

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, 2022.

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 2021/22, 93.76% of operating fund revenue came from the Ministry of Education and Child Care and these grants are, for the most part, calculated on reported student enrolment.

Special purpose funds - Special purpose funds consist of targeted funding provided to the school district for a specific purpose. 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. Treasury Board Restricted Contribution Regulation 198/2011, issued in November 2011, defines a restricted contribution as "a contribution that is subject to a legislative or contractual stipulation or restriction as to its use."

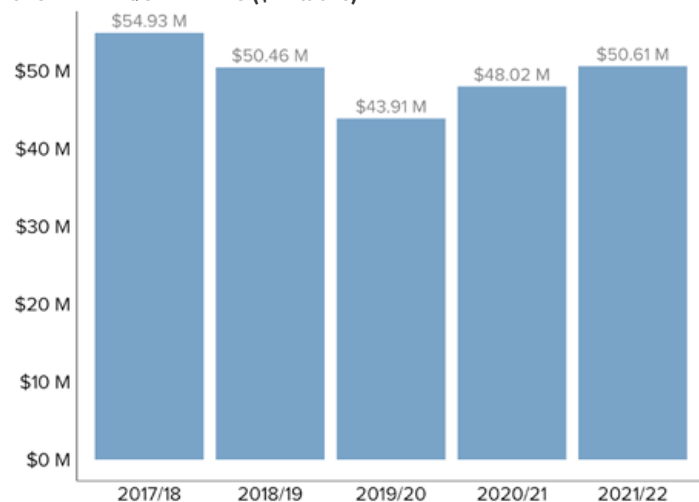
Capital funds - Capital funds include capital expenditures related to equipment and facility purchases as well as equipment and facility enhancements. The funding source of these purchases and enhancements determines to which capital fund the expenditures will be charged. Funding sources include Ministry of Education and Child Care Bylaw Capital, Ministry of Education and Child Care Restricted Capital, Other Provincially Restricted Capital, Land Capital as well as 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, 2022, the school district reported \$50.61 M in cash and equivalents.

CASH AND EQUIVALENTS (\$ millions)

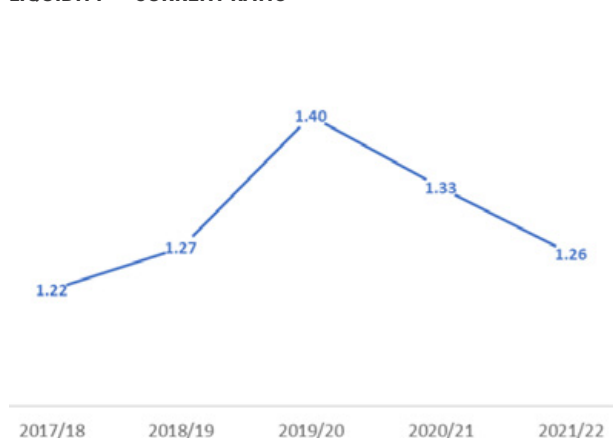


Cash on hand does not represent funds available for new initiatives. The only available funds are the \$1.86 M balance in the Ministry of Education and Child Care restricted capital fund, which can be used to fund new capital projects with the approval of the minister.

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, 2022 statement of financial position, the school district reported a current ratio of 1.26.

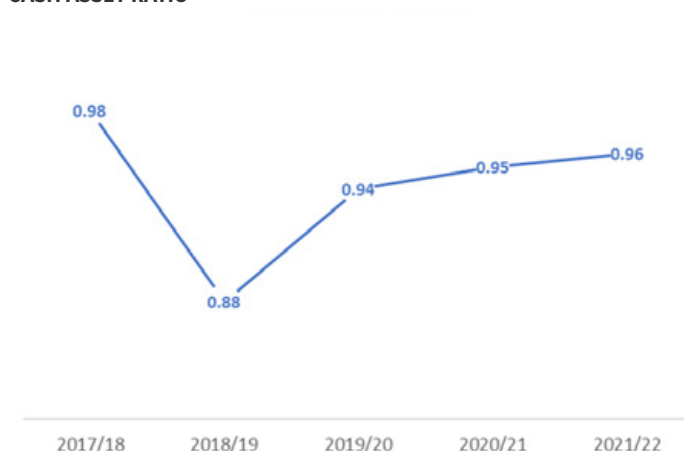
LIQUIDITY — CURRENT RATIO



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, 2022, the school district had 96% of the cash and cash equivalents required to meet current obligations.

CASH ASSET RATIO



The following is a detailed analysis of cash balances at June 30, 2022.

CASH BALANCES

Sources of Cash and Nature of Commitment

Ministry of Education and Child Care Restricted Capital

Balance as at June 30, 2022 from financial statements	\$1,858,136
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Total Available Ministry Restricted Capital	\$1,858,136
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Local Capital

Balance as at June 30, 2022 from financial statements	\$6,456,641
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Restricted for specific capital purchases	(4,725,616)
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Contingency reserve for local capital	(1,731,025)
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Total Available Local Capital	\$ —
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Accumulated Operating Surplus

Balance as at June 30, 2022 from financial statements	\$4,475,430
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Surplus used to fund expenditures in future years	(4,475,430)
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Total Available Accumulated Operating Surplus	\$ —
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CASH ALLOCATION SUMMARY	
Total Cash and Investments	\$50,781,595
Net Working Capital Requirements	(17,827,641)
External restrictions (external contributions for a specific use)	
Deferred operating contributions – restricted for specific program delivery	(8,764,610)
Land capital – restricted for land purchases	(2,125,922)
Other provincial capital – restricted for specific capital projects	(166,057)
Long Term Liabilities - Employee Future Benefits	(9,099,927)
Accumulated remeasurement gain	(7,231)
Cash and investments potentially available for cost sharing	\$12,790,207

