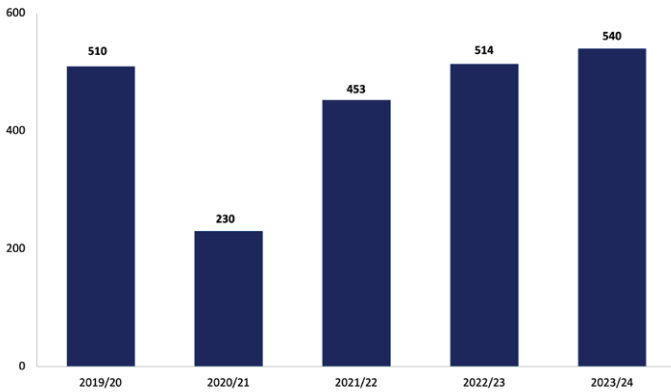
The most significant source of revenue for the school district is grants from the MECC followed by tuition from non-resident students. Both revenue sources are directly correlated to the number of full-time equivalent (FTE) students enrolled in the school district.

RESIDENT STUDENT ENROLMENT



The enrolment history for non-resident students is presented in the following chart. Compared to 2019/20, non-resident student enrolment has increased by 30 FTE. The significant decrease in 2020/21 is due to COVID-19 pandemic travel restrictions.

NON-RESIDENT STUDENT ENROLMENT

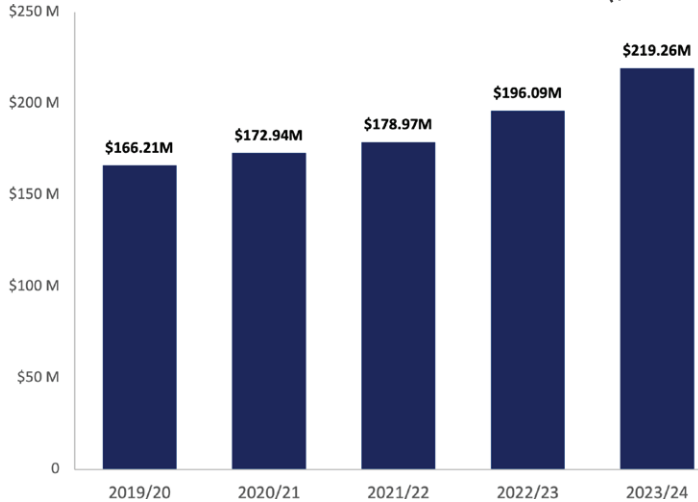


As MECC funded enrolment increases and school utilization reaches or exceeds 100% in schools across the district, space available for non-resident students is reduced, which limits the increase in non-resident student enrolment.

REVENUE BY TYPE

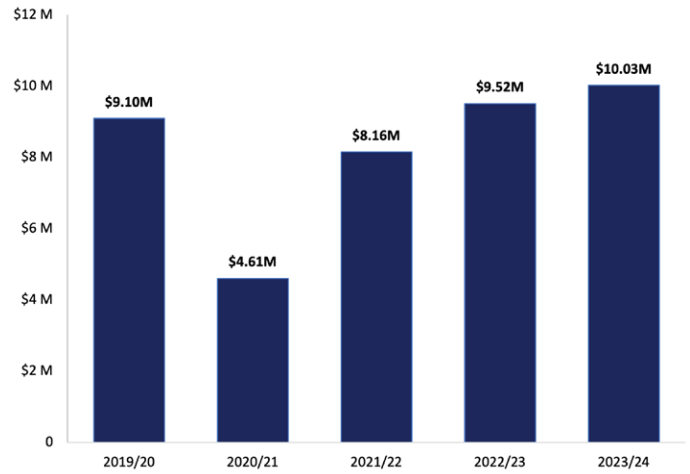
The following charts demonstrate the five-year trend of revenues reported on the statement of operations. All locally generated revenue streams negatively impacted by the COVID-19 pandemic restrictions have since recovered.

