

**Central Okanagan
Public Schools**

Together We Learn

**FINANCIAL STATEMENT
DISCUSSION AND ANALYSIS**
the Year Ending
June 30, 2018



Financial Statement Discussion and Analysis

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Introduction

This report is a financial statement discussion and analysis of the financial performance of Central Okanagan Public Schools (aka School District No. 23 (Central Okanagan) for the fiscal year ended June 30, 2018. It is based on currently known facts, decisions, or conditions. This should be read in conjunction with the District's financial statements. The preparation of this financial statement discussion and analysis is management's responsibility.

The District:

- lives on Okanagan Territory;
- serves 180,000 citizens living in 4 municipalities - Peachland, West Kelowna, Kelowna, Lake Country, and the Regional District of Central Okanagan;
- is the 5th largest district in BC with approximately 22,000 students;
- has 43 schools - 31 elementary, 6 middle, 5 secondary, and 1 alternative school (operating on 4 campuses);
- has 7 Board of Education Trustees;
- has an increasing number of immigrant families residing in the Central Okanagan;
- welcomes more English Language Learners (ELL) and international students, and proud that more Aboriginal families are self-identifying;

Our Overarching Goal

Each Central Okanagan Public Schools student (K-12) will provide evidence of being a learner, thinker, innovator, collaborator and contributor.

Mission Statement

To educate students in a safe, inspirational learning environment where each student develops the knowledge and skills to be a lifelong learner and a healthy productive member of our global society.

Vision Statement

Central Okanagan Public Schools is a progressive leader in education, which sets the standard for educational excellence and ensures that each student has opportunities to succeed.

Cultural Values

- **Honesty** is the building block for relationships and the basis for trust. It is the absence of falsehood and the action of full disclosure. It is the ultimate test of moral strength. When honesty is present, integrity will also be apparent.
- **Responsibility** is being accountable for our actions and their consequences. When we demonstrate responsibility, we are doing our best to meet the expectations of ourselves and others.
- **Respect** is "to consider worthy of high regard". Being respectful is an attitude of honouring people and caring about their rights.
- **Empathy** is a feeling of concern, compassion and understanding of another's situation or feelings.
 - While recognizing individual situations and differences, **Fairness** is ensuring impartiality where everyone plays by the same rules.

Financial Statement Composition Overview

The two key audited statements are:

- **Statement of Financial Position** - summarizes the combined assets and liabilities at June 30th. This provides an indication of the financial health of the District;
- **Statement of Operations** - summarizes the combined revenues received and expenses incurred during the twelve months between July 1 and June 30. This provides an indication of the funding received by the District and how that funding was spent;

A Statement of Changes in Net Financial Assets (Debt), Statement of Cash Flows and the notes to the financial statements are also audited, and provide further analysis of the District's finances.

The schedules at the end of the notes to the financial statements are in a format prescribed by the Ministry of Education. These schedules provide more detail specific to each of the three funds (Operating, Special Purpose and Capital funds). The balances in these schedules are consistent, when combined together, with the financial statements. These schedules are comprised of:

- **Schedule 2: Operating Fund** – accounts for the District' grants and other operating revenues as well as the District's operating expenses. As the District must present a balanced Operating Fund budget, any surplus is carried forward to future years.
- **Schedule 3: Special Purpose Fund** – accounts for grant and other contributions whereby spending is for specific activities. As these are targeted funding, any unspent funds are accounted as deferred revenue, not accumulated surplus.
- **Schedule 4: Capital Fund** – accounts for the District's investment in capital assets, local capital as well as bylaw capital, other provincial capital, other capital, land capital and Ministry of Education restricted capital.

Summary of Significant Events

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

- Secondary school mechanical upgrade;
- Multiple Annual Facilities Grant (AFG) assignments;
- Numerous educational spaces added to twenty six (26) schools;
- Preliminary work on Canyon Falls Middle school.

