Enclosure No. 2

Final 2022/23 Financial Reporting

Audit Committee
November 27, 2023

MEDICINE HAT PUBLIC SCHOOL DIVISION

Statement of Financial Position

		2023	2022 Restated
Financial Assets			
Cash and Cash Equivalents	1	$ 11,557,094	$ 16,180,791
Accounts Receivable (net after allowances)	2	1,469,576	412,581
Portfolio Investments			
Operating		3,003,500	-
Endowments		2,162,696	2,139,870
Inventories for Resale		-	-
Other Financial Assets		-	-
Total Financial Assets		$ 18,192,866	$ 18,733,242

Statement of Financial Position Cont.

	Note	2023	2022 Restated
Liabilities			
Bank Indebtedness		$ -	$ -
Accounts Payable and Accrued Liabilities	3	4,787,255	5,674,126
Unspent Deferred Contributions		1,706,953	2,089,293
Employee Future Benefits		871,707	831,200
Asset Retirement Obligations and Environmental Liabilities	4	3,486,766	3,397,073
Other Liabilities		-	-
Debt		-	-
Supported: Debentures		-	-
Unsupported: Debentures		-	-
Mortgages and Capital Loans		-	-
Capital Leases		-	-
Total Liabilities		$ 10,852,681	$ 11,991,692
Net Financial Assets		$ 7,340,185	$ 6,741,550

Capital Assets

Supported Assets = Grant Funded

	Building
Cost of Acquisition	14,000,000
Expected Useful Life	50 years
Annual Amount to Recognize	280,000

	Statement of Operations Year of Acquisition
Revenue - Grant Funding (Supported)	~~14,000,000~~
Expenditure - Purchase of Asset	~~(14,000,000)~~
Net Surplus (Deficit) Impact	~~-~~

	Statement of Operations Next 50 years
Revenue - Grant Funding	280,000
Expenditure - Amortization Supported	(280,000)
Net Surplus (Deficit) Impact	-

	Capital Assets - Supported	Spent Deferred Capital Liability
Year of Acquisition	14,000,000	14,000,000
Expenditure - Amortization Supported	(280,000)	(280,000)
Balance end of year 1	13,720,000	13,720,000
Expenditure - Amortization Supported	(280,000)	(280,000)
Balance end of year 2	13,440,000	13,440,000

Capital Assets Cont.

Unsupported Assets = Purchased with Division Funds

	Building		Statement of Operations Year of Acquisition
Building cost of acquisition	2,000,000	Revenue - Grant Funding (Supported)	-
Expected Useful Life	50 years	Expenditure - Purchase of Asset	(2,000,000)
Annual Amount to Recognize	40,000	Net Surplus (Deficit) Impact	(2,000,000)

	Statement of Operations Next 50 years
Revenue - Grant Funding (Supported)	-
Expenditure - Amortization Unsupported	(40,000)
Net Surplus (Deficit) Impact	(40,000)

	Capital Assets - Unsupported	Net Assets - Investment in Capital Assets
Year of Acquisition	2,000,000	2,000,000
Annual Amortization Unsupported	(40,000)	(40,000)
Balance end of year 1	1,960,000	1,960,000
Annual Amortization Unsupported	(40,000)	(40,000)
Balance end of year 1	1,920,000	1,920,000

Asset Retirement Obligations (ARO)

- ARO represents the future cost to remediate environmental liabilities in our assets (buildings).
- Prior to 1990, it was regular practice and approved within building code, to use products that contained asbestos.
- Many Division schools were built prior to 1990, and therefore contain materials that contain asbestos, such as insulation, floor tiles, drywall, etc. Unless disrupted, these products are <u>still safe</u> to have in our schools.

Remediation

- Smaller areas are remediated annually through IMR and CMR projects such as flooring tile replacements.
- In the case of a larger project, such as the MHHS Modernization, the $252k cost of the remediation was included as part of the grant funded project.

