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FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS



June 30, 2024

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FINANCIAL STATEMENT DISCUSSION AND ANALYSIS – 2023-2024

The following information is based on financial information found in the financial statements. This additional information should be read in conjunction with the audited consolidated financial statements and accompanying notes for Mission Public School District, No. 75.

Financial Position

The first statement in the Financial Statements – Statement 1, Statement of Financial Position, provides an accounting of the financial position of the School District at the end of the accounting period. This statement is similar to the balance sheet, which is a familiar term used in business accounting.

The following table provides an overview of the district’s financial position, including the financial assets, liabilities, net debt, non-financial assets, and the accumulated surplus.

	2024	2023	2022	2021	2020
Financial Assets	\$ 22,693,972	\$ 21,737,480	\$ 19,643,371	\$ 17,299,155	\$ 13,733,019
Liabilities					
Current Financial Liabilities	14,079,154	13,495,339	11,869,816	11,164,600	9,816,386
Non-Current Financial Liabilities	6,921,239	6,711,146	5,971,331	1,040,586	984,987
Deferred Capital Revenue	50,309,737	50,572,719	50,050,601	51,036,859	52,340,359
Net Debt	\$ (48,616,158)	\$ (49,041,724)	\$ (48,248,377)	\$ (45,942,890)	\$ (49,408,713)
Non-Financial Assets					
Prepays	256,829	273,461	347,250	229,116	329,813
Tangible Capital Assets	74,235,370	74,899,728	74,718,026	76,120,347	77,942,358
Accumulated Surplus	\$ 25,876,041	\$ 26,131,465	\$ 26,816,899	\$ 30,406,573	\$ 28,863,458
Change in Accumulated Surplus	(255,424)	(685,434)	(3,589,674)	1,543,115	43,882

Accumulated Surplus

The statement of financial position summarizes the accumulated surplus of the school district and is comprised of an operating surplus and a capital surplus. The accumulated surplus, which reflects the annual operating and capital surpluses (deficits) over the years, was reduced this past school year, due to the annual operating surplus being offset by a greater annual capital deficit, as reflected in the table below.

Accumulated Surplus	2024	2023	2022	2021	2020
Operating Surplus (Schedule 2)	4,320,767	4,104,009	4,481,683	3,419,930	1,515,599
Capital Surplus (schedule 4)	21,555,274	22,027,456	22,335,216	26,986,643	27,347,859
	\$ 25,876,041	\$ 26,131,465	\$ 26,816,899	\$ 30,406,573	\$ 28,863,458
Change in Operating Surplus	216,758	(377,674)	1,061,753	1,904,331	1,009,443
Change in Capital Surplus	(472,182)	(307,760)	(4,651,427)	(361,216)	(965,561)

The school district realized an operating surplus of \$217K in 2024 (\$378K deficit in 2023). With respect to the capital surplus, there is generally a decline each year, due to the amortization of capital assets, except in years where there are significant improvements or additions at schools, or contributions to local capital, that more than offset the amortization impact. In 2024, the capital surplus decreased by \$472K.

Unrestricted Operating Surplus and Reserves

The accumulated operating surplus discussed above includes restricted reserves that have been set aside for targeted programs and initiatives, and unrestricted surplus which serves as a contingency to guard against future financial risks. The district also has a local capital reserve, included within the accumulated capital surplus, which is funded through budgeted transfers from the operating fund and is used for future capital expenditures, including portables, facilities equipment and vehicles, technology, trade program equipment, furniture replacements, and other capital needs.

The table below details the restricted operating reserves, unrestricted operating surplus, and local capital reserve. Funds reserved in 2024 increased by \$53K overall, which included a \$51K increase in unrestricted operating surplus, a \$166K increase in restricted operating reserves, and a \$164K decrease in the local capital reserve. The increase in restricted operating surplus was primarily due to the Integrated Child and Youth (ICY) program. The \$523K restricted reserve for ICY includes \$138K in unspent funds from 2023-24, as well as \$384K funding for 2024-25 which was received in 2023-24. The decrease in the local capital reserve is timing related, as the funds are set aside for specific capital needs, but expenditures during the year exceeded new contributions.