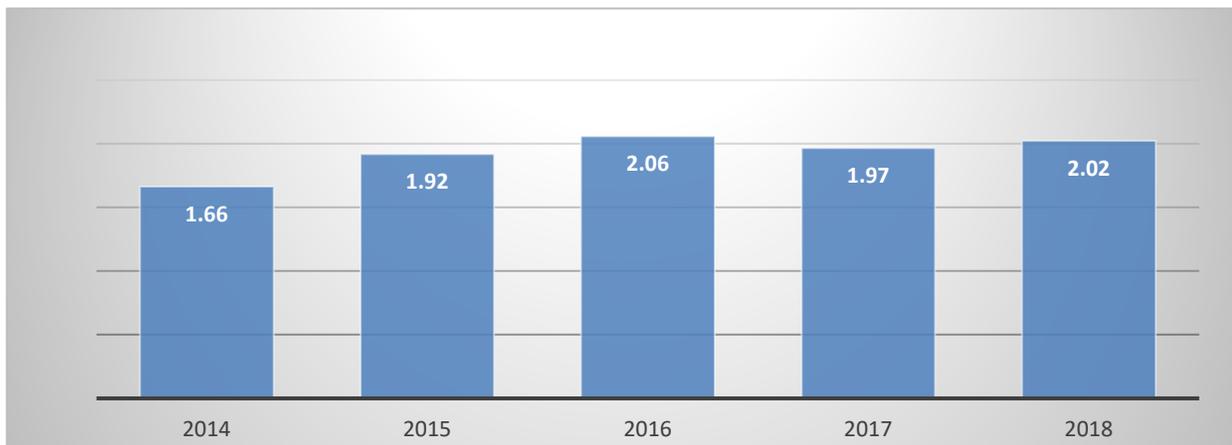
As well, the Ministry of Education announced funding for a new middle school in Lake Country to be opened in September 2021.

In July 2016, the District began building a new board office on Hollywood Road. In March 2018, staff moved to the newly opened board office and the old board office on Underhill Road was sold.

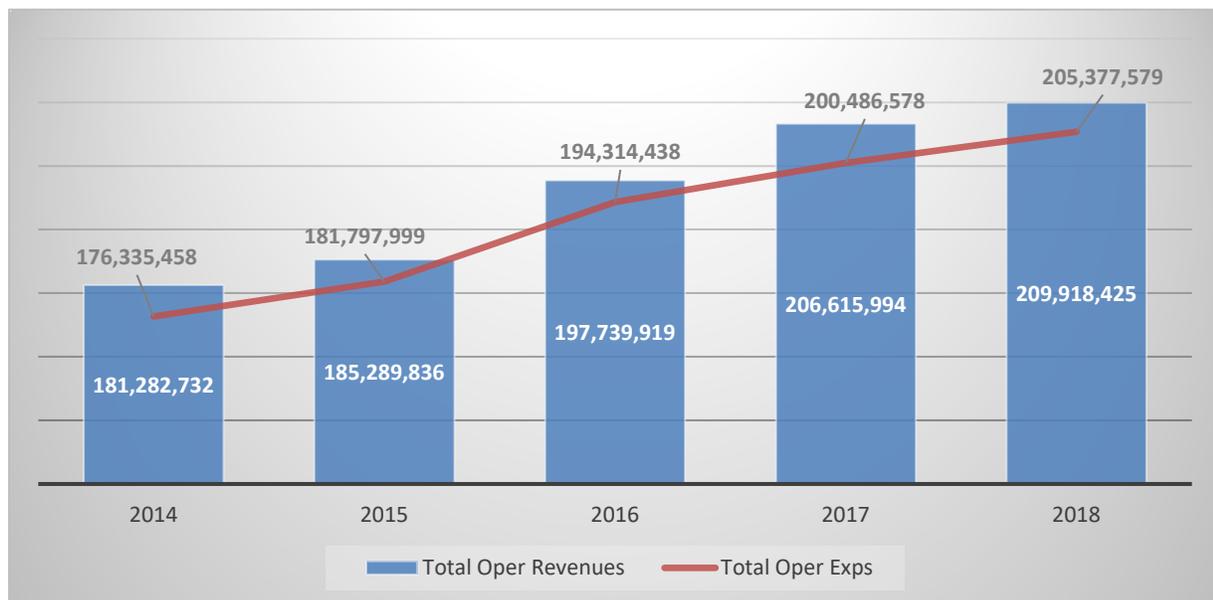
INDICATORS OF FINANCIAL HEALTH

The following highlights some of the more significant financial health indicators of the District.