Cash and investments potentially available for cost sharing are made up of:	
Ministry of Education and Child Care restricted capital	(\$1,858,136)
Local Capital restricted for specific purposes	(6,456,641)
Internally restricted accumulated operating surplus	(4,475,430)
Total cash and investments potentially available for cost sharing	\$ –

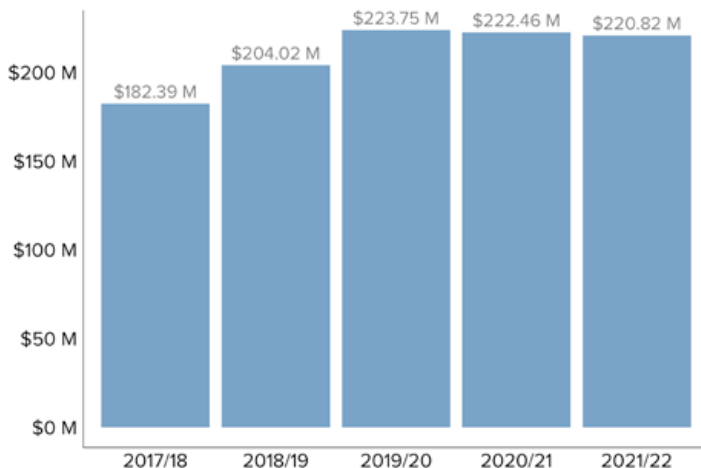
LOCAL CAPITAL RESTRICTED FOR SPECIFIC PURPOSES	
Information technology	\$21,831
Emergency preparedness	21,888
School district contribution to Energy Management Plan projects	367,081
Classroom modifications and furniture for future enrolment growth	1,768,581
Childcare capital	97,500
Capital planning	127,492
Electric vehicle charging stations	34,434
HVAC upgrades	457,500
Elementary school capital contribution	700,000
Student information system for Ridge Meadows College	50,000
Virtual boardroom	11,225
Facilities equipment and vehicles	1,579
IT capital plan	1,066,505
Contingency reserve for local capital	1,731,025
Total Local Capital Restricted for Specific Purposes	6,456,641

INTERNALLY RESTRICTED ACCUMULATED OPERATING SURPLUS	
Targeted funding for Indigenous education	\$361,758
Early Career Mentorship grant	335,000
Integrated Child and Youth grant	379,853
Other grants	29,927
School budget balances	666,243
Contractual professional development	316,363
Financial provisions	100,000
Funds required to complete projects in process	19,928
Purchase order commitments	336,655
Support for school growth plans	
Literacy	154,993
Numeracy	20,000
Educational leadership - mentorship	12,715
Safe and caring schools	65,140
Fine arts	48,763
Social emotional learning	7,033
Support for operational plans	
Business systems implementation and upgrades	55,815
Human resources	15,913
Indigenous education	37,583
Ridge Meadows College program development	15,000
IT strategic plan	132,990
Strategic facilities plan	109,439
Succession planning	93,690
Learning services	
Instructional bank	200,000
Facilities renovations and new classroom set-up	129,921
Transportation	280,708
Changes to the Employment Standards Act	550,000
Total Internally Restricted Accumulated Operating Surplus	\$4,475,430

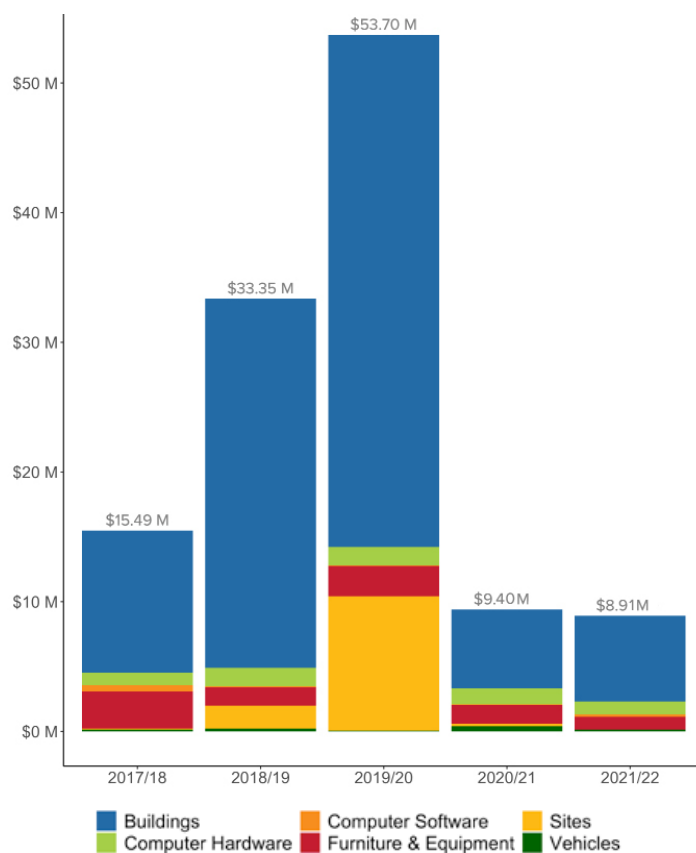
TANGIBLE CAPITAL ASSETS

In addition to current assets and current liabilities, the statement of financial position reports the total tangible capital assets of the district.

TANGIBLE CAPITAL ASSETS



The following chart shows capital asset additions by type; building additions are the most significant tangible capital asset addition in 2021/22.



Capital asset additions fluctuate from year to year based on the capital funding provided by the Ministry of Education and Child Care as well as board approval of projects funded from local capital.

