

2020-21 Financial Statements

The 2020-21 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 2020-21 Financial Statements rendered a clean audit opinion.

2020-21 Financial Results

Like the prior year, 2020-21 was eventful as school boards faced many challenges associated with the COVID-19 pandemic. Past decisions to proactively address long-term financial sustainability prepared the board to successfully navigate through the pandemic.

2020-21 entailed financial impacts for the board, including the following:

- significant pandemic related funding and expenses to support school reopening, remote learning, enhanced health and safety, and the mental health and well-being of students and staff
- increased year over year salary and benefit expenses related to new collective agreements and the absence of labour disruptions
- implementation of GSN stabilization funding to preserve budget level staffing and programming in response to province-wide enrolment decreases due to the pandemic
- decreased overall spending, other revenues, and operational cost savings resulting from two ministerial closure periods announced to deter the spread of COVID-19
- approved allocation of school renewal funding to previously unsupported capital projects, resulting in annual savings of approximately \$100K
- increased 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.

2020-21 Net Operating Position

	Interim Report March 31, 2021	Actual August 31, 2021	Change
Operating revenue	\$ 231,638,361	\$ 232,162,812	\$ 524,451
Operating expenses	(226,232,645)	(223,024,959)	3,207,686
Carry-forward for committed projects: (Increase)/Decrease	(215,443)	(675,540)	(460,097)
Reserves: (Increase)/Decrease	(5,190,273)	(8,462,313)	(3,272,040)
Net change in operating position	\$ -	\$ -	\$ -

Interim Report as of March 31, 2021 was presented during the second ministerial closure period amidst uncertainty related to a potential return to class. As such, projections were developed using the information available at that time. The following changes occurred from Interim Report as of March 31, 2021

- The net change to revenue was minimal as GSN Stabilization Funding is a calculated amount to ensure legislative grants are funded at budget levels. Changes to revenue include the recognition of centrally procured Personal Protective Equipment (PPE) and other COVID funding, offset by contributions to deferred revenue and an increase in minor tangible capital assets (mTCA) transferred from operating.
- Expenses decreased significantly due to a halt in school spending, contractual services and reduced utilities usage. This is combined with supply cost savings, and partially offset by an

increase in salary and benefit expenses due to grid placements and the matching expense recognition of centrally procured PPE.

- Transfers to reserves for carry-forwards of committed projects or expenditures increased due to delayed spending and the transfer of school budget surpluses to 2021-22.
- Transfers to reserves also increased, largely related to operational and supply cost savings, while effectively managing operations through the ministerial closure periods. The allocation allows the board to follow through with budget planning and establish a capital reserve and further contribute to the technology reserve in addition to risk management contributions.

Financial Statements for Public Sector Accounting Board (PSAB) purposes

It is important to note that financial statements for PSAB purposes are adjusted for ministry compliance purposes. The net operating position reported in column A is the surplus reported for ministry compliance purposes. The ministry requires the board to recognize additional expenses that are not recognized for PSAB purposes. The ministry surplus of \$9,137,853 is adjusted to arrive at the in-year operating PSAB surplus of \$11,054,391 as explained in the table below.

Net Operating Position: Ministry Compliance to PSAB

	Reporting for Ministry compliance purposes	Adjusted for:			Reporting for PSAB purposes
		Add: School Generated Fund Transactions	Add: Revenue Recognized for Land	Deduct: Amortization of Future Employee Benefits	
	A	B	C	D	E = A+B+C-D
Operating Revenues	\$ 232,162,812	\$ 1,257,169	\$ 2,063,125	\$ -	\$ 235,483,106
Operating Expenses	223,024,959	1,460,421	-	56,665	224,428,715
Net Operating Position	\$ 9,137,853				\$ 11,054,391

The net operating position for PSAB 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 year over year change is illustrated below for comparative purposes.

Condensed Consolidated Statement of Financial Position (Millions)

	2020-21	2019-20	Change \$	Change %
FINANCIAL ASSETS	\$ 157.85	\$ 158.87	\$ (1.02)	(0.6%)
LIABILITIES	339.17	344.05	\$ (4.88)	(1.4%)
NET FINANCIAL ASSETS (NET DEBT)	(181.32)	(185.18)	3.86	(2.1%)
NON-FINANCIAL ASSETS (TCA)	217.96	210.77	7.19	3.4%
ACCUMULATED SURPLUS/(DEFICIT)	\$ 36.64	\$ 25.59	\$ 11.05	

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 \$25.59 million in 2019-20 to \$36.64 million.

The net increase in non-financial assets is mainly related to \$23.5 million in capital additions through

funding from capital priorities, school condition improvement, school renewal, and COVID investments; partially offset by disposals and amortization.

The decrease in financial assets is mostly related to a decrease in receivables from municipalities who had delayed instalment dates as a form of pandemic relief, offset by an increase to the delayed grant payment. The decrease in financial liabilities is related to a decrease in accruals as collectively bargained retroactive increases accrued in 2019-20 and paid out in 2020-21 and the continued reduction of long-term debt, partially offset by increases to deferred revenue and Deferred Capital Contributions (DCC).

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. Although enrolment decreased significantly from budget due to pandemic concerns, legislative grant revenue was protected through GSN Stabilization Funding. This allowed school boards to preserve staffing and programming levels established at budget time, providing stability to students and staff.

Consolidated Statement of Operations
(Millions)

	Approved Budget	Actuals 2020-21	\$ Variance	% Variance
Total revenue	\$232.34	\$235.48	\$3.14	1.35%
Total expenses	228.75	224.43	(4.32)	(1.89%)
Annual Surplus	\$3.59	\$11.05	\$7.46	

Since Grants for Student Needs (GSN) funding was stabilized in 2020-21, revenue changes were not driven by enrolment. Revenue changed from budget due to:

- significant pandemic relief funding to ensure health and safety of students and staff, improve air quality in schools, support mental health and special education initiatives and provide additional staffing and technology support to promote student achievement during challenging times
- application based infrastructure funding designed to improve the health and safety of students in schools
- increased contributions to deferred revenue due to decreased spending, resulting in less revenue recognized in the current year
- decreased other revenues due to the COVID-19 pandemic as community education and permit programs did not operate in 2020-21

Overall expenses decreased from budget due to:

- significant decrease in School Generated Funds (SGF) activities
- school budget and operations savings due to ministerial closure periods
- decreased professional development expenses due to COVID restrictions
- partially offset by increased expenses in correlation with pandemic relief funding

Recommendations for 2021-22

Overall, the board’s financial position has improved by successfully navigating through a challenging school year. As we move forward to 2021-22, the board must consider the ongoing financial pressures associated with the COVID-19 pandemic and underlying uncertainty. Past decisions to proactively address long-term financial sustainability have positioned the board to adequately support potential funding gaps resulting from COVID-19, while focusing on the health, safety and wellness of students and

staff and maximizing student achievement through promotion of learning recovery and re-engagement.

Recommendation:

That the Bluewater District School Board receive the '2020-21 Financial Statements' report and '2020-21 Consolidated Financial Statements' report for information.

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Bluewater District School Board
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