ARO Continued

- Accounting standards recently changed to now require school divisions to record the future remediation cost on our financial statements as a liability.
- The likelihood of the Division having to pay for this future expense with our reserves is highly <u>unlikely</u>.
- However, since we do not know the exact date of when we would receive grant funding to remediate, accounting standards do not allow us to record this future expense as supported (grant funded).

Impact to AFS

- New liability for ARO of $3.4M
- ARO expense of $84,557 in 2022/23

Statement of Financial Position Cont.

		2023	2022 Restated
Non-Financial Assets			
Tangible Capital Assets	5	$ 109,046,578	$ 110,143,843
Inventory of Supplies		-	-
Prepaid Expenses		604,223	197,164
Other Non-Financial Assets		20	20
Total Non-Financial Assets		$ 109,650,821	$ 110,341,027
Spent Deferred Capital Contributions	6	94,117,924	95,218,323
Net Assets		$ 22,873,082	$ 21,864,254

Net Assets (Note 12)

		2023	2022 Restated
Unrestricted Surplus		$ 1,385,576	826,151
Operating Reserves		4,325,300	3,782,600
Accumulated Surplus (Deficit) from Operations	**7**	5,710,876	4,608,751
Capital Reserves		3,539,100	3,578,800
Cash Reserves	**8**	9,249,976	8,187,551
Endowments	**9**	2,152,749	2,133,329
Accumulated Remeasurement Gains(Losses)		28,524	14,936
Investment in Capital Assets		11,441,833	11,528,438
Accumulated Surplus (Deficit)	**10**	$ 22,873,082	$ 21,864,254

Net Assets (Note 12)

	2023	2022 Restated
Accumulated Surplus (Deficit) from Operations	$ 5,710,876	$ 4,608,751
Add: Non-vesting employee benefits	288,700	315,100
Less: School Generated Funds	(1,312,600)	(1,364,400)
Adjusted Accumulated Surplus (Deficit) from Operations	$ 4,686,976	$ 3,559,451

Statement of Operations

	Spring Budget 2022/23	Fall Budget 2022/23	Actual 2022/23	Actual 2021/22 (Restated)
Total Revenues	$ 90,902,800	$ 92,598,100	$ 95,543,657	$ 90,549,768
Expenses				
Instruction (ECS)	73,124,600	74,514,800	8,559,444	8,390,586
Instruction (1-12)			67,450,441	64,683,774
PO&M	11,540,200	12,122,700	12,162,448	11,565,405
Transportation	2,605,600	2,707,200	2,607,022	2,329,071
Board & System Admin	2,809,100	2,862,000	3,008,091	2,877,984
External Services	897,300	890,800	780,391	743,281
Total Expenses	$ 90,976,800	$ 93,097,500	$ 94,567,837	$ 90,590,101
Operating Surplus (Deficit)	$ (74,000)	$ (499,400)	$ 975,820	$ (40,333)

Notes to the AFS and Remaining Schedules

- There were no significant changes to the AFS Notes and Schedules 1-10.

AFS Variance Analysis

- The budget comparison in the Audited Financial Statements (AFS) is the Spring Budget.

Revenue

	2022/23 Spring Budget	2022/23 Fall Budget	Aug 31/23 Actual	Variance to Fall Budget Favourable (Unfavourable)	Variance to Fall Budget as %	Variance Driving Surplus (Deficit) Favourable (Unfavourable)	Variance Driving Surplus as %
Grant Revenue	82,508,600	83,996,000	84,400,163	404,163	0.48%	494,522	0.59%
Local Revenue & SGF	4,948,800	5,061,800	7,602,075	2,540,275	50.19%	741,104	14.64%
Supported Debt	3,445,400	3,540,300	3,541,419	1,119	0.03%	-	0.00%
Total Revenue	**$ 90,902,800**	**$ 92,598,100**	**$ 95,543,657**	**2,945,557**	**3.18%**	**$ 1,235,626**	**1.33%**

The actual revenue variance for is $2.9M higher than budget, but there are many self-balancing items driving that amount, such as IMR that have an offsetting reduction in expenses. The pink columns show items driving bottom line surplus.