MINISTRY OF EDUCATION AND CHILD CARE OPERATING GRANTS (\$ millions)



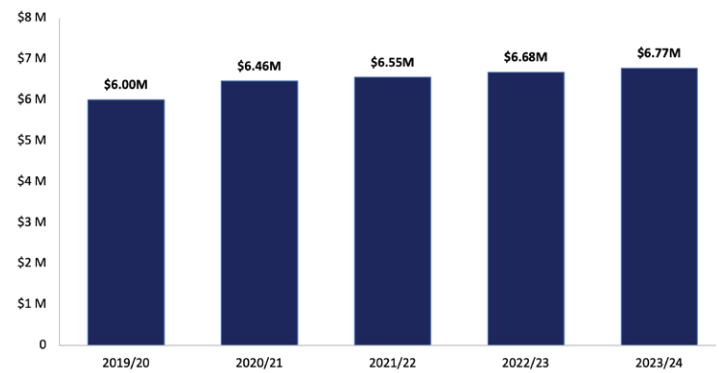
MECC grants are increasing as funded enrolment increases.

TUITION (\$ millions)



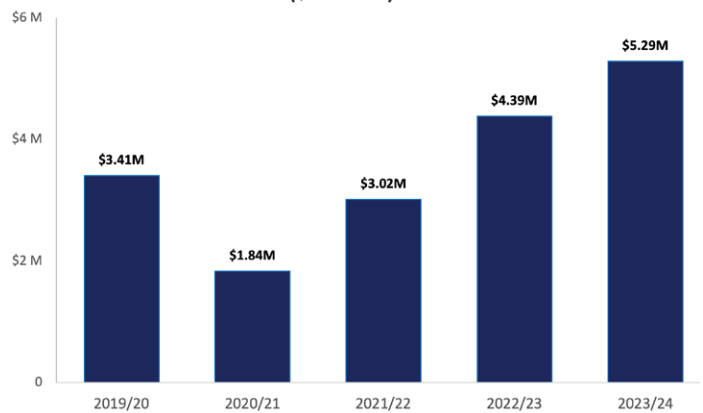
Tuition revenue increases as international student enrolment increases.

AMORTIZATION OF DEFERRED CAPITAL REVENUE (\$ millions)



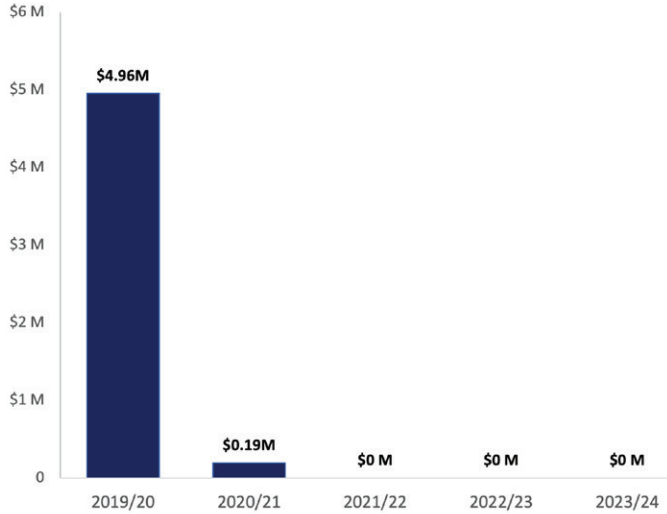
Amortization is non-cash revenue and is accounted for in accordance with the Restricted Contributions Regulation 197/2011 issued by the Treasury Board.

SCHOOL GENERATED FUNDS (\$ millions)



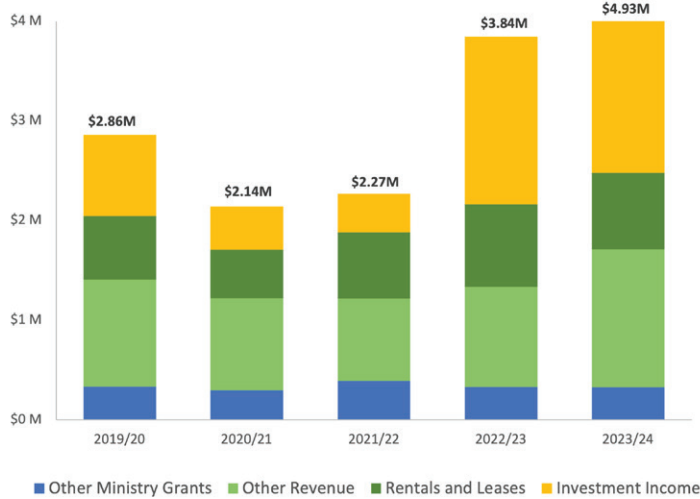
School generated funds are raised at the school level through fundraising, cafeteria sales, school store sales, and various other activities.

