



SCHOOL DISTRICT NO. 92 (NISGA'A) DISCUSSION & ANALYSIS OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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The following is a discussion and analysis of School District No. 92 (Nisga'a) financial performance for the fiscal year ended June 30, 2020 and should be read in conjunction with the districts financial statements and accompanying notes. This report is a summary of the district's financial activities based on currently known facts, and conditions and is meant to provide information to enhance the readers understanding of the financial wellness of the district.

While the preparation of the Financial Statement Discussion and Analysis is not a legislative requirement, it is recommended by the Province of BC Ministry of Education. The preparation of the Financial Statement Discussion and Analysis is the responsibility of the management of the school district.

DISTRICT OVERVIEW

School District No. 92 (Nisga'a) is located in the beautiful Nass Valley, we are a small and very unique district in that our students are primarily of Nisga'a descent and therefore members of one language and cultural group. Our approximately 370 students are spread throughout four communities Gingolx, Laxgalts'ap, Gitwinksihlkw and Gitlaxt'aamiks along the Nass River. Each community hosts a K-7 elementary school with the high school being located in the largest community Gitlaxt'aamiks, as part of a K-12 school.

The lands of the Nisga'a Nation are blessed with soaring mountains, dramatic lava beds and thriving rivers and streams. The natural beauty of Nisga'a lands is complemented by the rich cultural traditions of the Nisga'a Nation. There is a wealth of outdoor activities to enjoy in the area, including fishing, hiking, cross-country skiing, snowmobiling and much more.

All decisions made by the Board of Education (The Board) both educational and financial are guided by the districts VISION statements:

"Nisga'a Education is a way to earn and live the principles of life which entails: Sayt- K'il'im Goot, Ayuukhl Nisga'a and Yuuhlimk'askw.

The Board of Education's primary focus is: "to work with students, families, staff and the community to ensure every student within the Nisga'a Nation graduates and leaves with dignity, purpose and opportunities."

This information (and more) can be found on our website www.nisgaa.bc.ca

OUR UNIQUE RELATIONSHIP

School District 92 has a very unique financial relationship with the Nisga'a Lisims Government due to the fact that the student body is almost 100% first nation from the Nisga'a culture. Under normal circumstances among all districts in the province, the Ministry of Education funds the districts for their identified first nation students and then they recover any funding for which the districts have negotiated a Local Education Agreement (LEA) with one or all of the first nations bands within a district. These agreements state that the

band will pay the school district for all funding recovered by the Ministry of Education, it generally only includes Operating grants and does not affect funding for Special Purpose Funds (SPF)

However, this districts contract with the Nisga'a Lisims Government goes above and beyond other districts in that the Nisga'a Lisims Government has agreed to fund the Ministry of Educations recovery of Operating grants, as well as, Special Purpose Grants.

UNDERSTANDING SCHOOL DISTRICT FINANCIAL PERFORMANCE

Annual surplus and accumulated surplus are key financial statement performance indicators; however, interpreting the meaning of these figures is complicated by the use of funds and deferral accounting. The use of fund accounting means the financial statements of school districts are a consolidation of three separate funds (operating, special purpose & capital), and each of these funds differs with respect to the methods of accounting used and the legislative and other constraints on budgeting and financial results which can be found in Note 2 of the financial statements. Therefore, financial performance can only be understood by reviewing each fund separately.

Operating Funds – Operating Funds include grants and other revenue; they are not restricted in use and are recorded as revenue when received or receivable. These revenues are used to fund instructional programs; school and district administration; facilities operations; and transportation. As noted above, all other districts in the province generally receive more than 90% of there funding from the Ministry of Education, however, due to our districts uniqueness the Nisga'a Lisims Government actually provides 93.8% of these operating revenues as “Other Revenue”. Program revenues and expenditures are reported with-in the operating funds. Annual and accumulated surplus with the funds are important indicators of financial performance and financial health. This is because school districts are not permitted to budget for or incur an accumulated deficit position. This means when a school district has accumulated operating surplus available it can be used to budget for future expenditures and to reduce financial risk associated with unforeseen expenditures.

Special Purpose Funds – This fund includes grants and school generated funds that are restricted for a specific purpose and are recorded as deferred contributions until the funds are expended. It should also be noted that similarly to the above statement all Special Purpose Fund contributions normally received from the Ministry are funded by the Nisga'a Lisims Government as “Other Revenue”. Annual and accumulated surplus is always zero in these accounts because revenues are recognized only as related expenses occur (deferral method of accounting). If expenditures for a program within the special purpose fund exceed available revenues, the resulting deficit is transferred to operating fund reducing accumulated operating surplus.

