



FINANCIAL STATEMENT DISCUSSION & ANALYSIS REPORT

FOR THE YEAR ENDED, JUNE 30, 2023

2022-2023 FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

This Financial Statement Discussion and Analysis (FSD&A), prepared by the district to highlight the financial condition and operating results of School District No. 36 (Surrey) for the year ended June 30, 2023. This FSD&A should be read in conjunction with the audited financial statements and related notes for the year ended June 30, 2023.

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SCHOOL DISTRICT OVERVIEW

Surrey Schools (School District No. 36) is one of sixty public school districts in British Columbia. The district serves the City of Surrey, the City of White Rock, and the rural area of Barnston Island.

The district is governed by the Surrey Board of Education which consists of seven elected trustees representing the cities of Surrey and White Rock. Collectively the Board sets education policies within the district as mandated by the School Act.

Surrey Schools has more than 12,000 employees, including over 6,500 teachers.

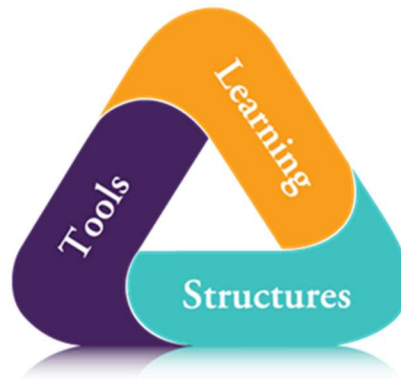
As of June 30, 2023, the district's annual enrollment was approximately 77,300 students from kindergarten to Grade 12. The district operated 103 elementary schools, 21 secondary schools, 5 learning centres, 3 adult education centres, one community college, and a distributed learning program. All the district's sites are equipped with the latest teaching and learning resources, including technology, science laboratories, fine arts, and sports facilities.

OUR VISION: LEARNING BY DESIGN

“We prepare our learners to think creatively and critically, communicate skillfully, and demonstrate care for self and others.”

The Board works in partnership with staff, students, parents and the community to support the district’s vision.

The transformation of public education finds expression in the district’s refreshed vision called Learning by Design which incorporates three key themes– learning, structures, and tools.



Learning

- Learning prioritizes the needs and gifts of individual students, helping them to demonstrate the core competencies in all aspects of their learning.
- It emphasizes their unique ability to contribute based on their experiences, cultures, heritages, languages, and diverse abilities.
- Learning by Design is rooted in the principle that all learning is driven by individual passions and interests and must be connected to real-world experiences and challenges.
- Students and teachers demonstrate this learning in tangible ways.

Structures

- Structures are the time, physical space, access to information, and community connections that students need in order to learn.
- These structures meet the students where they are based on their individual needs and must be inclusive of all individual ways of learning and knowing. For some, the structures that support learning may look different than for other students.
- Students with diverse abilities and disabilities deserve full and equal access to learning in the classroom and beyond.
- Indigenous students deserve a learning environment that is respectful of their experiences, recognizes the legacies of colonialism, and is consistent with the district’s commitment to reconciliation.

Tools for a Digital Age

- The learning process also requires tools that support learning within these structures.
- Innovative technologies can provide greater access and equity in learning, and the digital world offers opportunities for all students to harness new ways of demonstrating their learning.
- Innovative strategies to bring learning to life for students who experience challenges that impact the learning environment, including students with diverse abilities or disabilities, can create a learning environment that helps them achieve success.

Source: [Our Values & Vision \(surreyschools.ca\)](https://www.surreyschools.ca/our-values-vision)

GUIDING PRINCIPLES

The Board of Education budget decisions for the 2022-2023 fiscal year were focused on supporting the district's Vision and Guiding Principles as supported by the districts Learning by Design plan and the Long-Range Facilities and Education plan.