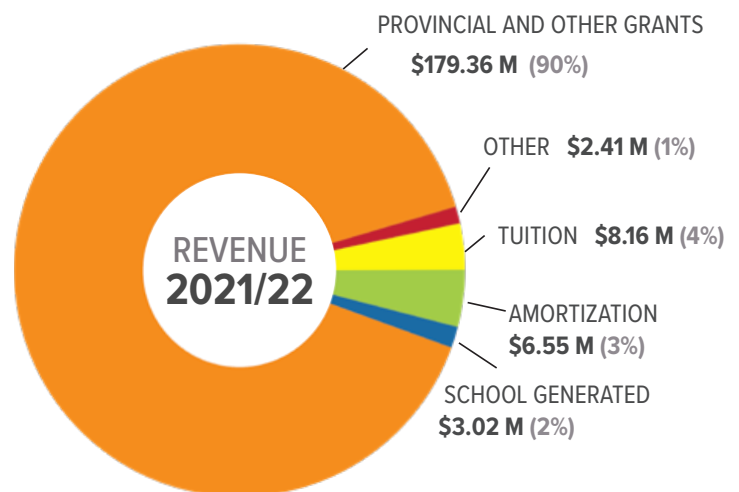
LIABILITIES

Accounts payable and accrued liabilities are balances owing to others as at June 30, 2022. These balances have increased from the prior year by \$1.26 M primarily due to the increase in Classroom Enhancement Fund remedy and WorkSafeBC costs owing. Other liabilities include unearned revenue collected for tuition for the 2021/22 year (up \$2.13 M), deferred revenue for special purpose fund projects (up \$0.19 M) and employee future benefits for vested and non-vested sick leave benefits and early retirement and vacation benefits that will be paid in future years (up \$0.11 M). Deferred capital revenue is the total funds received and spent on capital projects and is being amortized annually at the same rate as the related capital assets (down \$1.20 M).

FIVE-YEAR TREND – STATEMENT OF OPERATIONS

REVENUE

While the school district receives revenue from many sources, the majority of revenue reported on the statement of operations comes from the Ministry of Education and Child Care.



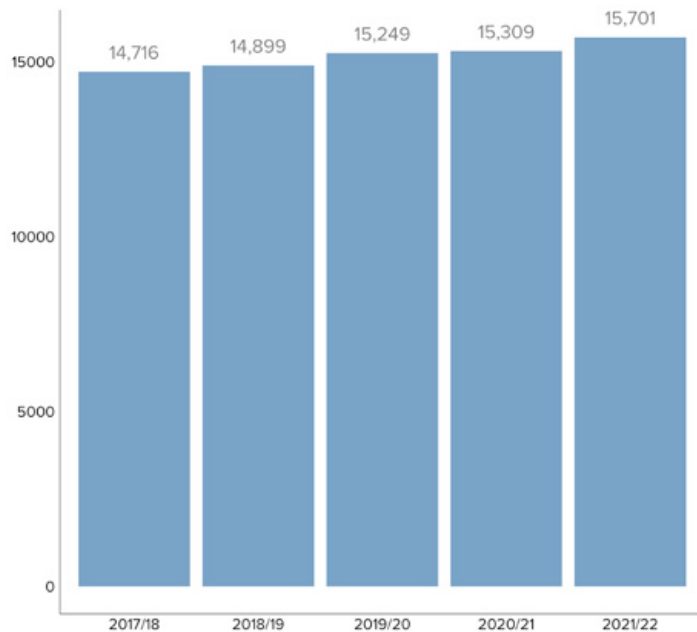
Tuition revenue comes from non-resident students attending schools in the district and school generated funds are the result of fundraising efforts at the school level. Amortization of deferred capital contributions is the accounting recognition of funding received from the provincial government for capital projects.

CORRELATION BETWEEN STUDENT ENROLMENT AND REVENUE

The most significant source of revenue for the school district is grants from the Ministry of Education and Child Care. The second most significant source of revenue is tuition from non-resident students. Both revenue sources are directly correlated to the number of students enrolled in the school district.

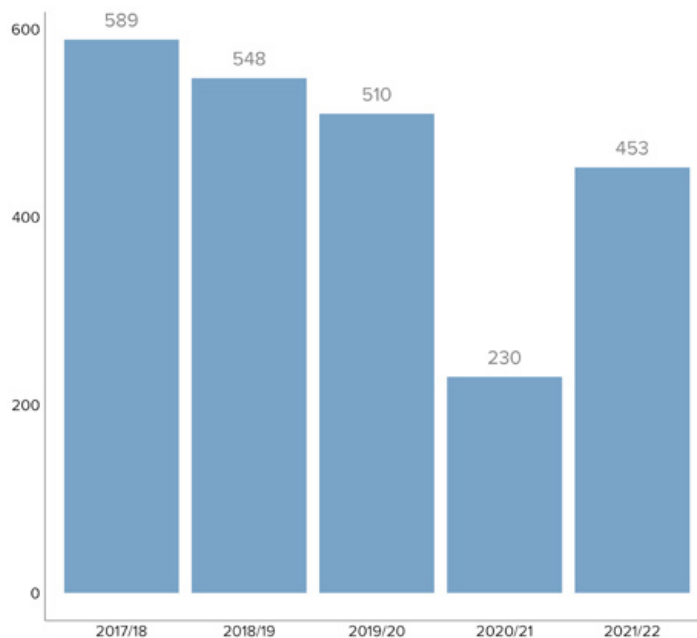
The enrolment history for regular, alternate, continuing education, distributed learning, summer school, and adult learners is presented in the following chart. Since 2017/18, Ministry of Education and Child Care funded enrolment has increased by 985 full time equivalent (FTE) students.

RESIDENT STUDENT ENROLMENT



The enrolment history for non-resident students is presented in the following chart. Since 2017/18, non-resident student enrolment has decreased by 136 full time equivalent (FTE). The 2021/22 enrolment of 453 FTE is a result of the travel restrictions imposed during the COVID-19 pandemic.