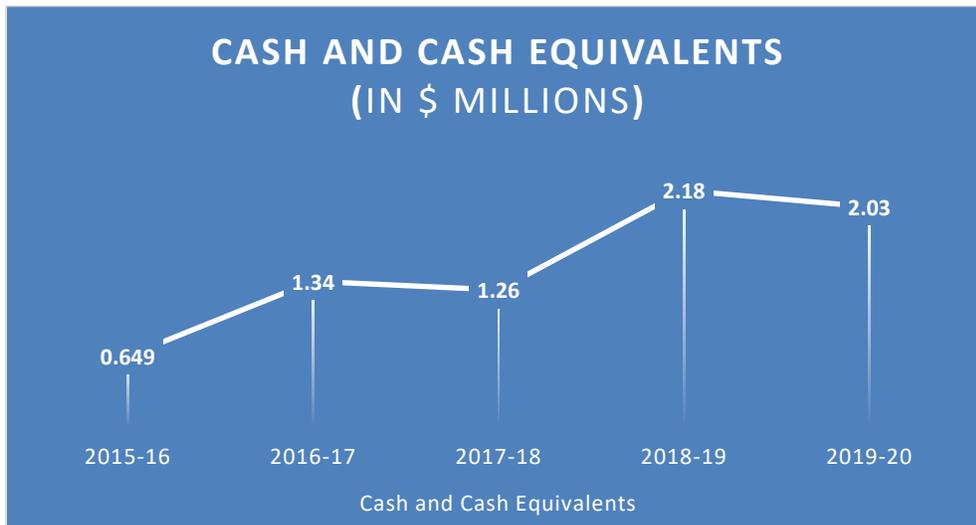
Capital Fund - Investments in capital assets and their related financing activities are reported in this fund. Capital funding from the province is accounted for using the deferral method of accounting, where recognition of capital revenue is spread out over the life of the related capital assets to match the amortization expense which reflects the use of asset over its useful life. This means that capital fund revenues are not a reflection of funding actually received in any given year. Capital revenues only offset

amortization expense in the fund to the extent assets were funded by provincial capital grants. As many capital investments are funded by operating revenue (recorded as transfers of accumulated operating surplus to the capital fund), this fund may report an annual deficit. Typically, capital fund revenues, expenses and annual deficit are not a meaningful indicator of annual financial performance.

ANALYSIS OF FINANCIAL STATEMENTS

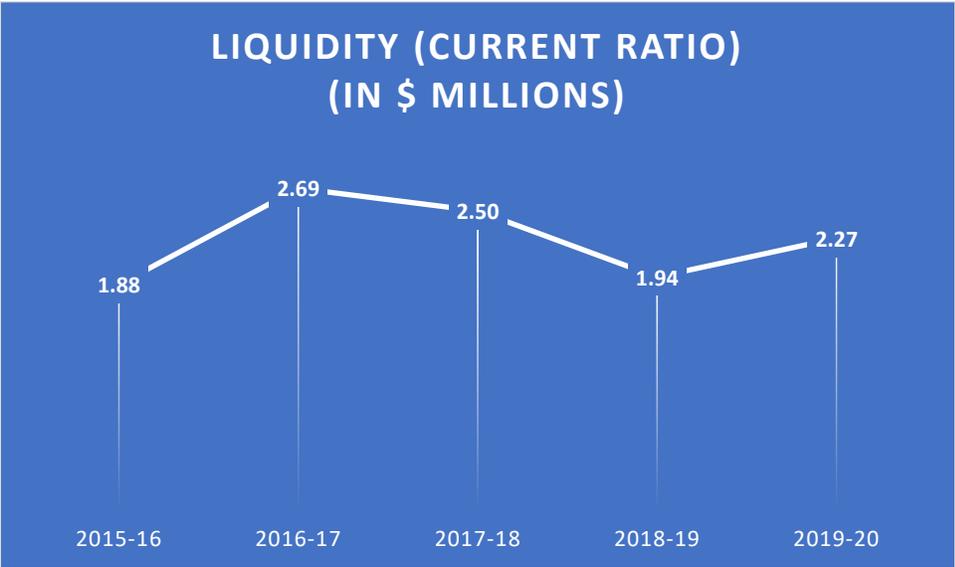
FIVE YEAR TREND – STATEMENT OF FINANCIAL POSITION (Statement 1 – All Funds)

Cash and cash Equivalents have fluctuated over the past five years, this is in conjunction with new Ministerial guidelines for surplus policies, building of contingency funds (Internally Restricted Surplus) and the housing and daycare projects over the last 2 years. At June 30, 2020 the district is reporting \$2.03M in cash and cash equivalents.

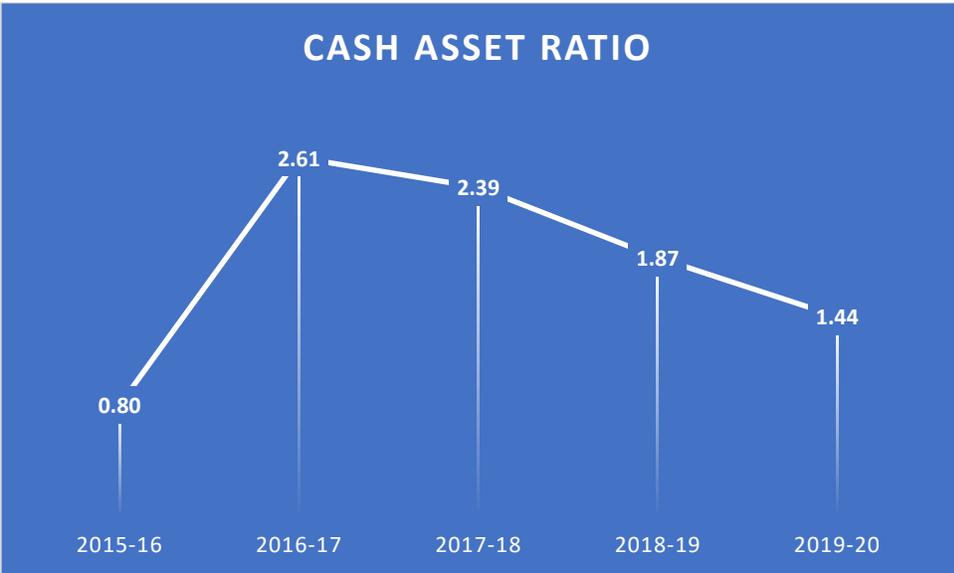


Cash on hand is not necessarily available for new initiatives as portions of it may come from unspent Special Purpose Funds and Capital funds that are for targeted purposes. Any initiatives will be decided by the Board through their policy 500-P Accumulated Operating Surplus.