	Reserves and Unrestricted Surplus				
	2024	2023	2022	2021	2020
Accumulated Operating Reserves					
Internally Restricted Operating Reserves					
Indigenous Education (targeted)	\$ 90,884	\$ 81,653	\$ 352,242	\$ 235,935	\$ 157,976
Equity Scan	-	17,143	27,331	9,205	16,777
Addressing learning impacts	-	-	-	204,997	-
Service Improvement	-	-	-	72,875	-
Teacher Mentorship	134,233	134,233	140,000	140,000	-
Strategic Initiatives	-	-	-	500,000	-
Integrated Child and Youth	522,666	357,388	-	-	-
Indigenous Health	5,000	-	-	-	-
Targeted Funding	752,783	590,417	519,573	1,163,012	174,753
School and departments	259,169	255,959	303,324	375,459	250,183
Total restricted operating reserves	1,011,952	846,376	822,897	1,538,471	424,936
Unrestricted surplus (deficit)	3,308,815	3,257,633	3,658,786	1,881,459	1,090,663
Total operating reserve funds	4,320,767	4,104,009	4,481,683	3,419,930	1,515,599
Capital Reserves					
Local capital	733,047	896,961	1,098,733	666,871	677,607
Total operating and capital reserves	\$ 5,053,814	\$ 5,000,970	\$ 5,580,416	\$ 4,086,801	\$ 2,193,206
Change from prior year	\$ 52,844	\$ (579,446)	\$ 1,493,615	\$ 1,893,595	\$ 958,661

Financial Health

Separating the financial assets from the capital and fixed assets provides additional information on the financial health of the school district.

In the analysis below, operating financial assets reflect financial assets netted against financial liabilities. Financial assets include cash and cash equivalents (available to use), and accounts receivable. Financial liabilities include accounts payable, unearned revenue, deferred operating revenue, employee future benefits, asset retirement obligations, and debt.

The unspent deferred capital revenue that is included in the deferred capital revenue account is separated below. This deferred capital revenue is primarily related to school site acquisition charges from new development in Mission and the Regional District. The amount received in 2024 was \$189K (\$546K in 2023), indicating continued growth in housing units, which will translate into enrolment growth as more families move to the community.

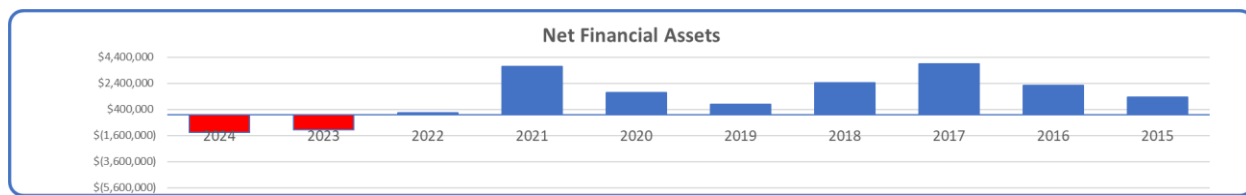
Operating and Capital Assets

Operating and Capital Assets	2024	2023	2022	2021	2020
Operating Financial Assets	1,693,579	1,530,995	1,802,224	5,093,969	2,931,646
Operating Fixed Assets	256,829	273,461	347,250	229,116	329,813
Deferred Capital - unspent (sched 4D)	(3,035,218)	(2,709,013)	(1,655,334)	(1,416,949)	(1,248,918)
Deferred Capital - spent (sched 4C)	(47,274,519)	(47,863,706)	(48,395,267)	(49,619,910)	(51,091,441)
Tangible Capital Assets	74,235,370	74,899,728	74,718,026	76,120,347	77,942,358
Accumulated Surplus	\$ 25,876,041	\$ 26,131,465	\$ 26,816,899	\$ 30,406,573	\$ 28,863,458

The following table summarizes the data used to measure the financial health of the school district. The unspent deferred capital revenue has been added to the financial liabilities to calculate the liquidity ratios. The net financial assets of the school district are in a negative position, which is due to the change in accounting policy for the recognition of asset retirement obligations, with the liability reported beginning in the 2022 financial reporting year. The increase in debt starting in fiscal 2022, to support computer equipment purchases, has also negatively impacted net financial assets.