NON-RESIDENT STUDENT ENROLMENT

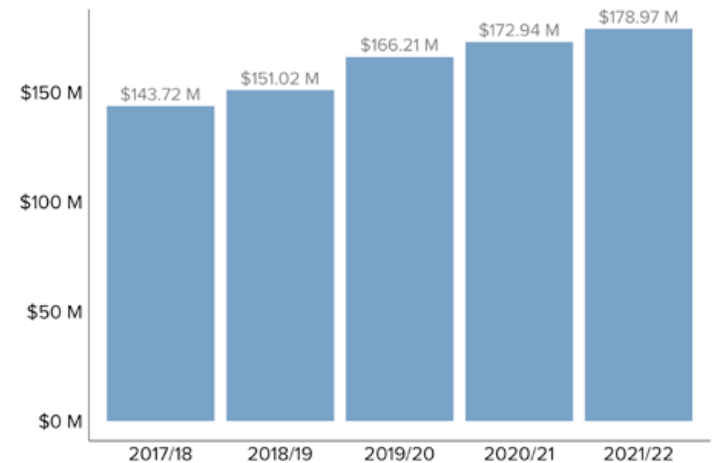


As Ministry of Education and Child Care funded enrolment increases and school utilization reaches 100% across the school district, space available for non-resident students is reduced, which also contributes to the decline in non-resident student enrolment.

REVENUE BY TYPE

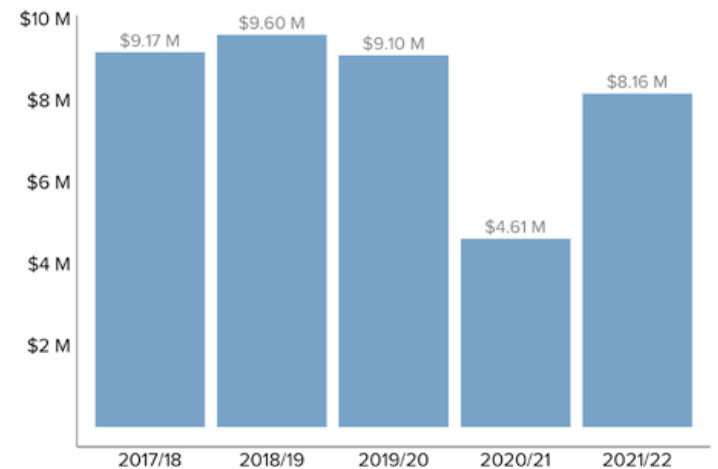
The following charts demonstrate the five-year trend of revenues reported on the statement of operations. All locally generated revenue streams have been negatively impacted by the restrictions in place during the COVID-19 pandemic.

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



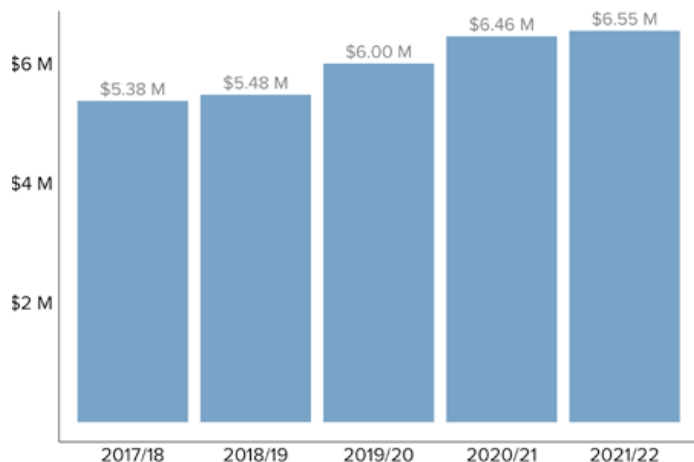
Ministry of Education and Child Care grants are increasing as funded enrolment increases.

TUITION (\$ millions)



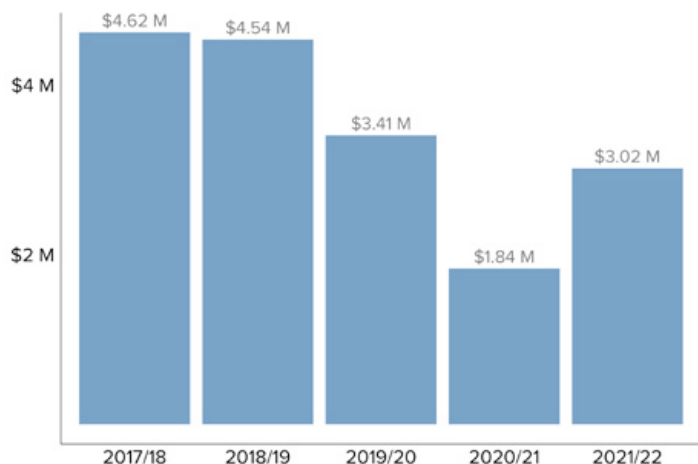
Tuition revenue increases as international student enrolment and tuition rates increase.

AMORTIZATION OF DEFERRED CAPITAL REVENUE (\$ millions)



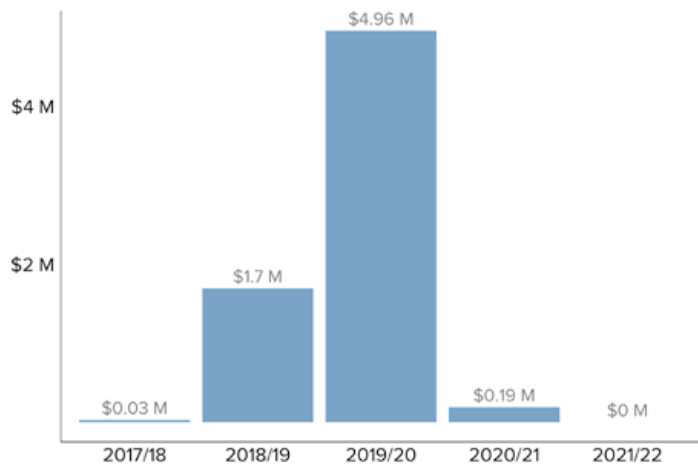
Amortization is non-cash revenue and is accounted for in accordance with the Restricted Contributions Regulation 197/2011 issued by the Treasury Board.