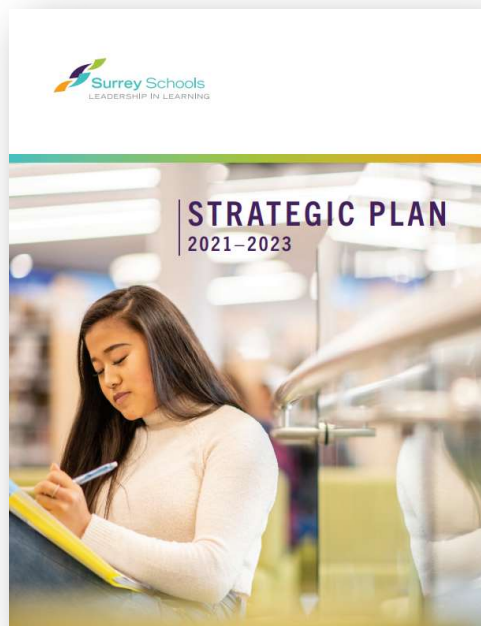
We realize our vision through:

- ***Supporting the design of engaging learning environments for all students.***
- ***Operational efficiencies that prioritize resources to directly support learning.***
- ***Relationships with community partners to broaden opportunities for students.***
- ***Advocacy for necessary facilities and resources.***
- ***Supporting schools and workplaces that are safe and caring for all.***

Source: [Board Overview \(surreyschools.ca\)](https://surreyschools.ca)

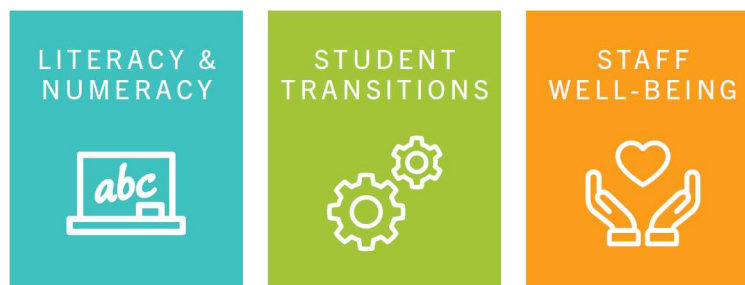
STRATEGIC PLAN 2021 – 2023

At its June 9th, 2021 public meeting, the Surrey Board of Education approved the Surrey schools Strategic Plan 2021 – 2023. This plan is in alignment with the [B.C. Ministry of Education and Childcare’s Framework for Enhancing Student Learning](#) and outlines the steps that we are taking to fulfill our vision for Learning by Design.



This vision outlines our guiding values and beliefs which not only include a focus on learning and engagement, but also highlight equity and our commitment to truth and reconciliation. Consistent with the First Peoples’ Principles of Learning, this is our learning story, and it anchors us in place and in our history.

The implementation of our vision for Learning by Design, is guided by what we call our Priority Practices of Curriculum Design, Instructional Strategies, Quality Assessment and Social and Emotional Learning. Finally, our priorities of inquiry focus on the following:



An updated strategic plan is currently being finalized by the District, with the anticipated implementation commencing fiscal 2024.

2022-2023 YEAR IN REVIEW

The past twelve months have been marked by resilience, innovation, and unwavering commitment to education amidst economic challenges the district continues to face due to the lingering effects of the pandemic. These persisted as higher than expected inflation costs on services and supplies, coupled with delays in supply chain deliveries. With the lifting of pandemic related restrictions, the school district experienced encouraging signs reflected in higher than projected enrolment and modest increase in other revenues sources. At the same time, we highlight the successful collective bargaining negotiations taken place between the district and its dedicated teachers and support staff to pave the way for enhanced educational experiences and opportunities for students.

Quarter One: July 2022 to September 2022

The first quarter saw the district's student population growth reach pre-pandemic levels as the federal government began lifting restrictions. Student enrolment growth amounted to 3.2% greater than the prior year, while our international student enrolments saw modest growth for a total of 695, a 12% increase from the prior year and 7% greater than original projections.

Quarter Two: October 2022 to December 2022

The second quarter marked a significant milestone, for the district, by way of reaching a successful conclusion of collective bargaining negotiations with its employee union representing teachers. The agreement not only represents a significant step forward in creating a positive and supportive educational environment, but also a strong commitment of both district and its teachers' union to the well – being of their staff and the advancement of student education.

Quarter Three: January 2023 to March 2023

Following the ratification of the teacher's collective agreement, the third quarter saw the district achieve a successful negotiation of the collective bargaining agreement with the Canadian Union of Public Employees (CUPE). Surrey Schools administration, along with the dedicated representatives from CUPE, worked tirelessly to find common ground and develop solutions to enhance the working conditions of the district's valued support staff while ensuring the sustainable operations of our education system.