The revenue variance driving the overall bottom line is the following:

- Grant Revenues – $494,522 or .59% higher than budget
- Local Revenues – $741,104 or 14.64% higher than budget

Revenue

- **Grant Revenue -** $494,522 or .59% higher than budget
  - Actual student needs vs estimated student needs for our Pre-K (3 & 4 year olds) and Kindergarten as per the final AB Ed submission in late Dec.
    - Kindergarten Severe - needs and funding lower than budget ($263,700)
    - Pre-K – needs and funding higher than budget $184,700

      ($79,000)

  - Ukrainian Student Grant – announced late November $71,500
  - Learning Loss Funding – announced Nov and March $195,800
  - Mental Health Tri-Division Project announced Nov $241,300
  - Transportation Fuel Subsidy $54,800
  - Misc. Base Grants $10,000

Revenue

- **Grant Revenue Continued**
  - Learning Loss Grant – Funding announcement received
    - November 2022 $124,800
    - March 2023 $ 71,000
      $195,800
    - Direct supports for this purpose already built into the 2022/23 budget include 8.4 teacher FTE for a total cost of $880,000.

		Fall Budget	Actual	Variance
Revenue				
Grant Revenue		$ -	$ 195,800	$ 195,800
Expenses				
Teachers	8.40	880,000	880,000	-
Total Expenses		880,000	880,000	-
Net Savings (Cost) to Division		$ (880,000)	$ (684,200)	$ 195,800

Revenue

- **Grant Revenue Continued**
  - Mental Health In Schools Grant
    - Tri-Division grant announcement received in late Nov 2022 for a 2-year grant (approx.)
    - Given the uncertainty of the timeline for grant approval, some direct supports for this purpose were already built into the 2022/23 fall budget.

		Fall Budget	Actual	Variance
Revenue				
Grant Revenue		$ -	$ 190,100	$ 190,100
Donations - BEEJ Project		-	50,000	50,000
Total Revenue		-	240,100	240,100
Expenses				
FSLW	1.00	91,000	91,000	-
Success Coach	3.00	149,100	149,100	-
Additional Staffing	TBD	-		-
Assessments		-		-
Total Expenses		240,100	240,100	-
Net Savings (Cost) to Division		$ (240,100)	$ -	$ 240,100

Revenue

- **Non-Grant Revenue** - $741,104 (14.64%) higher than budget
  - Investment income - increasing rise in interest rates and locking in some of our cash at these higher rates $568,000
  - International tuition higher than budget $65,000
  - ELP and Play & Learn Fees – more students eligible for full fees $46,000
  - Facility rentals higher than budget $33,500
  - Misc. other $28,600

Wages & Benefits

	2022/23 Spring Budget	2022/23 Fall Budget	Aug 31/23 Actual	Variance to Fall Budget Favourable (Unfavourable)	Variance to Fall Budget as %	Variance Driving Surplus (Deficit) Favourable (Unfavourable)	Variance Driving Surplus as %
Cert - Salary	41,992,400	42,442,400	42,525,939	(83,539)	-0.20%		
Cert - Benefits	11,301,400	11,045,700	10,819,600	226,100	2.05%		
Total Certificated	**53,293,800**	**53,488,100**	**53,345,539**	**142,561**	**0.27%**	(79,998)	**-0.15%**
Non-Cert - Salary	13,511,500	13,969,200	13,761,522	207,678	1.49%		
Non-Cert - Benefits	3,720,500	3,843,200	3,597,653	245,547	6.39%		
Total Non-Certificated	**17,232,000**	**17,812,400**	**17,359,175**	**453,225**	**2.54%**	328,244	**1.84%**
Total Salary	55,503,900	56,411,600	56,287,461	124,139	0.22%		
Total Benefits	15,021,900	14,888,900	14,417,253	471,647	3.17%		
Total Wages/Benefits	**$ 70,525,800**	**$ 71,300,500**	**$ 70,704,714**	**$ 595,786**	**0.84%**	**$ 248,246**	**0.35%**

Wages & Benefit Expenses – $248,246 (.35%) lower than budget

Wages & Benefits Cont.