Net Financial Assets

Net Financial Assets	2024	2023	2022	2021	2020
Financial Assets	\$ 22,693,972	\$ 21,737,480	\$ 19,643,371	\$ 17,299,155	\$ 13,733,019
Cash and Equivalents	\$ 21,515,830	\$ 19,290,311	\$ 18,453,512	\$ 15,821,622	\$ 12,210,340
Financial Liabilities	\$ 24,035,611	\$ 22,915,498	\$ 19,496,481	\$ 13,622,135	\$ 12,050,291
Net Financial Assets	\$ (1,341,639)	\$ (1,178,018)	\$ 146,890	\$ 3,677,020	\$ 1,682,728
Operating Revenue	\$ 99,777,836	\$ 89,607,494	\$ 82,547,514	\$ 79,826,227	\$ 76,108,344



The liquidity ratios indicated below measure the ability of the school district to meet its financial obligations.

The first two ratios measure the ability of the district to meet current obligations. Current liabilities are those debts and obligations that are due within one year, which include accounts payable and accrued liabilities, unearned revenue, deferred revenue, and the current portion of debt. The second ratio is a more critical measure of liquidity as accounts receivable is excluded, and only cash and cash equivalents are compared against current liabilities. Both ratios should be greater than 1.

The third ratio indicates the ability of the school district to meet longer-term obligations as well, including employee future benefits, asset retirement obligations, and long-term debt.

Liquidity	2024	2023	2022	2021	2020
Financial Assets / Current Liabilities	1.61	1.61	1.65	1.55	1.40
Cash & Equivalents / Current Liabilities	1.53	1.43	1.55	1.42	1.24
Financial Assets / Financial Liabilities	0.94	0.95	1.01	1.27	1.14



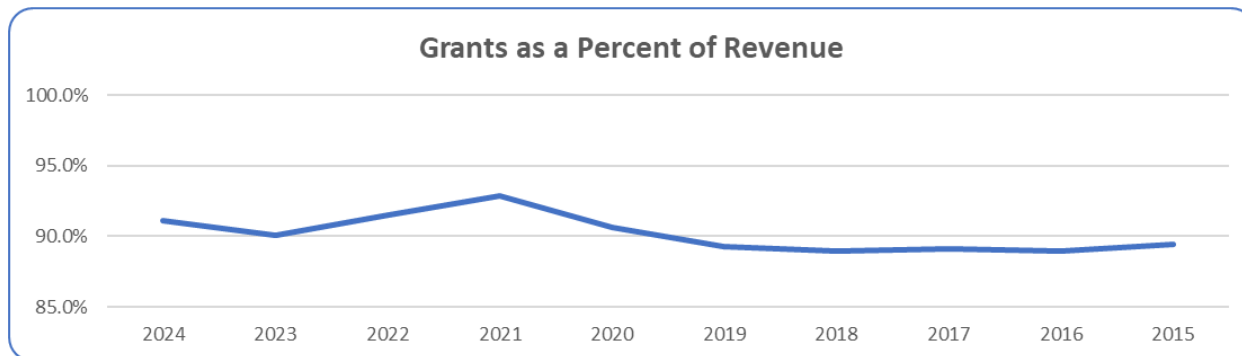
Financial Operations

Revenues

Most of the district's revenue comes from Provincial Grants (91.12% in 2024). This is a significant risk to the School District, as there is limited ability to generate other funding sources, which restricts the school district's activities.

Grant revenue increased by \$10.2M (12.2%) from the prior year. The increase was primarily due to labour settlement funding, and increased student enrolment, including significant increases to inclusive education designations, all of which is reported in the operating fund. With respect to special purpose funds, funding received is recognized as revenue based on expenditures during the year. The district received new funding, and recognized revenue, in 2024 for the *Feeding Futures* fund. In addition, the district received increased funding, and realized increased revenue, compared to 2023, for the *Classroom Enhancement Fund* and the federal *French Official Languages (OLEP)* program. Funding was significantly reduced for the *Student and Family Affordability* fund, but revenue recognized was only slightly lower, due to the use of unspent funding from the prior year.