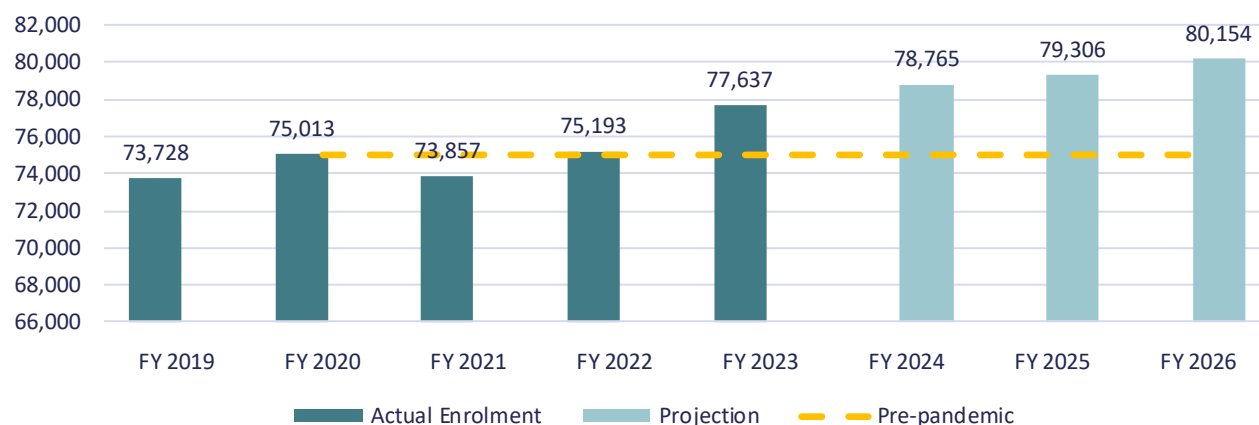
Quarter Four: April 2023 to June 2023

The last quarter consisted of the finalization and approval of a 5-year strategic plan for the Racial Equity department, and the achievement of a historic milestone as the Surrey Board of Education also passed an annual budget totaling more than a billion dollars for the upcoming 2023-2024 fiscal year.

STUDENT ENROLLMENT

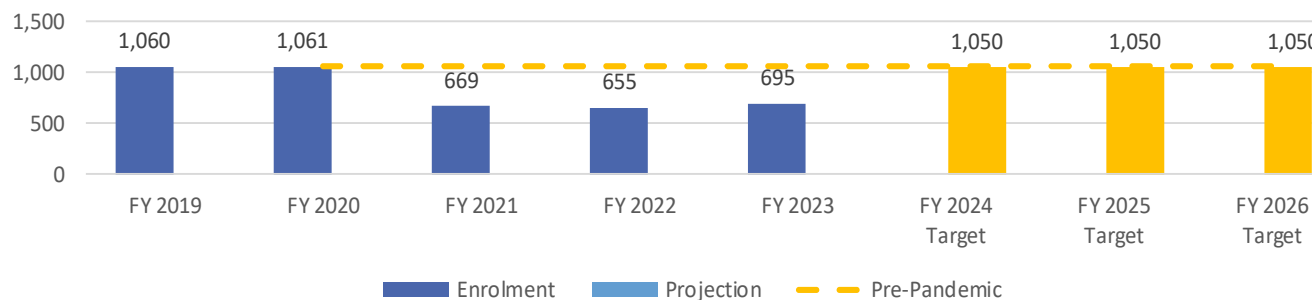
Each year, the district prepares an annual enrolment plan with projections that consider future demographics and geographic trends and additional factors that could impact future enrolment in the district. Fluctuations in student enrolment directly influence the decisions made by the district regarding staffing, class sizes, course offerings, and future capacity. Given that labour costs make up a significant part of the district's expenditures, reliable estimates of student enrolment are essential.

Annual and Projected Enrollment



Student enrolment has exceeded pre-pandemic levels with an expectation to grow in the coming years. International student enrolment increased by 6.1% from the prior year and the district has targeted to reach pre-pandemic levels in 2023-2024.