SCHOOL GENERATED FUNDS (\$ millions)



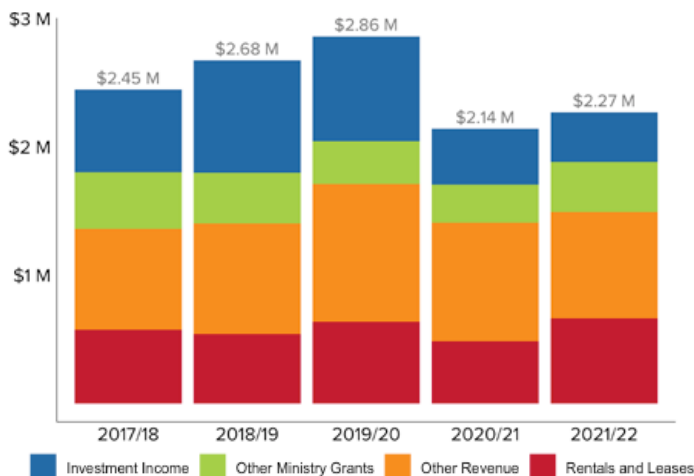
School generated funds are funds raised at the school level through fundraising, cafeteria sales, school store sales, and various other activities.

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 2021/22.

OTHER REVENUES (\$ millions)



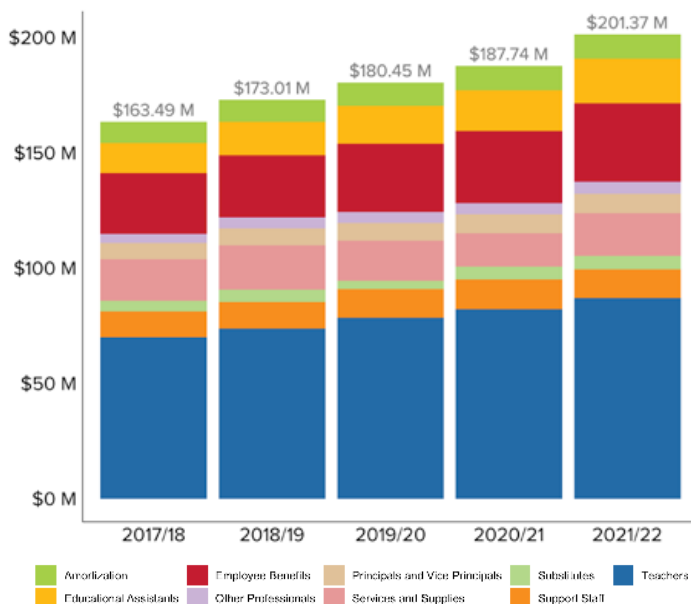
While investment income decreased due to lower interest rates earned on deposits with the Central Deposit System, rental income is higher due to increased use of facilities by rental groups, other grants and revenue are project specific.

EXPENSE

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

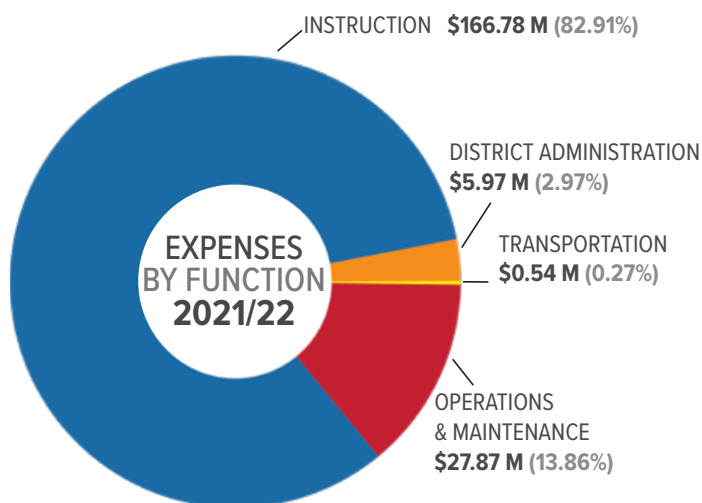
As demonstrated in the following chart, the most significant expense reported on the statement of operations is teacher salaries, followed by employee benefits for all employee groups.

EXPENSES BY TYPE (\$ millions)



Teacher salaries have increased as contractually negotiated salary increases were implemented. Also, the number of teachers has been increasing over the last five years as enrolment increased. Further, beginning in 2017, a significant number of teachers have been hired to support the implementation of the restored teachers' collective agreement language.

EXPENSES BY FUNCTION 2021/22



In addition to the increase in regular enrolment, as enrolment of students with special needs increased, more education assistants have been hired to provide services to these students.

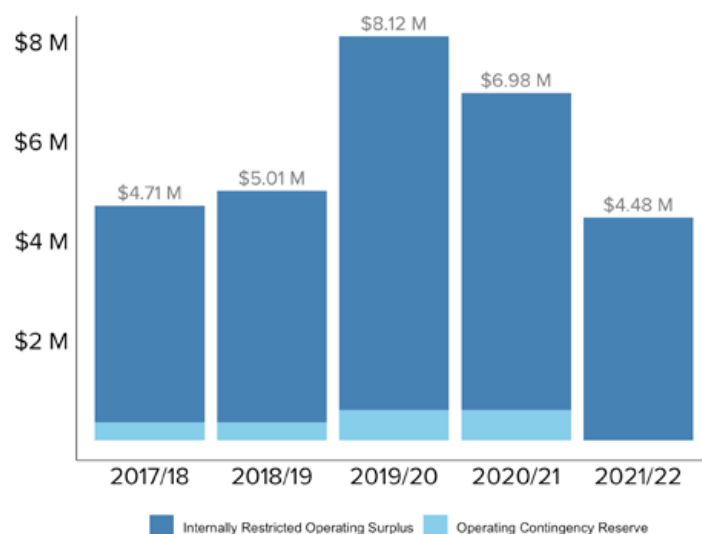
Expenses by function report the total amount spent in four major categories. Instruction comprises 82.91% of total expenses followed by operations and maintenance at 13.86%, district administration at 2.97%, and transportation and housing at 0.27% (it should be noted that, although this function is titled "transportation and housing," the school district does not incur any housing costs).