Grants as a Percentage of Revenue



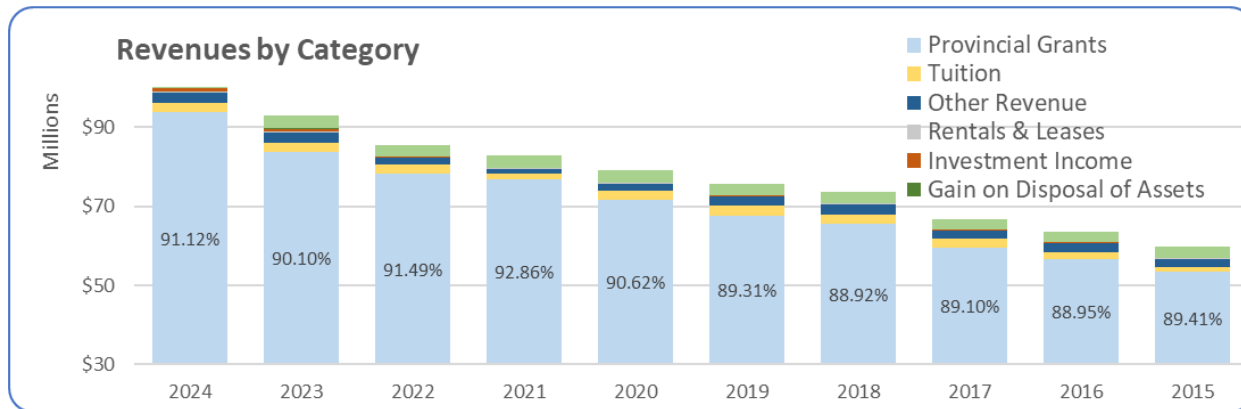
Tuition revenue remained relatively flat, with a decrease of \$48K in International tuition and fees offset by a \$67K increase in trade program (continuing education) tuition revenues. Tuition revenue represented 2.27% of total revenues in 2024 (2023 – 2.50%).

Other revenue decreased by \$227K, primarily resulting from a reduction in school activity costs (field trips and other activities), which can vary year to year, and is reflected in *School Generated Funds* (special purpose fund). This was partially offset by revenue related to an insurance claim for a damaged bus, which will be applied towards the cost of replacement. Investment earnings increased by \$188K, due to the continuing high-interest rate environment. Other revenue, rent, and investments combined, represented 3.45% of total revenues in 2024 (2023 – 3.89%).

Overall, revenue increased by 10.95% in 2024 (8.53% in 2023) and was over budget by \$653K. The increase from the budget was primarily a result of higher than budgeted student enrolment counts for February and May, *Integrated Child and Youth* program funding for 2024-25 that was received in 2023-24 (held as restricted surplus). These increases from budget were partially offset by lower than budget revenue recognition for Feeding Futures, as program planning was underway.

The following chart shows the revenue trend over the past ten years.