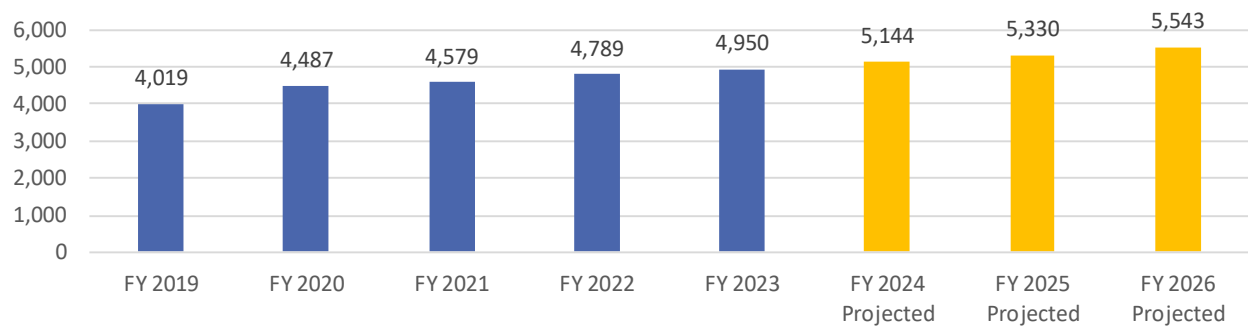
International Students



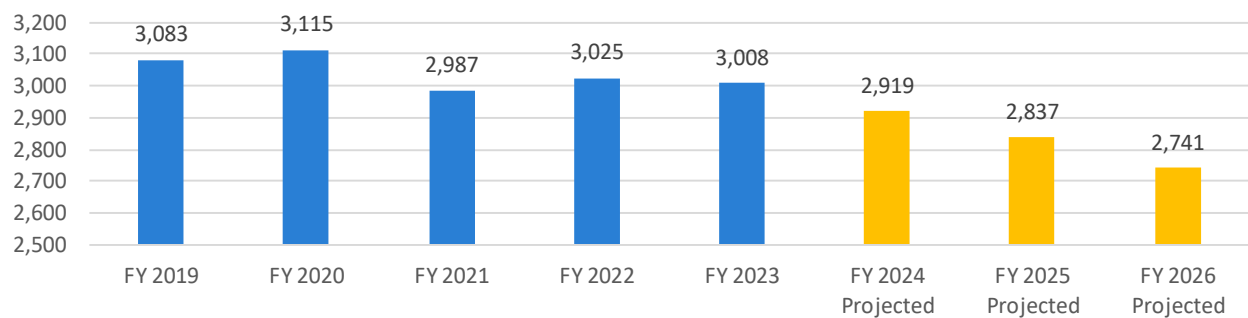
The following graphs reflect the unique student categories of actual and projected enrolments.

Unique Student Categories

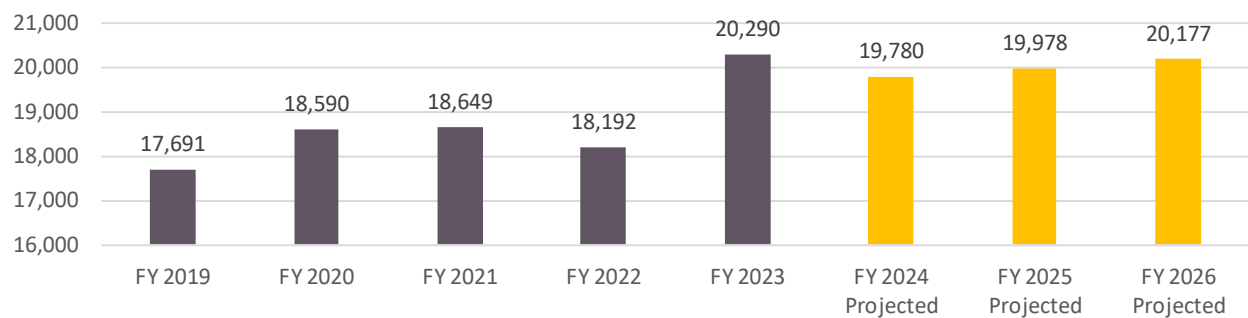
Students with Special Needs (Levels 1 - 3)