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 there are sufficient assets on hand to meet current liabilities. In this case, current liabilities are equal to total liabilities less deferred capital revenue. As at June 30, 2020 the district is reporting a current ratio of 2.27.



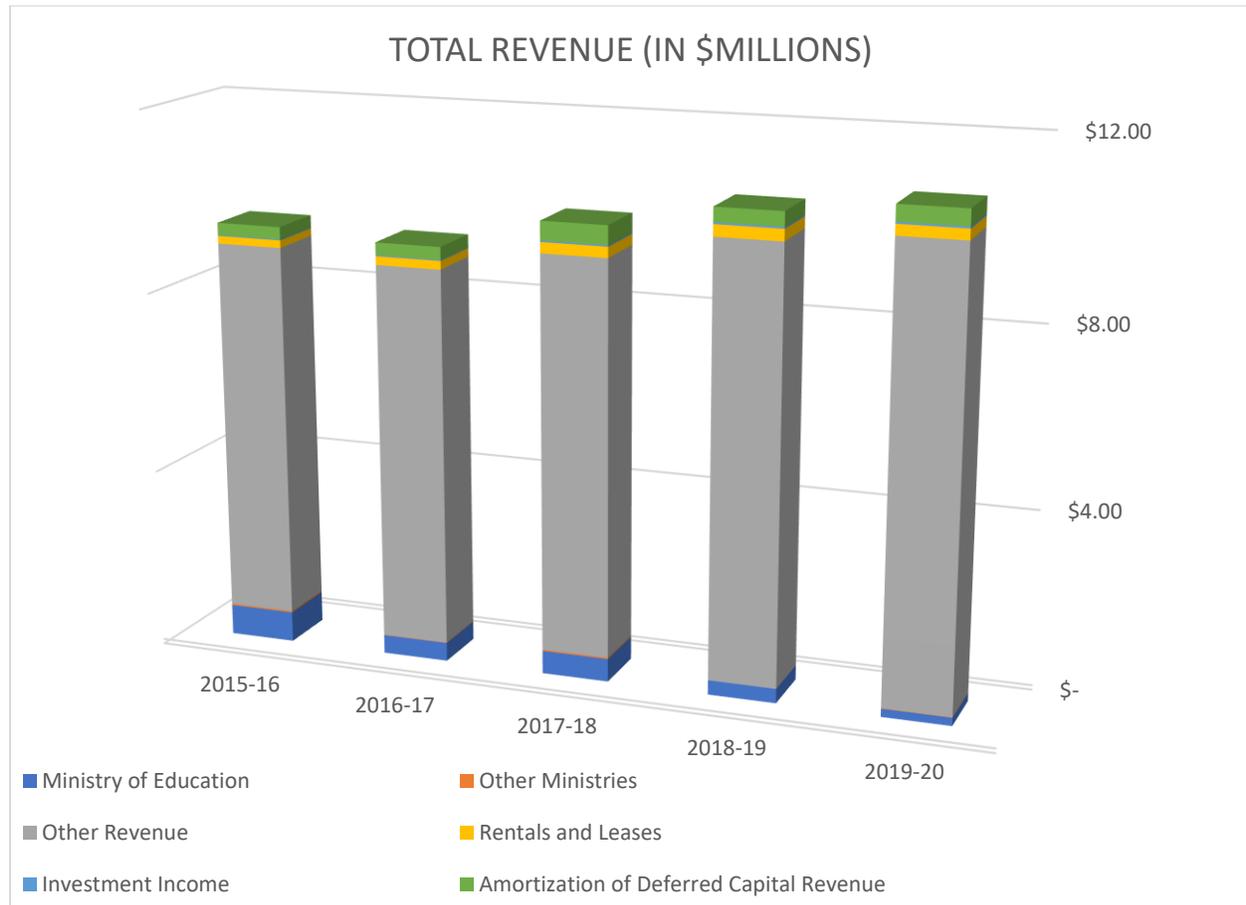
Cash Asset Ratio is another tool to assess the districts ability to meet their current liabilities. It is the result of cash and cash equivalents divided by current liabilities and determines how quickly obligations can be met. A ratio over 1 (100%) indicates that the district has more than enough cash on hand to satisfy all obligations.



As at June 30, 2020 the districted reported a cash asset ratio of 1.44 (144%) and can easily meet their obligations.

FIVE YEAR TREND – STATEMENT OF OPERATIONS (Statement 2 – All Funds)