Revenues by Category



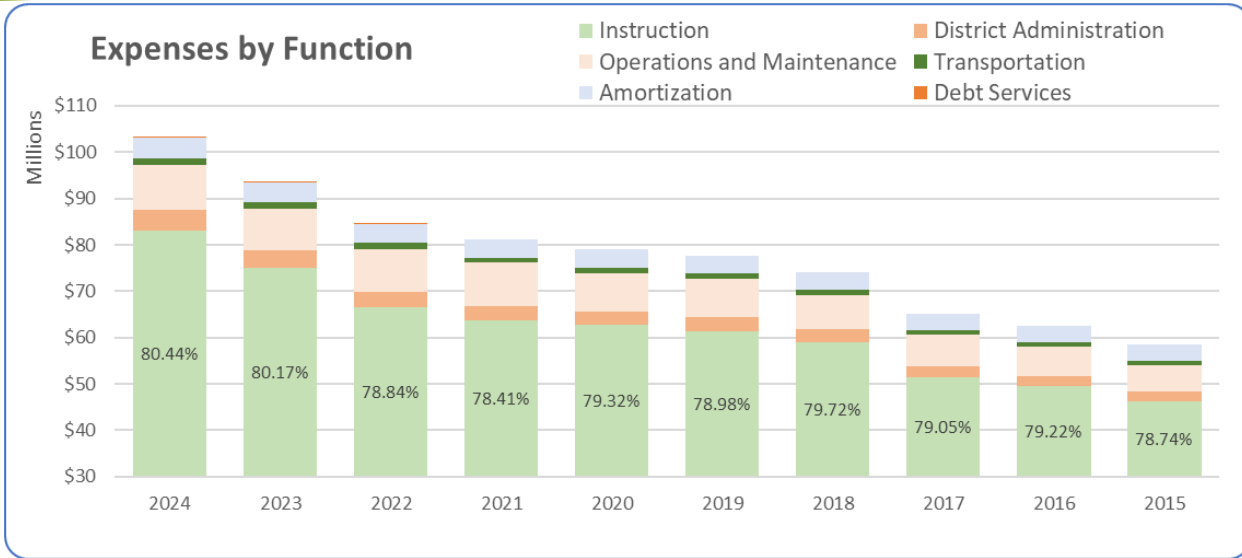
Expenses

In 2024, total expenses were \$103.3M, which was an increase of \$9.7M (10.41%) compared to 2023. The increase was driven primarily by wage increases across all employee groups, and FTE increases primarily with teachers and educational assistants. Costs for employer-paid benefits and taxes also increased substantially, driven by the wage increases. The wage increases related to labour settlement for all employee groups were offset by labour settlement funding from the Ministry. Notably, 2024 saw only a relatively small increase in TTOC costs and a decrease in casual costs, resulting in a net decrease in overall substitute costs compared to 2023, which is inconsistent with FTE increases and the general trend in recent years. Service and supply costs remained relatively flat year over year, and debt servicing (interest) costs increased by \$30K.

Compared to budget, total expenses were lower by \$1.78M, which is the key factor related to the stronger than anticipated operating surplus for the district. Considering both operating and special purpose funds, wage costs for educational assistants and substitutes were under budget by \$557K and \$560K respectively, offset by a \$445K over budget variance in benefit costs. With respect to services and supplies, there was \$594K underspend compared to budget in the *Feeding Futures* program (program under development), \$222K lower than budget expenditure for utilities, and the remaining variance is attributed to underspend in various other operating and special purpose funds.

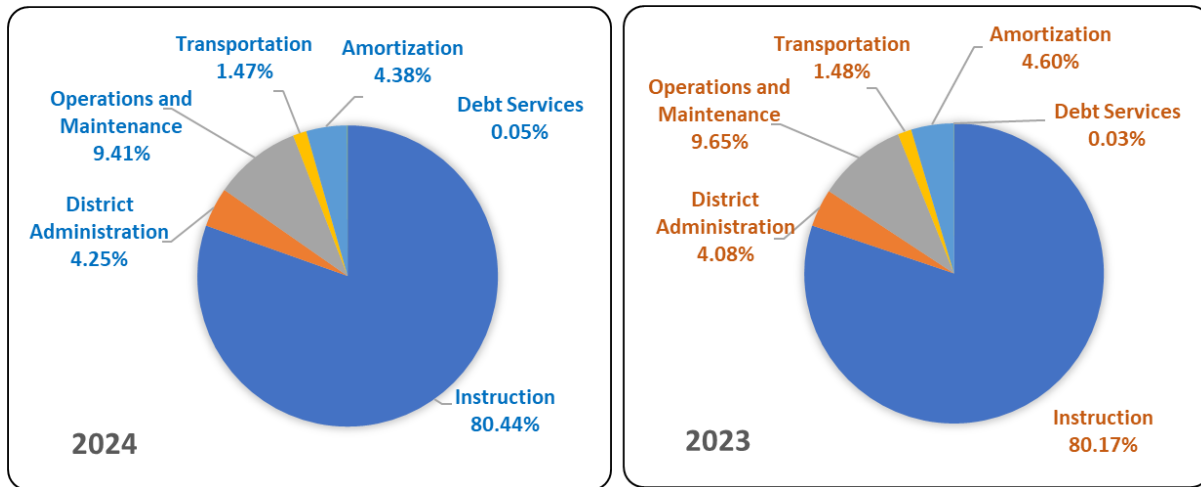
By Function

As expected, the majority of expenses were related to instruction. Instructional expenses increased significantly from the prior year by \$8.08M to \$83.1M in 2024 (\$75M in 2023). District administration costs increased by \$575K to \$4.39M, Operations and Maintenance expense increased by \$697K to \$9.72M, and Transportation costs increased by \$135K to \$1.52M.