SCHOOL SITE ACQUISITION REVENUE (\$ millions)



School site acquisition charges are received as housing development occurs in our community and recognized as revenue when spent on site acquisitions. No new sites were acquired in 2023/24.

OTHER REVENUE (\$ millions)



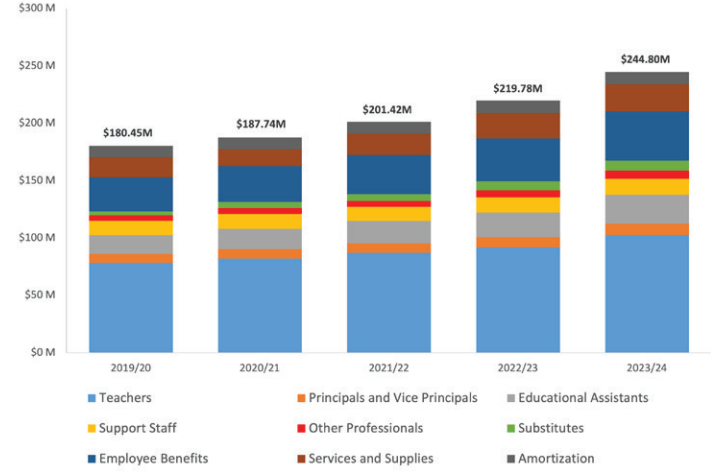
The increase in investment income since 2021/22 is due to the increase in interest rates earned on cash and term deposits. Rental income decreased slightly due to decreased use of facilities by the community and film industry. Other grants and revenue are project specific.

EXPENSES

Expenses are reported in two formats: by object and by function. Expenses by object report the following categories: salaries and benefits, services and supplies, and amortization.

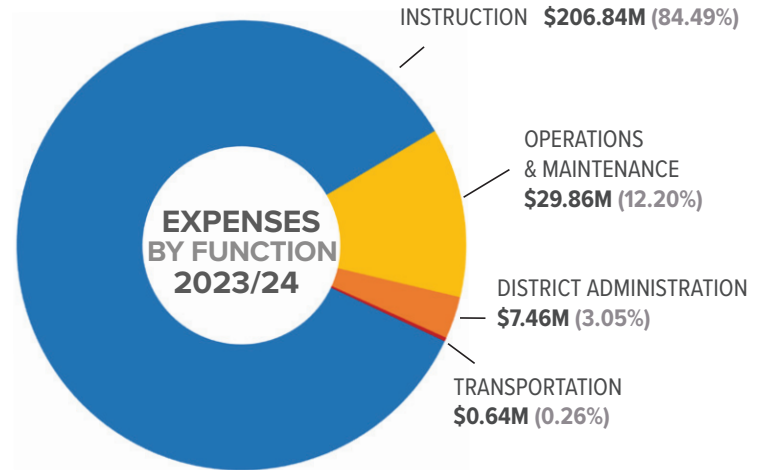
As illustrated in the following chart, the most significant expense reported on the statement of operations is teacher salaries, followed by employee benefits for all employee groups.

EXPENSES BY TYPE (\$ millions)



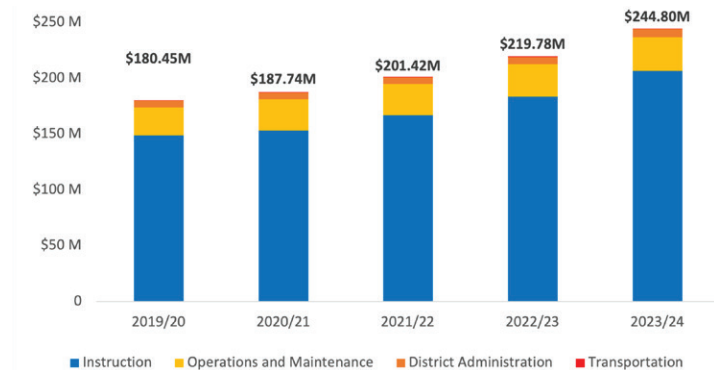
All salaries have increased due to salary rate increases. Teacher and educational assistants salaries are the most significant of all employee salary types, and have increased further due to increased student enrolment.