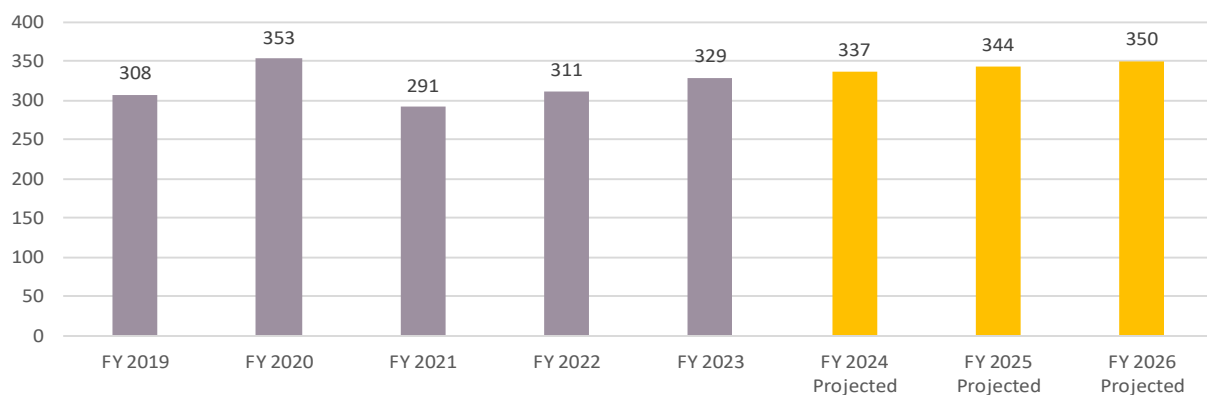
Indigenous Learners



English Language Learners

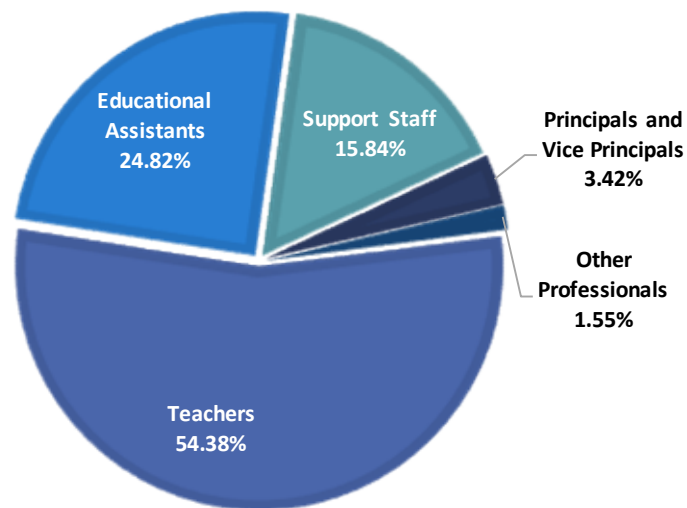


Adults



LABOUR FORCE

For 2022-2023, the district employed over 12,000 people. This includes over 7,700 full time equivalent positions, ranging from instructional and classroom support to maintaining school buildings and grounds. The district spends the greatest proportion of its operating funds on salaries and benefits. Teachers make up a significant portion of the labour force and total operating expenses, accounting for 54.38% of our labour force. A complete breakdown of the district's operating labour force is outlined below.



The district's labour force continues to grow as a result of continued student growth and the unique student demographics of our district. Below is a trend of the district's operating labour force by employee category over the past 6 years.

Budgeted FTE	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Teachers	4,003	4,034	4,098	4,064	4,117	4,203
Educational Assistants	1,551	1,629	1,762	1,840	1,844	1,918
Support Staff	1,130	1,163	1,192	1,194	1,216	1,224
Principals and Vice Principals	247	249	254	260	261	264
Other Professionals	101	104	112	112	116	120
Total FTE	7,031	7,179	7,417	7,470	7,554	7,729