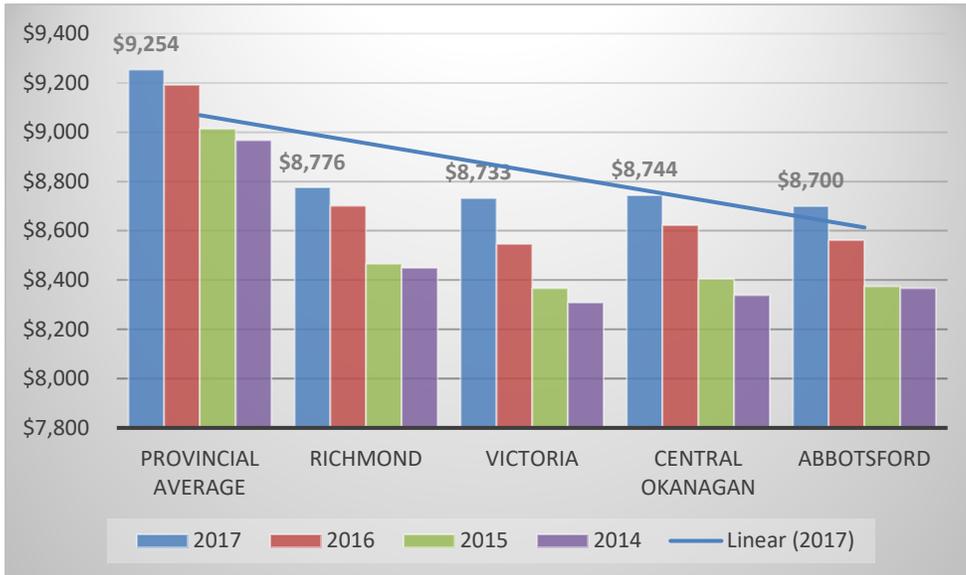
Working Capital Ratio - also called the current ratio, is a liquidity ratio that measures a District's ability to pay off its current liabilities with current assets. A working capital ratio greater than one is desirable as it means that the District has the ability to pay current liabilities as they are due. A working capital ratio of less than one (1) indicates that the District would have to borrow to meet short term obligations. The working capital ratio is calculated as current assets divided by current liabilities. The District's working capital ratio is healthy and well above one (1).



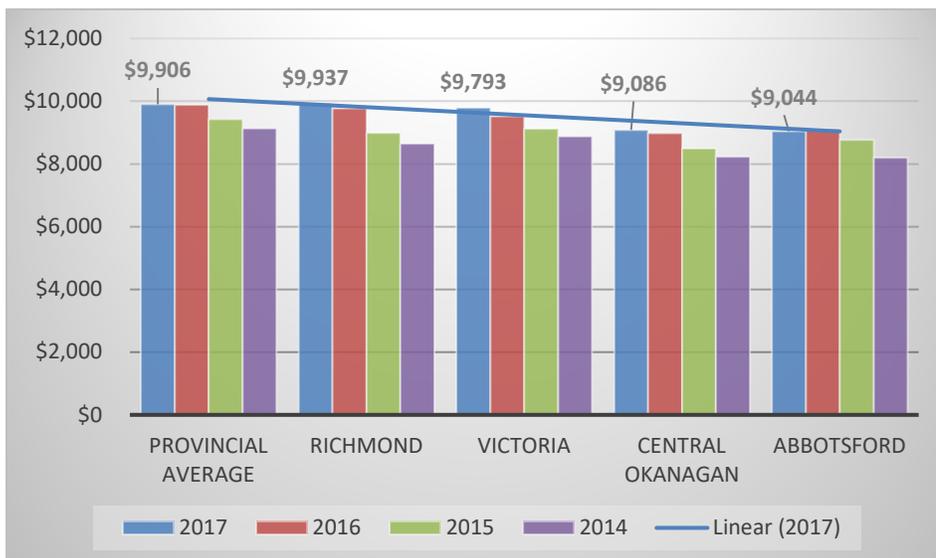
Operating Revenue & Expenses Trend – the following chart illustrates the District's operating revenue and expenses over a five year period. This data shows a constant upward trend in both revenues and expenses. Revenue is mainly impacted by enrolment changes while expenses are primarily affected by staffing and collective agreement commitments.



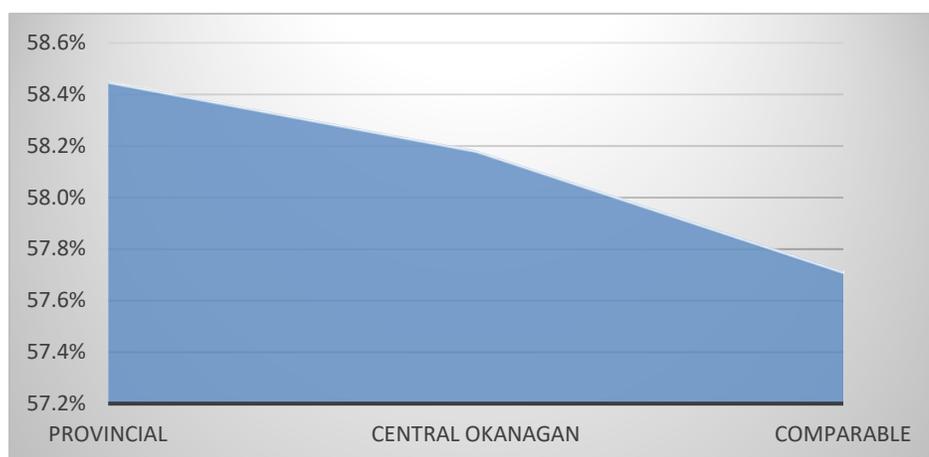
Ministry Operating Grant Funding per Student – The chart below indicates what our District receives in funding, on average, per FTE student compared to other comparable size districts and the province. The information shows that our District receives less funding per FTE student than both the provincial average and two of the comparable districts. This differential occurs because there are specialty grants provided to districts that address factors unique to specific districts i.e. geographical differences, special education enrolment and salary differentials.