Instruction is the only function that has been increasing over the last five years. This is due to increased enrolment, the implementation of the restored teachers' collective agreement language, as well as board decisions to direct available resources to instruction.

FIVE YEAR TREND — FUND BALANCES

In addition to current liabilities shown on the statement of financial position, the school district has also 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 demonstrate the trend of these appropriations over the last five years.

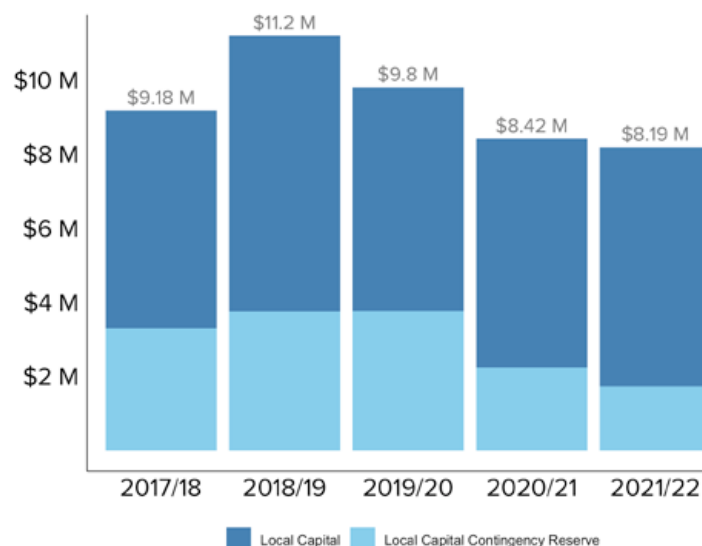
INTERNALLY RESTRICTED OPERATING SURPLUS (\$ millions)



The most significant component of internally restricted operating surplus is surplus carried forward to fund initiatives that support the achievement of strategic goals in 2022/23 (\$1.93 M). The remainder is made up of funds for projects in progress (\$1.10 M), and contractual commitments in future years (\$1.45 M).

The local capital balance contains amounts approved by the board for capital items, as well as the district's contingency reserve for local capital. Major projects identified for 2022/23 spending in local capital include the information technology capital plan (\$1.07 M), new schools and classroom space (\$1.77 M), capital cost share (\$0.70 M), energy management plan projects (\$0.37 M), and HVAC upgrades (\$0.46 M).

LOCAL CAPITAL SURPLUS (\$ millions)



OPERATING FUND ANALYSIS

At June 30, 2022, there is \$4.48 M of restricted operating surplus and there is no unrestricted operating surplus. Details of this restricted surplus are outlined in the following table and Note 16 of the financial statements:

Internally Restricted Operating Fund Surplus At June 30, 2022	
Targeted funding for Indigenous education	\$361,758
School budget balances	666,243
Contractual professional development	316,363
Financial provisions	100,000
Funds required to complete projects in progress	
Early Career Mentorship grant	335,000
Integrated Child and Youth grant	379,853
Other grants	29,927
Other district initiatives	19,928
Purchase order commitments	336,655
Support for school growth plans	
Literacy	154,993
Numeracy	20,000
Educational leadership - mentorship	12,715
Safe and caring schools	65,140
Fine arts	48,763
Social emotional learning	7,033
Support for operational plans	
Business systems implementation and upgrades	55,815
Human resources	15,913
Indigenous education	37,583
IT infrastructure, planning and compliance support	132,990
Ridge Meadows College program development	15,000
Strategic facilities plan	109,439
Succession planning	93,690
Learning services	
Instructional bank	200,000
Facilities renovations and new classroom setup	129,921
Transportation	280,708
Changes to the Employment Standards Act	550,000
Total Internally Restricted Operating Surplus	\$4,475,430

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 boards' 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 2022/23 Preliminary Budget. Details on the 2022/23 Approved Preliminary Budget can be found at <https://www.sd42.ca/assets/media/202223-Preliminary-Budget.pdf>.

OPERATING FUND REVENUE

Operating fund revenue is \$0.06 M higher than estimated in the amended budget. The Ministry of Education and Child Care's operating grant is \$0.20 M higher than budgeted. This is due to higher than budgeted February continuing education enrolment and students with special needs enrolment allocations partially offset by lower than budgeted May continuing education enrolment. Funding for graduated adults is \$0.10 M lower than budgeted. Federal grants are \$0.10 M lower than budget and other provincial grants are \$0.08 M higher than budget.

Tuition revenue is lower than budgeted by \$0.17 M, funding from First Nations is \$0.07 M higher than budgeted and other miscellaneous revenue is \$0.04 M lower than budget. Rentals and leases revenue is \$0.05 M higher than anticipated and investment income is \$0.07 M higher than budget.

OPERATING FUND EXPENDITURES

Operating fund expenditures are \$4.83 M lower than estimated in the amended budget. Teacher salaries are \$1.12 M lower than budgeted due to vacancies (\$0.56 M), lower than anticipated average salary costs (\$0.28 M) and leaves (\$0.28 M).