EXPENSES BY FUNCTION 2023/24



Expenses by function report the total amount spent in four major categories. Instruction comprises 84.49% of total expenses followed by operations and maintenance at 12.20%, district administration at 3.05%, and transportation at 0.26%.

EXPENSES BY FUNCTION — FIVE YEAR TREND

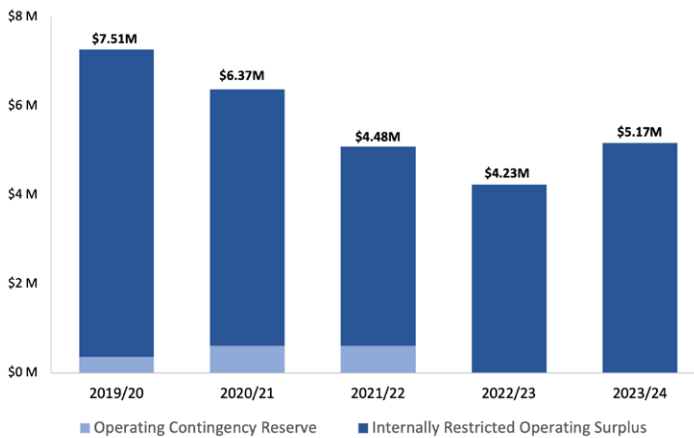


Since 2019/20, transportation has increased 78%, followed by instruction at 39%, district administration by 26% and operations and maintenance by 17%.

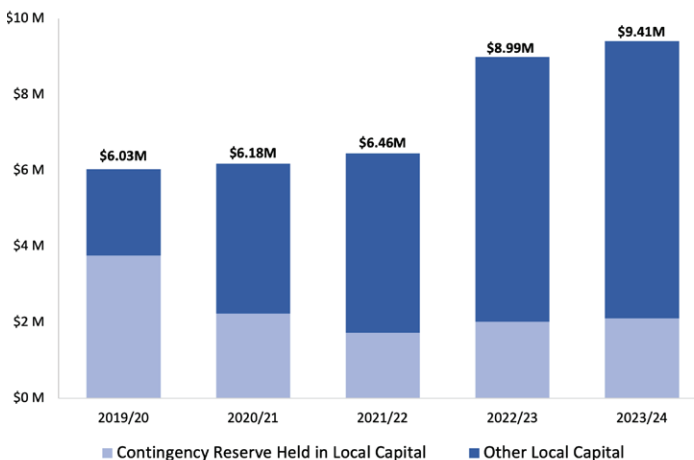
FIVE YEAR TREND — FUND BALANCES

In addition to current liabilities shown on the statement of financial position, the school district has made budget allocation commitments, which are included in the appropriated operating surplus on the schedule of operating operations (Schedule 2) and local capital surplus on the schedule of capital operations (Schedule 4). The following charts illustrate the trend of these appropriations over the last five years.

INTERNALLY RESTRICTED OPERATING SURPLUS (\$ millions)



LOCAL CAPITAL FUND (\$ millions)



The local capital fund balance of \$9.41M includes the district's contingency reserve held in local capital of \$2.11M, and amounts approved by the board for specific capital projects. Major local capital projects identified for future year spending include the new classroom setup (\$2.45M), IT capital plan (\$1.81M), capital cost share for the Eric Langton school replacement (\$0.70M), and other facilities renewal (\$1.11M).