Percentage of Expenses by Function

The percentage allocation of expenses for the different functional areas remained relatively consistent, as detailed in the following chart.



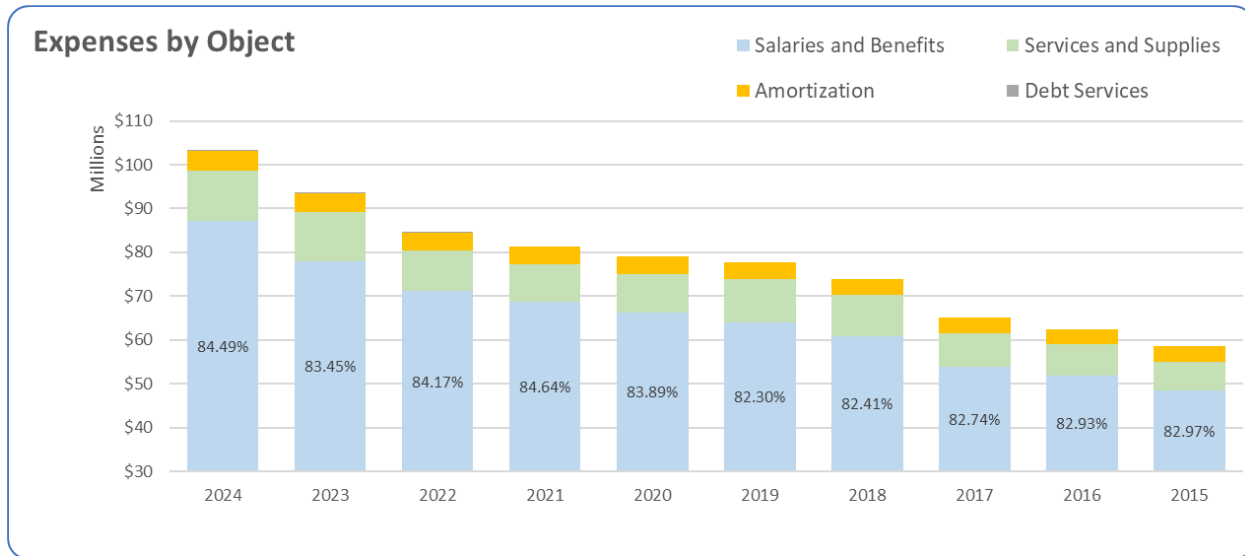
By Object

Salaries and benefits overall increased by \$9.2M to \$87.27M in 2024 (2023 - \$78.07M), which included salary cost increases of \$3.89M for teachers, \$342K for principals and vice-principals, \$1.54M for educational assistants, \$949K for support staff, \$486K for other professionals, a \$20K reduction for substitutes, and a total benefit cost increase across all groups of \$2.02M. The change to the salary and benefits cost is due to increases in base salaries, length of service increases, increased staffing, and increases to employer-paid taxes and benefits related to the wage increases, payroll tax increases, and benefit premium costs. Overall, the percentage of expenses in 2024 related to salaries and benefits was 84.49% (2023 - 83.45%).

