

2022-23 FINANCIAL STATEMENTS

The 2022-23 Financial Statement package was prepared by staff in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education Memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act. The external audit of the Bluewater District School Board's 2022-23 Financial Statements rendered a clean audit opinion.

2022-23 Financial Results

The overall 2022-23 financial results reflect Bluewater District School Board's (BWDSB) commitment to long-term financial sustainability with a continued focus on achievement and well-being and the health and safety of students and staff.

2022-23 entailed financial impacts for the board, including the following:

- increases in elementary and secondary enrolment, leading to increased funding and generated staffing levels
- increases in salaries and benefits expenses resulting from, or as a provision for, ongoing collective bargaining as well as additional staffing driven by enrolment
- funding and expenses to support learning recovery, re-engagement, enhanced health and safety, and the mental health and well-being of students and staff
- concentrated efforts to increase recognition of school renewal capital expenses in advance of ministry-imposed spending deadlines
- significant increases in donations, bank interest and permit revenue
- full return to school activities resulting in pre-pandemic levels of school generated fund revenues and expenses
- reserve contributions from the effective management of revenue and expenses
- strong financial position to support long-term financial sustainability

As illustrated in the chart below, the overall net change in financial position remains balanced.

2022-23 Net Operating Position

	Interim Report 2 2022-23	Actual August 31, 2023	Change
Operating revenue	\$ 247,865,361	\$ 255,909,232	\$ 8,043,871
Operating expenses	(241,088,972)	(246,814,338)	(5,725,366)
Carry-forward for committed projects: (increase)/decrease	(22,792)	(120,868)	(98,076)
Reserves: (increase)/decrease	(6,753,597)	(8,974,026)	(2,220,429)
Net change in operating position	\$ -	\$ -	\$ -

Interim Report 2 (IR2) was presented on June 6, 2023 for financial information known as of March 31, 2023. The following changes occurred from Interim Report 2:

- significant changes to revenues include salary benchmark increases of 0.25% adding to existing salary provisions, Priority and Partnership Funds (PPFs) announced after IR2, announcement of fuel escalator funding for 2022-23 and the recognition of bank interest, donations, and sale of the former Georgian Bay Community School (GBCS)
- the change to expenses largely results from increases to salary provisions, remedy payments, and inflationary impacts on utilities, fuel, and software services, partially offset by the transfer of maintenance and repair expenses from operating budget to deferred capital contributions (DCC)

- transfers to reserves also increased, ensuring the board can follow through with budget planning and continued commitments to capital and technology reserves in addition to risk management contributions

Financial Statements for Public Sector Accounting Standards (PSAS) purposes

It is important to note that financial statements for PSAS purposes are adjusted for ministry compliance purposes. The net operating position reported in column A is the surplus reported for ministry compliance purposes. PSAS requires the board to recognize additional expenses that are not recognized for ministry compliance purposes.

For the 2022-23 financial statements, a new Public Sector Accounting Board (PSAB) standard, 'PS 3280 – Asset Retirement Obligations (ARO)' has been adopted, requiring school boards to recognize a liability addressing the legal obligations associated with the retirement of tangible capital assets, such as asbestos removal or restoration of premises containing fuel tanks or wells. The recording of the ARO liability and in-year activity is excluded for ministry compliance purposes.

The ministry surplus of \$9,094,894 is adjusted to arrive at the in-year operating PSAS surplus of \$8,890,525 as explained in the table below.

Net Operating Position: Ministry Compliance to PSAS

	Reporting for Ministry compliance purposes	Adjusted for:				Reporting for PSAS purposes
		Add: School Generated Fund Transactions	Add: ARO Abatement	Add: ARO Amortization	Add: Sinking Fund Interest	
	A	B	C	D	E	F = A+B+C+D+E
Operating Revenues	\$ 255,909,232	\$ 6,161,949	\$ 74,864	\$ -	\$ -	\$ 262,146,045
Operating Expenses	246,814,338	5,982,443	-	435,239	23,500	253,255,520
Net Operating Position	\$ 9,094,894					\$ 8,890,525

The net operating position for PSAS purposes is discussed further in the Consolidated Statement of Operations section.