OPERATING FUND ANALYSIS

At June 30, 2024, there is \$5.17M of restricted operating surplus and there is no unrestricted operating surplus. Details of this restricted surplus are summarized in the following table, and is presented in further detail on page 3 of this report and in Note 16 of the financial statements:

OPERATING FUND ACCUMULATED SURPLUS RESTRICTED FOR SPECIFIC PURPOSES	
Indigenous education (targeted funding)	\$233,975
School budget balances	426,103
Contractual professional development	256,342
Financial provisions	100,000
Multi-year grants and projects in progress	1,043,670
Purchase order commitments	94,481
Support for school growth plans	664,170
Support for operational plans	609,763
Learning services - Early intervention inclusionary programming	236,896
Budgeted use to fund 2024/25 operating shortfall	1,067,696
Facilities renovations and new classroom setup	151,995
Student transportation	283,367
Total operating fund accumulated surplus restricted for specific purposes	\$5,168,458

In accordance with policy 4204 Accumulated Surplus, the board may set aside a portion of operating surplus for items that are linked to multi-year strategic objectives and future operational needs. Restrictions are made only for defined operational needs with defined timelines, including services or purchases that are directly related to a board's strategic plan, operational needs and enhanced educational outcomes for students.

Specific uses of appropriated surplus have been approved by the board as part of the 2024/25 Preliminary Budget. Details on the 2024/25 Approved Preliminary Budget can be found at <https://www.sd42.ca/assets/media/202425-Preliminary-Budget.pdf>.

OPERATING FUND REVENUE

Operating fund revenue is \$2.08M higher than estimated in the amended budget. The MECC's operating grant is \$0.19M higher than budget due to higher than budgeted combined enrolment count in February and May 2024. Other provincial revenue is \$0.02M higher than budget. Funding for graduated adults is \$0.02M higher than budget and federal grants are \$0.02M lower than budget.

The Integrated Child and Youth (ICY) grant is \$0.58M higher than budget due to the 2023/24 receipt of the MECC preliminary ICY grant for 2024/25 in June of 2024.

Tuition revenue is \$0.05M lower than budget, rentals and leases revenue is \$0.08M higher than budget, other revenue is \$0.05 higher than budget and investment income is \$1.21M higher than budget.

OPERATING FUND EXPENSES

Operating fund expenses overall are \$6.08M lower than budget.

Teacher salaries are \$2.21M lower than budget due to vacancies (\$0.68M), lower average salary (\$0.47M), and leaves (\$1.06M).

Educational assistant salaries are \$0.70M lower than budget due to vacancies and leaves.

Support staff salaries are \$0.27M lower than budget due to lower than anticipated use of support banks and leaves (\$0.08M), and vacancies (\$0.19M).

Other professional and principal/vice principal salaries are \$0.08M higher than budget due to succession, transitions, and contract staff offset with vacancies.

Substitute salaries are \$0.34M lower than budget primarily due to lower than anticipated costs for departmental training (\$0.24M) and casual salaries (\$0.32M), offset by higher than anticipated costs for teacher contractual replacements (\$0.20M) and Employment Standards Act sick leave provisions (\$0.02M).

Employee benefits are \$0.48M lower than budget due to the above-mentioned salary variances.

Services and supplies are \$2.16M lower than budget due to unspent budget allocations in services (\$0.82M), professional development and travel (\$0.49M), insurance (\$0.03M), supplies (\$0.65M), utilities (\$0.12M), and other (\$0.05M).

USE OF AVAILABLE OPERATING SURPLUS

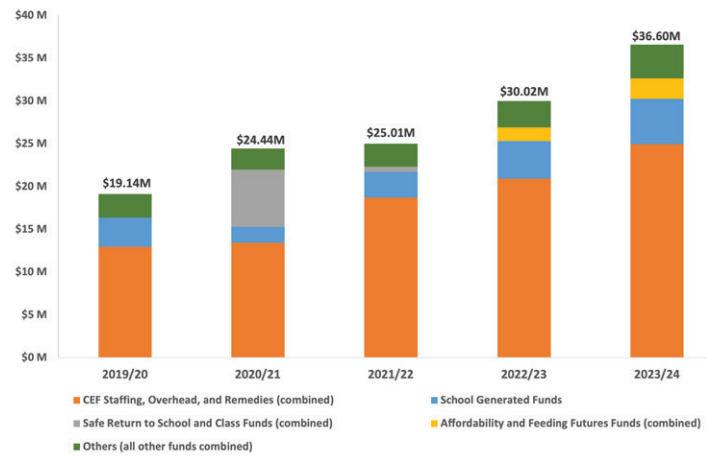
The available operating surplus of \$2.54M at June 30, 2024, was approved by the board to increase the contingency reserve held in local capital by \$0.09M, IT capital plan by \$1.40M, new temporary classrooms by \$0.53M, and other facilities renewal by \$0.53M.