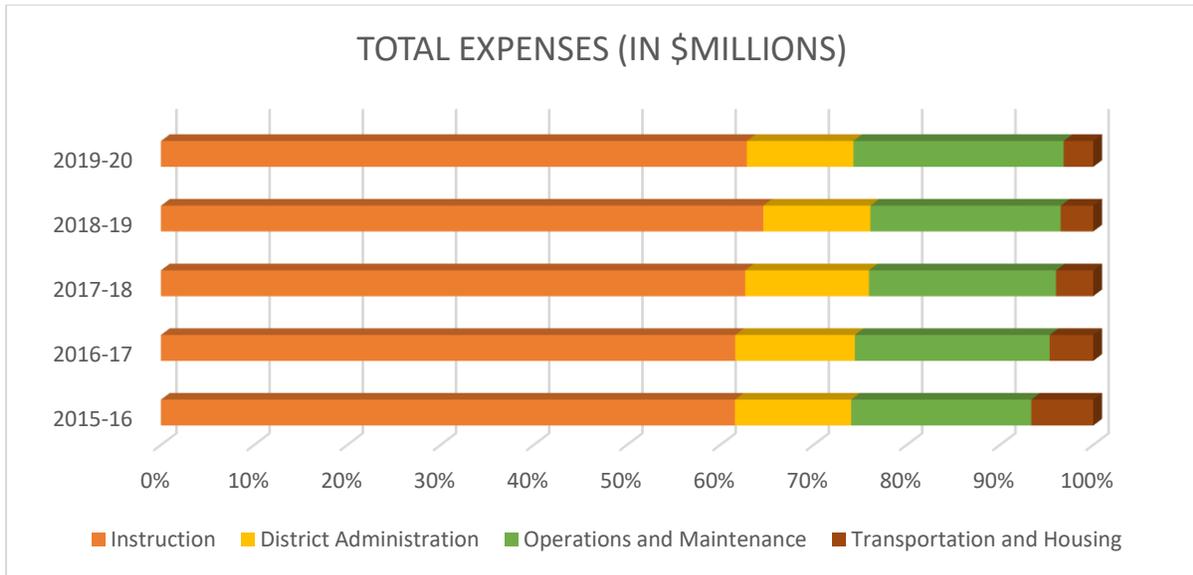
Total Revenues for all funds have been continually increasing over the past five years moving from \$9.43M in 2015-16 to \$10.78M in 2019-20. This is mainly due to settlements that have been reached with regard to the supreme court decision for the BCTF and the current labour settlements, which are funded. The Nisga’a Lisims Government provides 85.5% of the district’s funding in 2019-20.



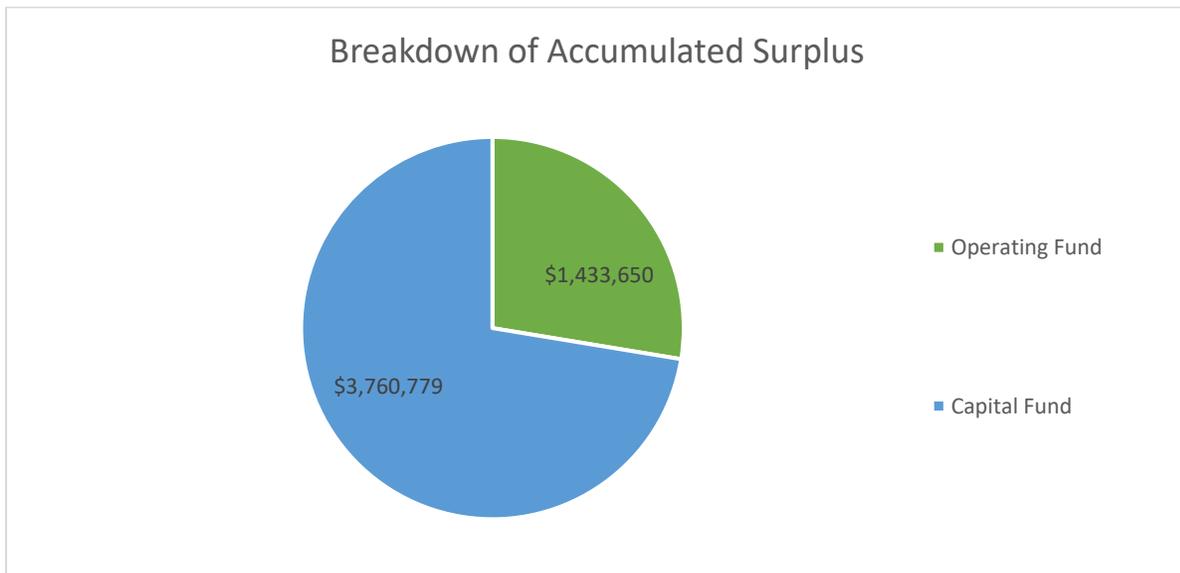
The Ministry of Education provides 1.67% and Rentals and Leases (the districts housing initiative) makes up 2.23%. The third main revenue amount is Amortization of Deferred Capital Revenue at 3.34%. It must be stated that this is not “real” money and is simply an accounting function that recognizes costs with the active life of an asset. Assets in this case are buildings; furniture and equipment; vehicles; and computer hardware and software as discussed in the capital fund descriptor above.

Expenses are the second trend to examine on Statement 2. As you can see spending has been fairly consistent over the 4 main expense areas (departments) with a consistent 63% on Instruction, 11% on Administration, 23% on Operations and Maintenance and 3% on Transportation and Housing. Costs have

fluctuated at essentially the same rate as increases in revenues, which is consistent when revenues are received in this grant format.