- **Certificated -** $79,998 (.15%) higher than budget
  - EDB and Mat leave coverage – lower than budgeted $31,200
  - Early Retirement Incentive Plan (ERIP) – higher ($69,500)
  - Teacher subs higher than budget ($60,100)
  - Other miscellaneous $18,500
- **Non-Certificated** - $328,244 (1.84%) lower than budget
  - Custodial savings due to staff on leaves and filling temporarily with subs
    - $34,600
  - Clerical savings due to staff on leaves and filling temporarily with subs
    - $108,700
  - Culinary arts program wages covered by program sales – budget correction
    - $129,200
  - EA central supports for ECS not required with lower-than-expected student needs
    - $55,600

Services & Supplies

	2022/23 Spring Budget	2022/23 Fall Budget	Aug 31/23 Actual	Variance to Fall Budget Favourable (Unfavourable)	Variance to Fall Budget as %	Variance Driving Surplus (Deficit) Favourable (Unfavourable)	Variance Driving Surplus as %
Services/Supplies	15,816,700	17,064,800	19,142,199	(2,077,399)	-12.17%	(19,928)	-0.12%
Amortization & Debt	4,634,300	4,732,200	4,720,924	11,276	0.24%	11,276	0.24%
	20,451,000	21,797,000	23,863,123	(2,066,123)	-9.48%	(8,652)	**-0.04%**

Services and Supplies Expenses – $19,928 (.12%) higher than budget

Services and Supplies Cont.

- Services and Supplies – $19,928 – .12% higher than budget

Items Higher Than Budget:

• Utilities	($92,400)
• CTS Project not included in Fall Budget	($271,200)
• $302,100 approved mid-year, but not all was spent this year.	__________
	($363,600)

Offsetting Items Lower Than Budget:

• IT projects and print recoveries	$220,000
• School budgets – growth in carryover balances	$123,700
	$343,700
	($19,900)

2022/23 – Surplus (Deficit)

	2022/23 Spring Budget	2022/23 Fall Budget	Aug 31/23 Actual	Variance to Fall Budget Favourable (Unfavourable)	Variance to Fall Budget as %	Variance Driving Surplus (Deficit) Favourable (Unfavourable)	Variance Driving Surplus as %
Total Revenue	**$ 90,902,800**	**$ 92,598,100**	**$ 95,543,657**	**$ 2,945,557**	**3.18%**	**$ 1,235,626**	**1.33%**
Total Certificated	53,293,800	53,488,100	53,345,539	142,561	0.27%	(79,998)	-0.15%
Total Non-Certificated	17,232,000	17,812,400	17,359,175	453,225	2.54%	328,244	1.84%
Total Wages & Benefits	**$ 70,525,800**	**$ 71,300,500**	**$ 70,704,714**	**$ 595,786**	0.84%	**$ 248,246**	**0.35%**
Services/Supplies	15,816,700	17,064,800	19,142,199	(2,077,399)	-12.17%	(19,928)	-0.12%
Amortization & Debt	4,634,300	4,732,200	4,720,924	11,276	0.24%	11,276	0.24%
Total Expenses	**$ 90,976,800**	**$ 93,097,500**	**$ 94,567,837**	**$ (1,470,337)**	**-1.58%**	**$ 239,594**	**0.26%**
Surplus (Deficit)	**$ (74,000)**	**$ (499,400)**	**$ 975,820**	**$ 1,475,220**		**$ 1,475,220**	

2022/23 – Surplus (Deficit)

Fall Budget	$	(499,400)
Q1 - Projection		(347,800)
Q2 - Projection		662,300
Q3 - Projection		691,100
Q4 -Final Actual		975,820