Education assistant salaries are \$0.03 M higher than budget due to the addition of education assistants to support increased students with special needs enrolment.

Support staff salaries are \$0.75 M lower than budget due to lower than anticipated use of support banks and leaves (\$0.09 M), vacancies (lunch hour supervisors \$0.07 M, computer technicians \$0.04 M, and certificated support staff \$0.44 M), lower than budgeted custodial staffing costs (\$0.09 M) and other facility department staffing costs (\$0.02 M).

Other professional salaries are \$0.04 M lower than budget due to vacancies and timing of vacation time taken.

Substitute salaries are \$0.07 M higher than budgeted primarily due to higher than anticipated costs for teacher contractual replacements (\$0.57 M) and new Employment Standards Act sick leave provisions (\$0.06 M) offset by departmental training budgets savings (\$0.42 M) and casual salary costs lower than budget (\$0.14 M).

Employee benefits are \$0.58 M lower than budgeted due to the above-mentioned salary variances.

Positive variances in services and supplies are partially offset by capital asset purchases or carried forward as appropriated surplus per board approval or contractual obligation.

Unspent budget allocations of note are in services (\$0.62 M), professional development and travel (\$0.61 M), and supplies (\$1.01 M).

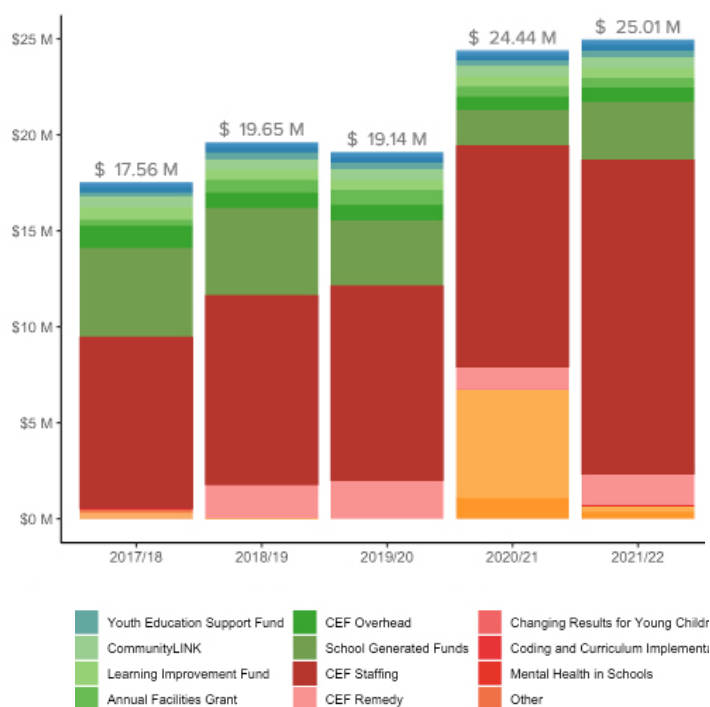
Available surplus totaling \$1.06 M was approved by the Board to be used to top up the contingency reserve for local capital to the minimum required of 1% of operating expenditures (increase of \$0.70 M) and to increase the local capital allocation for new temporary classroom space (increase of \$0.35 M).

SPECIAL PURPOSE FUNDS ANALYSIS

Special purpose funds include funds received from the Ministry of Education and Child Care or other sources that have been designated for specific purposes. During 2021/22, \$25.20 M in special purpose fund contributions were received and \$25.01 M was spent (see Schedule 3A).

As at June 30, 2022, \$1.76 M in special purpose funds remain available for expenditures in future years for designated purposes. Major special purpose funds include Classroom Enhancement, School Generated, Annual Facilities Grant, Youth Education Support and Community Link.

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 below shows the special purpose funds 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 teacher staffing costs related to the implementation of the restored teachers' collective agreement language and the 2020/21 one-time funding received to support changes to school district operations related to the COVID19 pandemic – Safe Return to Class.

PROVINCIAL SAFE RETURN TO SCHOOL AND FEDERAL SAFE RETURN TO CLASS GRANTS

On March 17, 2020, in response to the COVID-19 pandemic and under the direction of the Provincial Health Officer, the provincial government directed all K-12 public and independent schools to immediately suspend in-class instruction. Effective June 1, 2020, students in kindergarten to Grade 5 returned to in-class learning on a part-time basis and students in grades 6 to 12 were given access to in-class learning as needed on a part-time basis. For the 2020/21 school year, all grades returned to in-class learning with a small number of students choosing to continue their studies remotely.

On May 25, 2021, the provincial government announced BC's Restart Plan, a four-step plan that focused on a safe and gradual return to normal activities. In line with the provincial Restart Plan, B.C.'s K-12 sector implemented a full return to in-class instruction in the 2021/22 school year with an emphasis on pandemic recovery and continuing to provide safe learning environments for students and staff.

The BC Centre for Disease Control released public health guidance for schools and school districts that outlines the infection prevention and exposure control measures recommended to maintain low risk and healthy environments for students, families and staff. Also, WorkSafeBC provided a guide for employers to reduce the risk of communicable disease transmission in the workplace.

The school district implemented the health and safety measures required to ensure a safe and healthy environment for students, families, and staff. New communicable disease plans were developed and rolled out and staff have been trained on the new health and safety protocols.

To support these initiatives, the Provincial Safe Return to School Grant and the Federal Safe Return to Class grant were received. The spending of these special purpose fund grants is summarized in the table that follows.

PROVINCIAL SAFE RETURN TO SCHOOL GRANT EXPENDITURES

Enhanced Cleaning	\$ 184,879
Health and Safety	19,580
Ventilation	146,185
Transportation	19,816
Total	\$370,460

FEDERAL SAFE RETURN TO CLASS GRANT EXPENDITURES

Ventilation Enhancements - HVAC	\$ 85,163
Ventilation Enhancements - Utilities	168,439
Total	\$253,602

CAPITAL FUND ANALYSIS

The net value of capital assets (historical cost less accumulated amortization) is \$220.82 M as at June 30, 2022 (see Schedule 4A). Of this amount, \$41.55 M represents net investment in sites, \$166.91 M in buildings and \$12.35 M in furniture, and equipment, vehicles and, computer software, and computer hardware.