SPECIAL PURPOSE FUNDS ANALYSIS

Special purpose funds include funds received from the MECC or other sources that have been designated for specific purposes. During 2023/24, \$37.06M in special purpose fund contributions were received and \$36.60M was spent (see Schedule 3A).

At June 30, 2024, \$2.43M in special purpose funds remain available for expenses in future years for designated purposes. Major special purpose funds include the Classroom Enhancement Fund (CEF), School Generated Funds, Student and Family Affordability Fund, Feeding Futures Fund, CommunityLINK, Official Languages in Education Protocol, Learning Improvement Fund, and Annual Facilities Grant.

SPECIAL PURPOSE FUNDS ANALYSIS (\$ millions)



Special purpose fund expenses are contingent on the amount of revenue received for the purpose of providing a specific service or program. The chart above shows the special purpose fund expenses of the school district and how they have changed in the last five years. The most significant changes are related to the continued increase of CEF teacher staffing costs related to the restored teachers' collective agreement language and the 2023/24 Feeding Futures Fund and Student and Family Affordability Fund to support vulnerable students and their families.

CAPITAL FUND ANALYSIS

The net book value of capital assets is \$219.94M at June 30, 2024 (see Schedule 4A). Of this amount, \$41.55M represents investment in sites, \$166.08M in buildings, and \$12.31M in furniture, equipment, vehicles, computer software, and computer hardware. These net book values represent the historical cost less accumulated amortization of the assets; they do not reflect current market value.

During 2023/24, grants from the MECC for bylaw capital projects totaled \$5.99M (see Schedule 4D).

At June 30, 2024, the following capital building projects remain in progress with accumulated costs of \$4.11M (see Schedule 4B):

- Eric Langton Elementary seismic replacement and expansion (\$3.54M)
- Capital planning project definition reports (\$0.45M)
- New temporary classrooms at elementary schools (\$0.04M)
- Energy management HVAC study (\$0.05M)
- Annual Facility Grant funded projects (\$0.01M)
- Edith McDermott Elementary HVAC upgrade (\$0.02M)

During 2023/24, the following capital building projects were completed with accumulated costs of \$5.76M (see Schedule 4A):

- New temporary classrooms at elementary schools (\$1.20M)
- Roofing upgrades at Maple Ridge Secondary (\$0.39M), Laity View Elementary (\$0.37M), and Whonnock Elementary (\$0.21M)
- HVAC upgrades at Whonnock Elementary (\$1.47M)
- Plumbing upgrades at Blue Mountain Elementary

(\$0.28M), Webster’s Corners Elementary (\$0.18M), and various other schools (\$0.09M)

- Minor HVAC upgrades at Edith McDermott Elementary (\$0.07M), Laity View Elementary (\$0.04M), Maple Ridge Secondary (\$0.21M), Samuel Robertson Technical (\$0.04M), and various other schools (\$0.16M)
- Electrical upgrades at various sites (\$0.15M)
- Accessibility upgrades at various sites (\$0.08M)
- Pavement projects at various sites (\$0.03M)
- Other minor projects (\$0.79M)

The MECC Restricted Capital Fund balance is \$1.32M at June 30, 2024 (see Schedule 4D), of which \$1.18M is allocated for the Eric Langton Elementary seismic replacement project and \$0.14M is committed to Pitt Meadows Secondary school replacement project.

The Other Provincial Capital Fund totals \$1.95M at June 30, 2024 (see Schedule 4D), and represents new child care space capital funding (\$1.78M) for the new Eric Langton Elementary replacement school site and accumulated interest allocations to this fund in previous years (\$0.17M) which is restricted to child care capital projects.

The Land Capital Restricted Fund (school site acquisition charges) received contributions and interest in 2023/24 of \$0.55M. The fund ended the year with a balance of \$3.08M (see Schedule 4D).

LOCAL CAPITAL

The board’s Local Capital Fund is comprised of previous years’ available operating surpluses transferred to local capital with board approval and proceeds from the disposal of land.

Capital asset additions funded locally are reported in the local capital fund. Balances at June 30, 2024, of board approved uses of local capital for future years are presented in the following table.