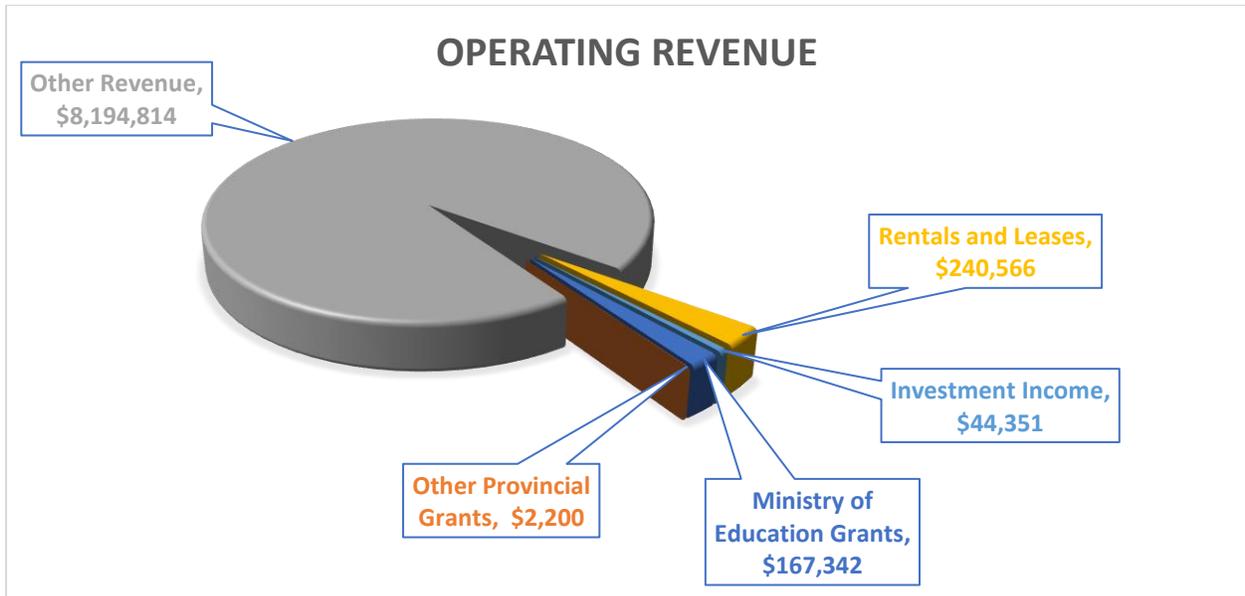
Accumulated surplus is the third item to examine on Statement 2, it is made up from all three funds. Capital funds are not “real money” as discussed above this is the difference between amortization recognition of revenue and costs over the useful life of assets plus local capital funds which are earmarked and should only be used on future capital projects. This leaves the operating surplus of \$1.43M, this amount can be used for many purposes but must be approved by the Board. This will be discussed further under the Operating Fund Analysis section.



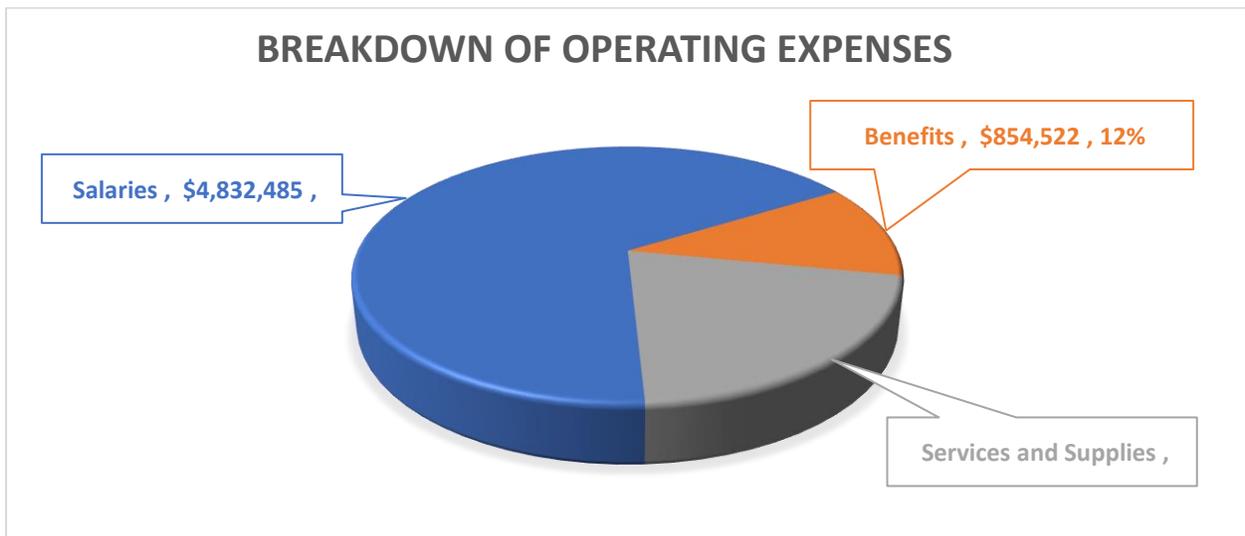
OPERATING FUND ANALYSIS (Schedule 2 to 2C)

A balanced Amended Annual budget was presented to the Ministry which in 2019-20 as is further represented in the Financial Statements.