These net costs represent the historical cost net of accumulated amortization of all School District 42 capital assets; they do not reflect current market value.

During 2021/22, grants from the Ministry of Education and Child Care for bylaw capital projects totaled \$3.83 M (see Schedule 4D).

At June 30, 2022, \$1.24 M has been spent on capital building projects in progress (see Schedule 4B) as follows:

- Glenwood Elementary gender neutral washroom (\$0.33 M)
- New classrooms setup (\$0.17 M)
- Webster's Corners Elementary boiler upgrades (\$0.03 M)
- Maple Ridge Secondary Annex capital project fact sheet (\$0.18 M)
- Eric Langton Elementary project definition report (\$0.19 M)
- Pitt Meadows Secondary project definition report (\$0.18 M)
- Annual Facility Grant funded projects (\$0.16 M)

During 2021/22, \$6.17 M was spent on completed capital building projects. Some of the 2021/22 completed capital projects are as follows:

- Childcare capital project (\$1.92 M)
- New classroom set-up project at Yennadon Annex (\$0.52 M)
- Roofing upgrades at Laity View Elementary (\$0.37 M), Pitt Meadows Elementary (\$0.05 M), Thomas Haney Secondary (\$0.45 M), various schools (\$0.06 M)
- C&S Elementary (\$0.16 M)
- Exterior wall system at Harry Hooze Elementary (\$0.28 M)
- HVAC upgrades at Garibaldi Secondary (\$1.26 M), district office (\$0.03 M), various schools (\$0.10 M)
- Anti-vandalism, fire alarms, lighting, Asbestos abatement, and other projects (\$0.38 M)
- Flooring upgrades (\$0.09 M)
- Paving projects (\$0.12 M)
- Lighting upgrade at Riverside Centre (\$0.29 M)

The most substantial equipment purchase was for the new playground at Davie Jones Elementary (\$0.17 M) and Webster's Corners Elementary (\$0.17 M).

The Ministry of Education and Child Care Restricted Capital Fund balance is \$1.86 M at June 30, 2022 (see Schedule 4D) and has been identified for Eric Langton Elementary seismic upgrade and expansion project.

Other Provincial Capital totals \$0.16 M at June 30, 2022, (see Schedule 4D) and represents accumulated interest allocations to this fund in previous years.

The Land Capital Restricted Fund (school site acquisition charges) received contributions and interest in 2021/22 of \$0.76 M. The fund ended the year with a balance of \$2.13 M (see Schedule 4D).

LOCAL CAPITAL

The board's local capital fund is comprised of previous years' available operating surpluses, which are 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. In the current year, locally funded projects include new classroom setup (\$0.77 M), energy management plan projects (\$0.34 M), IT capital plan (\$0.43 M), facilities equipment and vehicles (\$0.18 M), and the Eric Langton Elementary project definition report (\$0.02 M). The local capital fund also contains the capital portion of the contingency reserve.

The table that follows details the Board approved uses of local capital for 2022/23.

BOARD APPROVED USES OF LOCAL CAPITAL (\$ millions)	
New classroom space	\$ 1.77
IT capital plan	1.07
Elementary school capital contribution	0.70
HVAC upgrades	0.46
Energy management	0.37
Capital planning	0.13
Childcare capital	0.10
Student information system for Ridge Meadows College	0.05
Electric vehicle charging stations	0.03
Parent portal	0.02
Emergency preparedness	0.02
Virtual boardroom	0.01
Total	\$ 4.73

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, 2022, the contingency reserve of \$1.73 M represents 1% of 2021/22 budgeted 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 2021/22 school year. For 2022/23, additional funding of \$17.09 M has been approved by the Ministry of Education and Child Care to offset the costs related to the implementation of the MoA. This will result in additional teacher salaries and benefits (\$16.36 M) and related overhead costs (\$0.73 M) 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 \$1 M and are not included in the 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.

CHANGES TO BC EMPLOYMENT STANDARDS ACT

Effective March 31, 2022, the following amendments to the BC Employment Standards Act (ESA) have been implemented by the school district:

- Annual entitlements for sick leave under the ESA are now based on the calendar year, rather than employment year.
- Employees covered by collective agreement language that meets or exceeds the minimum entitlement paid illness and injury leave are no longer exempt from its application under Part 1, Section 3 Scope of the ESA.

The second change means that the five (5) days of annual paid illness and injury leave under the ESA are now available to all employees who do not already receive five (5) or more sick/injury days.

The budget impact of these ESA changes is difficult to accurately estimate at this time. In 2021/22 the additional cost was covered from existing budgets and for 2022/23 the additional cost will be covered from the \$0.55 M operating fund appropriation included in these financial statements. The cost experience from 2021/22 and 2022/23 will be used to inform the 2023/24 base budget assumptions.

ENROLLMENT 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 the district 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 Ministry of Education and Child Care 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 Ministry of Education and Child Care 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 for local capital of \$1.73 M 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 assets. This means that IT hardware is not refreshed on a regular basis, the deferred maintenance for school district facilities continues to grow and the facility condition index for school district facilities continues to deteriorate. Any major equipment failures during 2022/23 must be funded from the contingency reserve for local capital.

COVID-19

While it is likely that some of the existing health and safety measures will continue into the 2022/23 school year, their financial impact cannot be estimated at this time. The 2022/23 preliminary budget does not contain any specific allocations related to this risk, the contingency for local capital of \$1.73 M is available to mitigate this risk.