LOCAL CAPITAL RESTRICTED FOR SPECIFIC PURPOSES	
Information technology capital plan	\$1,806,445
Facilities equipment and vehicles	35,405
Child care capital	132,737
Emergency preparedness	11,636
Virtual boardroom	11,225
Strategic facilities plan implementation	
New temporary classrooms	2,448,450
Capital planning	201,125
Sustainability	
HVAC upgrades	504,373
Other sustainability upgrades	336,202
Other facilities renewal	1,114,987
Capital cost share	700,000
Contingency reserve held in local capital	2,110,014
Total local capital restricted for specific purposes	\$9,412,599

CONTINGENCY RESERVE

The Board of Education is responsible for ensuring the district is protected financially from extraordinary circumstances that would negatively impact school district operations and the education of students. To discharge this responsibility, the board has established a contingency reserve from available operating surplus, which will be used to mitigate any negative impact such circumstances might cause.

Board policy 4204 Contingency Reserve requires that the district maintain a reserve of at least 1% and not exceeding 3% of operating expenditures. At June 30, 2024, the contingency reserve of \$2.11M represents 1% of 2024/25 budget operating expenditures.

RISKS AND UNCERTAINTIES

IMPLEMENTATION OF RESTORED COLLECTIVE AGREEMENT LANGUAGE

On November 10, 2016, the Supreme Court of Canada (SCC) issued its decision in the longstanding litigation between the BCTF and the B.C. government regarding the deletion of certain BCPSEA – BCTF collective agreement provisions.

On January 11, 2017, the Ministry of Education, the BC Public Schools Employers Association and the BC Teachers Federation signed a Memorandum of Agreement re: Letter of Understanding (LoU) No. 17: Education Fund and Impact of the Court Cases – Priority Measures as the first step in responding to the decision of the Supreme Court of Canada.

On March 10, 2017, the Ministry of Education, the BC Public Schools Employers Association and the BC Teachers Federation ratified a Memorandum of Agreement pursuant to Letter of Understanding (LoU) No. 17 (“the MoA”), to the 2013- 2019 BCPSEA–BCTF Provincial Collective Agreement. The Memorandum of Agreement fully and finally resolves all matters related to the implementation of the Supreme Court of Canada decision from the fall of 2016. Since March 2017, steps have been taken by School District No. 42 to ensure the terms agreed to in the Memorandum of Agreement pursuant to Letter of Understanding (LoU) No. 17 (“the MoA”) are implemented for the 2017/18 through to the 2023/24 school year. For 2024/25, preliminary classroom enhancement funding of \$22.62M has been approved by the MECC to offset the costs related to the implementation of the MoA. This will result in additional teacher salaries and benefits (\$21.81M) and related overhead costs (\$0.81M) for the upcoming year. It is anticipated that this additional revenue will not cover all costs related to implementation (e.g. remedy costs could be over \$2M and are not included in the preliminary funding announced), which is a significant risk to the financial position of the school district. Stringent oversight and analysis will be implemented to understand, communicate, and mitigate the financial risks associated with this continued implementation.

ENROLMENT AND STAFFING GROWTH

With the implementation of the MoA resulting in smaller class sizes, a greater number of teacher FTE will need to be added than would previously have been required. As student enrolment grows, additional classroom space will need to be created. This growth brings with it a financial risk in how to provide these additional resources under the current MECC funding envelope.

CAPITAL PROJECTS

Due to their magnitude, capital projects have the potential to significantly impact the financial position of the district. There is no process in place to assess the risk of the entire capital program; individual project risk assessments must be done on a continuous basis. Project agreements with the MECC contain contingencies to mitigate financial risk.

Smaller projects consider contingency requirements when building the overall project budget and are managed internally. Finally, the contingency reserve held in local capital of \$2.11M is available to mitigate risk for capital projects.

OTHER ASSETS

Existing school district budget allocations are not enough to support the procurement, maintenance, or timely replacement of school district tangible capital assets. This means that the deferred maintenance for school district facilities continues to grow and the facility condition index for school district facilities continues to deteriorate. IT hardware may not be refreshed regularly, depending on the availability and appropriation of operating surplus to fund the IT capital plan. Any major equipment failures during 2024/25 must be funded from the contingency reserve held in local capital.