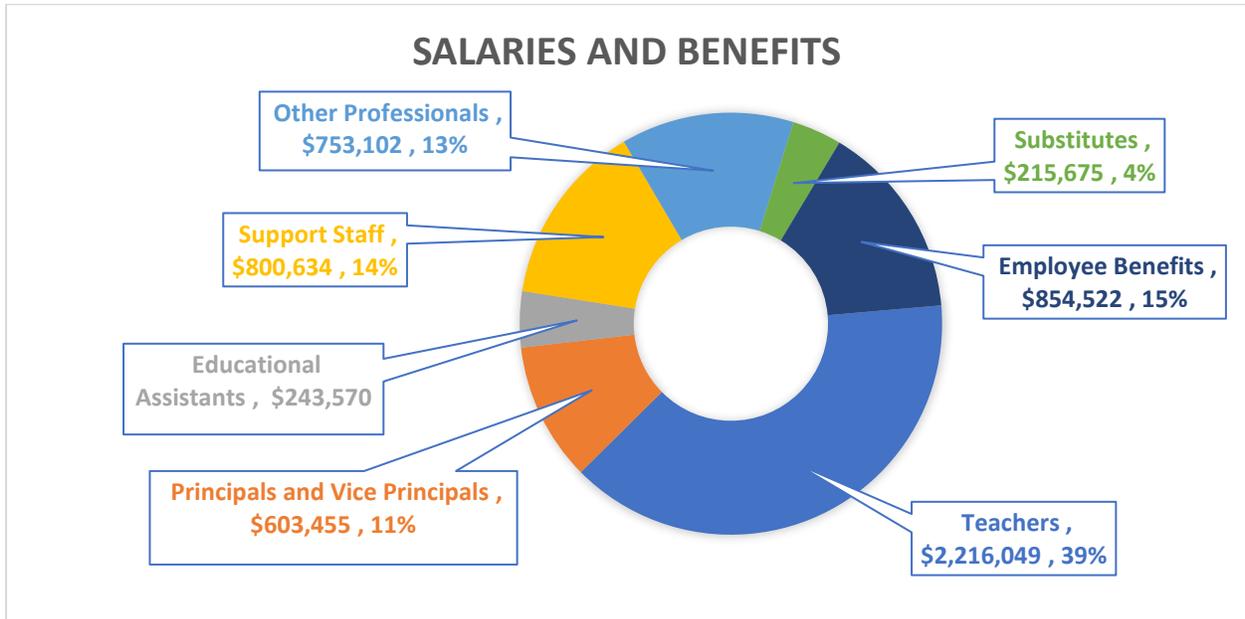
Total operating revenue received from all sources was \$ 8,649,273 (\$8,451,144 in 2018-19). The variance is explained by an increase in total provincial grants from the Ministry of Education funding the Teacher and Support staff labour settlements totaling about \$100,000 and increased funding from Nisga'a Lisims Government based on an increase in general per student funding.



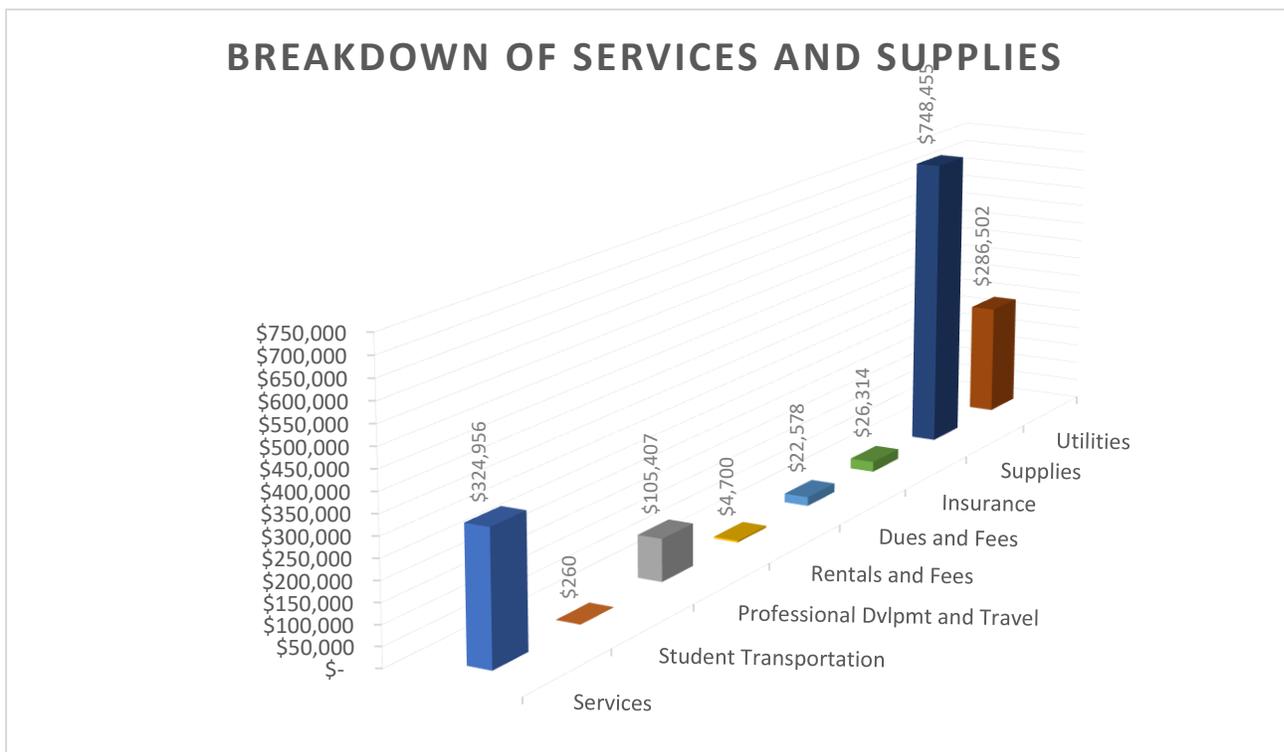
Total operating expenses were \$7,206,179 (\$7,614,275 in 2018-19). Operating expenses were lower in 2019-20 compared with the prior year despite the salary and benefit increases due to the labour settlements and increased spending in services and supplies.