Operating Expenses per Student – The majority of the District's spending is dedicated towards salaries and benefits. The following chart illustrates what the District spends, on average, per FTE student compared to other comparable size districts and the province. The data indicates an overall increase in operating expenses as enrolment increases. Alternate sources of funding allow districts to spend more per FTE than the Ministry Operating Grant funding illustrated above.

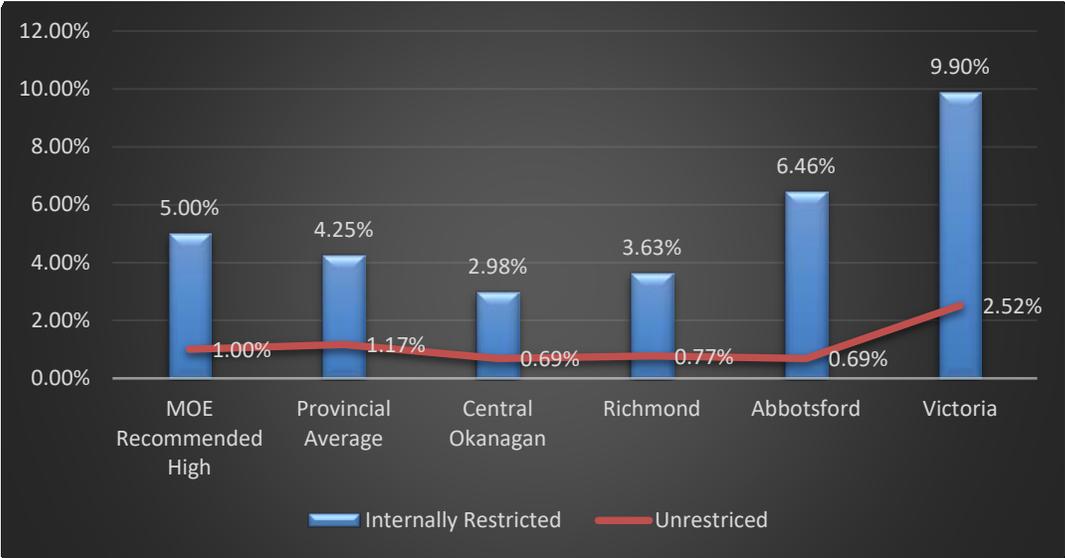


Changes in Capital Assets – If you compare the District's capital asset net book value (cost less amortization) to the capital assets historical cost (cost when purchased), the % illustrates how new a district's assets are. A relatively high % indicates newer assets whereas a lower % indicates older assets. The concern with a low ratio is that capital assets may not be replaced on a regular basis, which may be an indication of potential health and safety issues, or a significant cost in the future to replace capital assets. As illustrated in the graph below, the District's 4 year average for buildings only (buildings account for over 80% of the District's total assets) of 58.2% is slightly less than the provincial average of 58.5% and just over the average of comparable size FTE districts at 57.7%. This indicates the District is maintaining its buildings.



Changes in Surplus Compared to Operating Expenses – one of the key indicators of the financial health of an organization is the accumulated operating surplus. This indicator takes Accumulated Surplus from Operations (District's accumulated revenue in excess of expenses over time) and is compared to expenditures to determine the District's ability to react to emergent situations and the ability to fund special initiatives.

When compared to the province, comparable size FTE districts and the Ministry recommended ranges (2.5-5% for internally restricted surplus and .5-1% for unrestricted surplus), the District is maintaining both an internally and unrestricted surplus within the acceptable range.



Overall Financial Health

Overall, the District has strong financial health when compared to comparable districts and the province. This is illustrated throughout this report, including a working capital ratio above one, a high % in changes in capital assets indicating the District's maintains new assets and the average unrestricted surpluses remaining within the recommended Ministry range of .5% - 1%. The internally restricted surpluses average is slightly below the recommended Ministry range of 2.5% - 5%. This strong financial health can be contributed to sound financial management, planning and governance.