The Consolidated Statement of Financial Position shows the financial assets, liabilities and non-financial assets. The adoption method for PS 3280 is modified retroactive, therefore, school boards are asked to restate prior period (2021-22) figures for ARO. As such, the year over year change, including restatement, is illustrated below for comparative purposes.

Condensed Consolidated Statement of Financial Position (Millions)

		2022-23	2021-22 (restated)	Change \$	Change %
FINANCIAL ASSETS	\$	155.75	\$ 156.64	\$ (0.89)	(0.6%)
LIABILITIES		353.04	352.09	0.95	0.3%
NET FINANCIAL ASSETS (NET DEBT)		(197.29)	(195.45)	(1.84)	0.9%
NON-FINANCIAL ASSETS (TCA)		239.46	228.73	10.73	4.7%
ACCUMULATED SURPLUS/(DEFICIT)	\$	42.17	\$ 33.28	\$ 8.89	

Overall, the board's financial position continues to improve, building on the momentum of prior years and growing the accumulated surplus. Through effective management and successful responses to uncertainty, the accumulated surplus has improved its surplus position from \$33.28 million in 2021-22 to \$42.17 million.

The net increase in non-financial assets is mainly related to \$24 million in capital additions through funding from capital priorities, school condition improvement, school renewal, infrastructure investments and the Grants for Student Needs (GSN); partially offset by disposals and amortization.

Financial assets remained stable year over year, with an increase in cash flow, offset by a decrease in accounts receivable balances and assets held for sale (AHFS) following the sale of the former Georgian Bay Community School building. The 2021-22 financial statements were restated to reflect an ARO liability of \$13.8 million which has been revalued to \$15.6 million in 2022-23 based on the province's response to inflation. Other changes to liabilities include an increase in Deferred Capital Contributions (DCC), offset by year over year decreases to deferred revenue, accounts payable and long-term debt balances.

The Consolidated Statement of Operations shows the revenues, expenses and resulting annual surplus/(deficit) compared to the approved budget. It is important to note that for financial statement purposes results are compared to budget, which vary based on changes in enrolment, salaries, and other changes throughout the year that are reported through interim reporting. The approved budget was restated per ministry guidance to reflect ARO amortization expense.

Consolidated Statement of Operations (Millions)

	Approved Budget (restated)	Actuals 2022-23	\$ Variance	% Variance
Total revenue	\$246.11	\$262.15	\$16.04	6.52%
Total expenses	242.47	253.26	10.79	4.45%
Annual Surplus	\$3.64	\$8.89	\$5.25	

Revenue increased from budget due to:

- higher than projected enrolment levels in elementary (241 ADE) and secondary panels (35 ADE)
- benchmark increases to reflect a provision for salary increases pending collective bargaining
- Priority and Partnership Funds (PPFs) announced after budget, including ETFO remedy payments and professional reading assessments, offset by expenses
- existing complement of teachers placed higher on the qualification and experience grid
- significant fuel escalator to enhance transportation grant, reflecting industry fuel costs
- higher than projected bank interest, donations, and permit revenue

Overall expenses increased from budget due to:

- increased staffing driven by enrolment changes and program enhancements
- increased needs in special education, resulting in more Educational Assistants (EA) and corresponding supply costs for EAs
- salary increases for custodians and accrued provisions for other employee groups, pending labour negotiations
- inflationary increases to software, transportation, utilities, and maintenance services
- expenses incurred to match external investments announced after budget

Recommendations for 2023-24

Overall, the board's financial position has improved by successfully navigating through the school year and responding positively to enrolment changes. Past decisions to proactively address long-term financial sustainability have positioned the board to adequately support targeted initiatives identified during the 2023-24 budget development process.

Recommendation:

That Bluewater District School Board receive the '2022-23 Financial Statements' report and the 2022-23 Consolidated Financial Statements' report for information.

Submitted to
Bluewater District School Board
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