Salaries should have had an increased cost over last years comparative spending due to the labour settlements, however, there were two factors this year that had greater impacts. One was the Covid-19 outbreak which kept students at home utilizing different learning environments. And secondly was the districts inability to fill some replacement positions over this same time period. This anomaly has resulted in creating about \$1M of the districts operating surplus amount. (Budget \$6.7M less actual spent \$5.7M).



Salaries and Benefits total 79% of Expenses and are controlled by contracts and provincial negotiations. These amounts must be paid and the Board has no direct control over these costs.



Services and supplies make up the remaining 21% of expenses, however the Board also does not have control in how much is spent on insurance and utilities, these are established by those companies. When those costs are removed from the equations, the service and supplies expenses that the Board actually has control and choice over drops to 17% or \$1.2M. It is with this amount that they are expected to efficiently run this district and meet the needs of all students

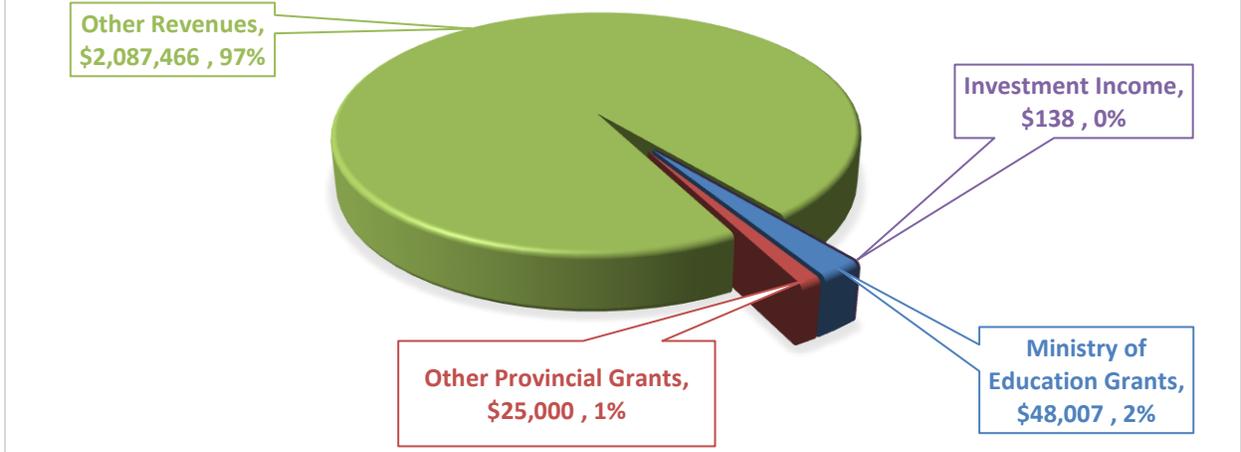
Operating surplus as noted above totals \$1.43M. It has been restricted by the Board of Education as per their Board Policy 500-P, further, all of their decisions in this regard have been considered with the districts vision and goals. See the districts website for more information. A breakdown of these restricted amounts follows and can also be found in Note 18 in the financial statements.

<u>Restricted Operating Surplus</u>	
Strategic Plan	\$15,000
Policies/Procedures Review	50,000
Language and Culture	20,000
NLG Round Table	10,000
Local Education Agreement	27,500
Board Retreat	12,000
Leadership/Mentorship – Supt/ST/Board	15,000
Air Compressor	5,000
Concrete crawl spaces	40,000
Cabinet replacement – Teacherages	170,000
Fencing	240,000
Health & Safety – shared service/reporting	10,000
Shelving	2,000
Miscellaneous supplies	2,000
Cayenta Financial Software upgrade	350,000
Open Purchase Orders	88,679
<u>Sub-Total Internally Restricted</u>	<u>\$1,057,179</u>
Unrestricted Operating Surplus	376,471
TOTAL Available for Future Operations	<u><u>\$1,433,650</u></u>

SPECIAL PURPOSE FUND ANALYSIS (Schedule 3 & 3A)

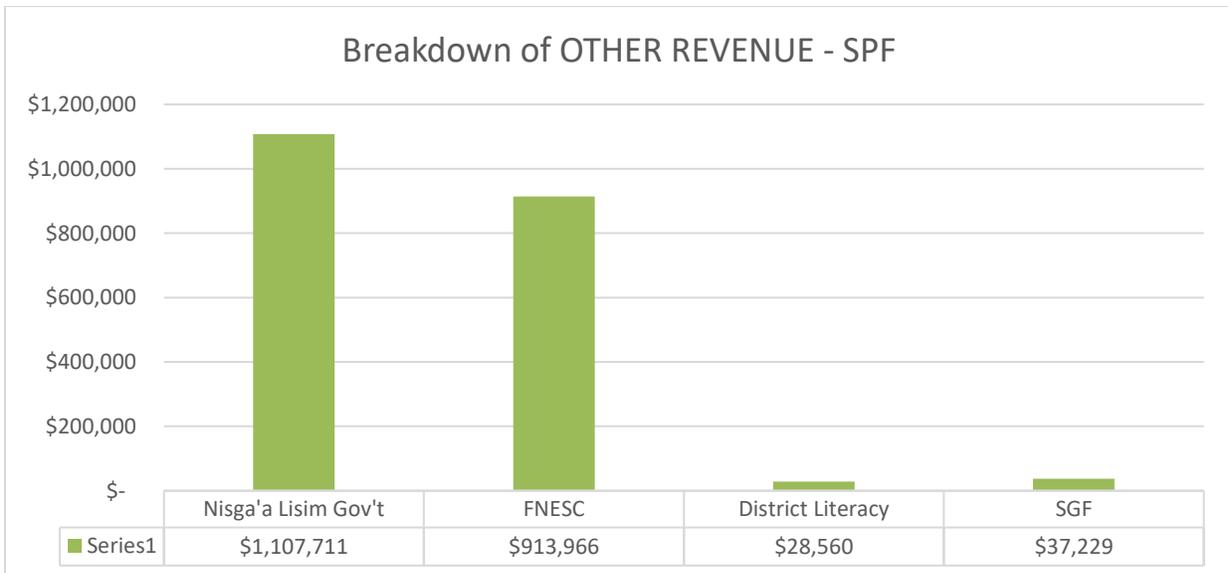
This fund shows amounts received for targeted programs such as annual facility grants, learning improvement funds, community links, CEF, FNEC Language/Culture programs amongst others. Each special purpose fund must be accounted for in accordance with the terms of that fund. A deferral accounting approach is taken with revenues matched to expenses thereby, showing neither a surplus nor a deficit. All monies received are accounted for as contributions, any unspent funds at the end of the year will carry forward and recorded as “deferred contributions” and will not be recorded as surplus.