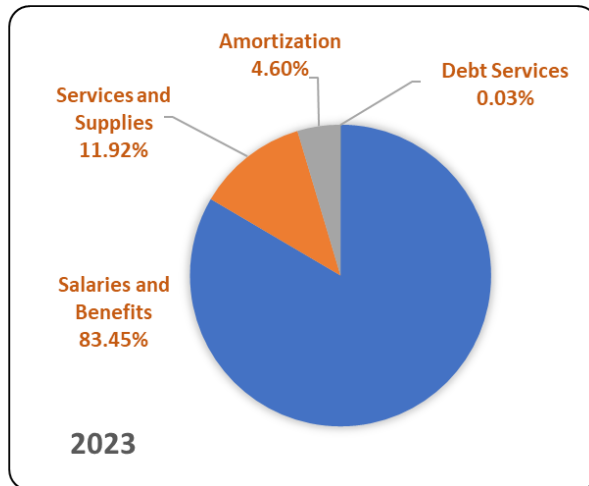
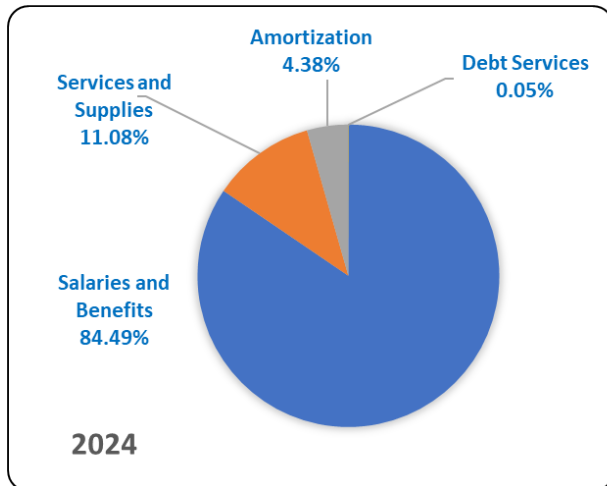
Service and supply expenses increased by only \$286K to \$11.44M (11.1% of expenses) from \$11.16M in 2023.

Compared to the budget, salary and benefits were \$586K lower than the budget of \$87.9M. When broken down further by category, salary costs were over budget for teachers (179K) and other professionals (26K), and under budget for principals and vice-principals (27K), educational assistants (557K), support staff (92K), and substitutes (560K). The significant under budget variance in educational assistants and substitute costs (teachers teaching on call and casual support staff) is attributed in part to staffing challenges, but will also be reviewed further during the budget cycle to determine if there are opportunities for cost estimation adjustments. Actual costs for employer paid benefits and payroll taxes was over budget by 446K, which partially offset the the positive budget variance in wage costs.

Service and supply costs were \$1.25M less than the budgeted \$12.7M. More specifically, the variance was primarily related to operating fund supply costs which were \$294K lower than budget, utility costs that were \$222K lower than budget, and \$594K lower than budget spend on supplies in the *Feeding Futures* special purpose fund, with this program still under development as at year-end.



Percentage of Expenses by Object



Annual Operating Surplus / (Deficit)

The School District ended the 2024 year with an operating surplus of \$1.07M compared to \$386K in 2023. However, after accounting for \$849K in transfers for capital needs, the year ended with a small annual operating surplus of \$217K. The amended budget included a projected operating deficit of approximately \$2M, after capital transfers, based on higher forecast expenditures for educational assistants, substitutes, and various service and supply categories, and based on lower, more conservative, student enrolment increases for February and May. In addition, unbudgeted funding of \$384K for the *2024-25 Integrated Child and Youth* program was received from the Ministry during the 2023-24 fiscal year. This revenue positively impacts operating surplus for 2023-24 but will be held in restricted surplus, as the funding will be used towards 2024-25 ICY program expenditures.

	Operating Surplus				
	2024	2023	2022	2021	2020
Revenues - Operating / Special Purpose	\$ 99,451,055	\$ 89,528,182	\$ 82,352,578	\$ 79,487,001	\$ 75,827,460
Expenses - Operating / Special Purpose	98,385,034	89,141,788	80,152,538	76,931,882	74,735,303
Operating Surplus (Deficit)	\$1,066,021	\$386,394	\$2,200,040	\$2,555,119	\$1,092,157
Operating Surplus as % of Operating Revenue	1.07%	0.43%	2.67%	3.21%	1.44%
Interfund Transfers (Capital)	\$ 849,263	\$ 764,068	\$ 1,138,287	\$ 650,788	\$ 82,714
Total Operating Surplus (Deficit)	\$216,758	(\$377,674)	\$1,061,753	\$1,904,331	\$1,009,443
Transfer (to) / from Reserves	(\$216,758)	\$377,674	(\$1,061,753)	(\$1,904,331)	(\$1,009,443)
Operating Surplus as % of Operating Revenue	1.07%	0.43%	2.67%	3.21%	1.44%
Transfer to Capital as % of Operating Revenue	0.85%	0.85%	1.38%	0.82%	0.11%