SPECIAL PURPOSE FUND GRANTS

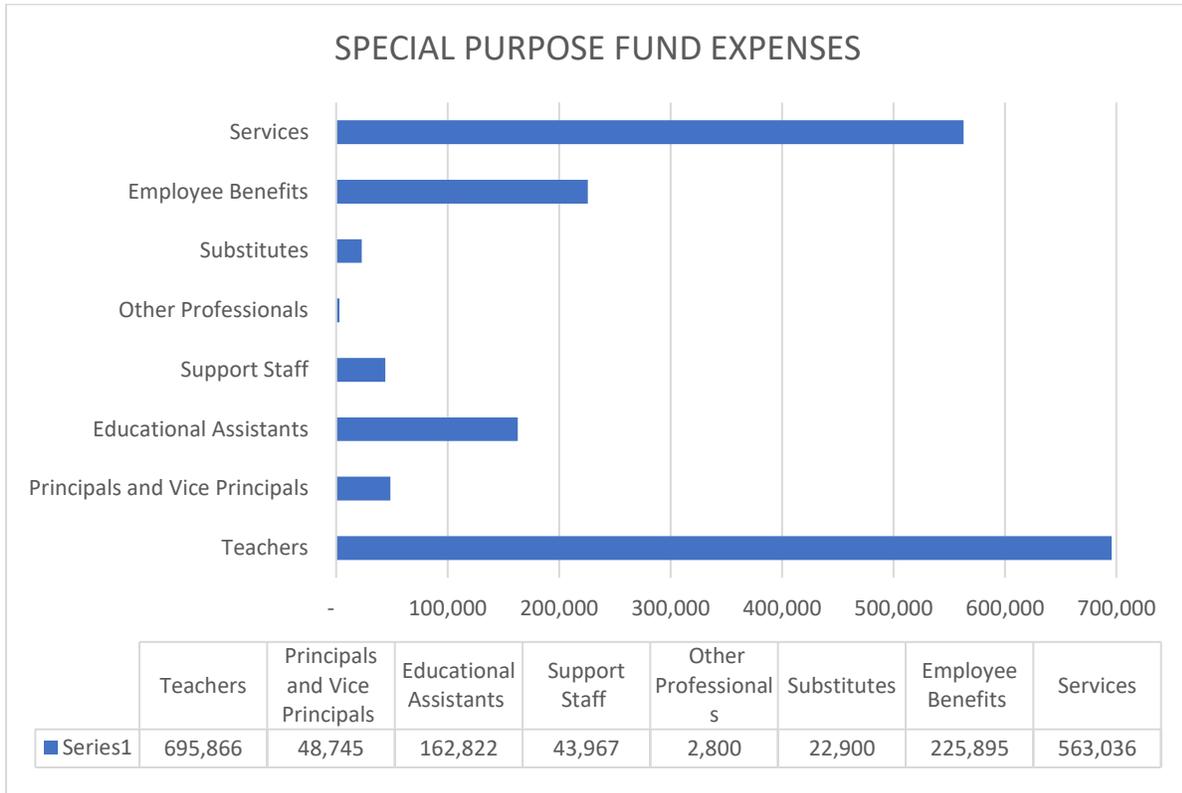


Actual special purpose contributions received were \$2,160,611. Funding for CEF and the FNESC language/culture program both continued in the 2019-20 year.

Other Revenue totaled 97% of the contributions which are broken down further below



Total expenses were in line with funding received and used for targeted purposes.



CAPITAL FUND ANALYSIS (Schedule 4 to 4 D)

Capital fund revenues are a blend of cash and non-cash items. The district received bylaw capital funding for projects as well as an annual facilities grant of \$1.07 Million; capital additions for the year amounted to \$1.09 Million (schedule 4D). These additions were as a result of works conducted at various schools on a number of capital projects such as upgrading mechanical and HVAC systems; and facility upgrades.

The non-cash portion reflects the annual revenue recognition of Deferred Capital Revenue (DCR) and amortization of tangible capital assets (schedule 4). Both items are consistent with budget and with prior year.

CONTACTING THE DISTRICT'S MANAGEMENT

This report is designed to provide the reader with an overview of the school district's finances and to demonstrate the district's accountability for the funding it receives. If you need additional information or have questions about this report, please contact the Secretary Treasurer at ktanner@nisgaa.bc.ca or visit our website at www.nisgaa.bc.ca