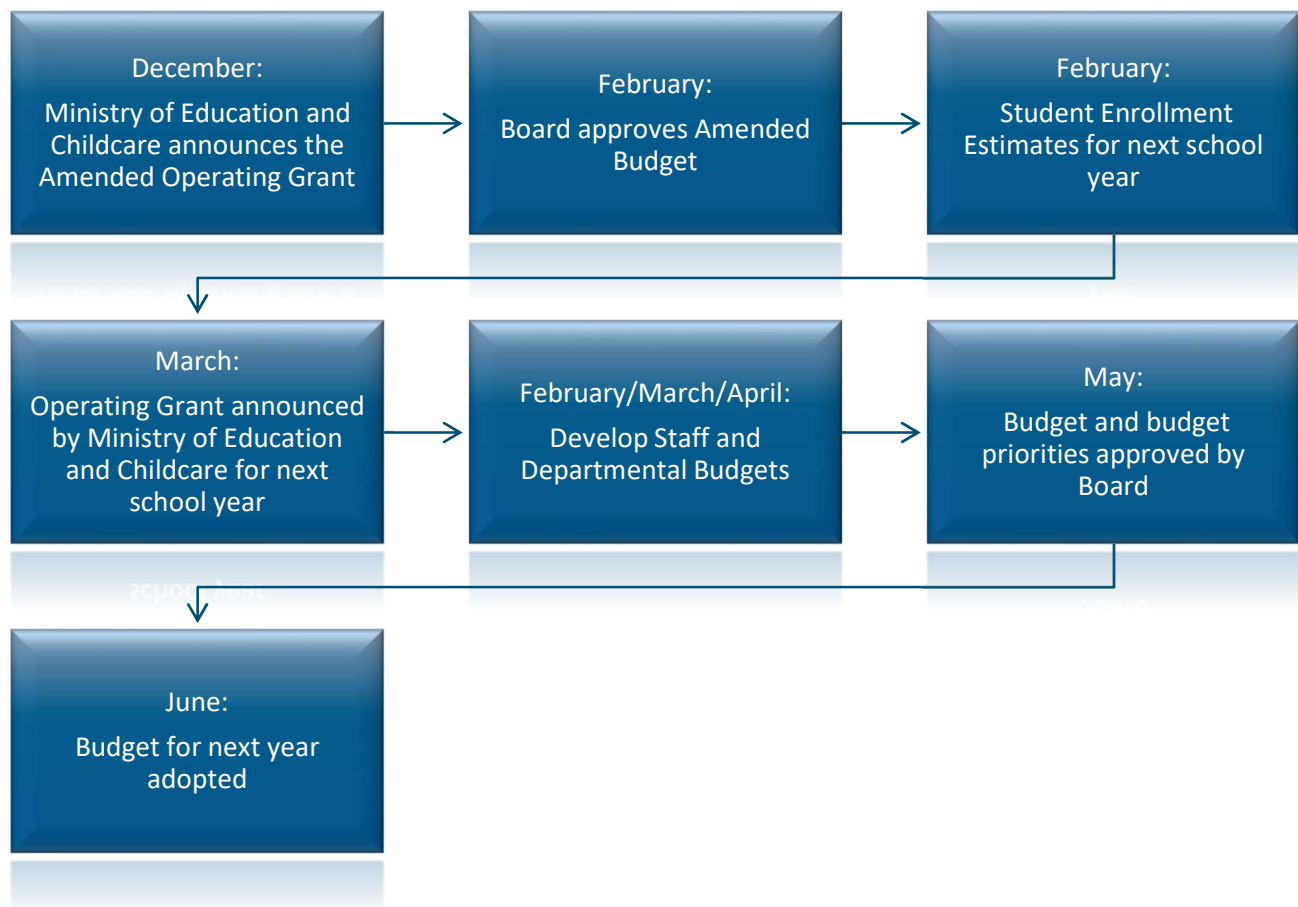
BUDGET AND FINANCIAL PLANNING CYCLE

The Board's vision and goals and strategic priorities drive budget decisions and operational plans. The Board's Finance Committee began its deliberations in November 2021 and held several meetings in subsequent months focused on preparing and presenting the 2022-2023 budget to the Board of Education for approval at the May 10, 2022, Regular Public Board Meeting.

The expected student enrolment was submitted to the Ministry of Education and Childcare in mid-February 2022 for the upcoming year. The operating grant funding was based on these enrolment projections and announced by the Ministry of Education and Childcare in March of 2022. Student enrolment projections were used to estimate staffing and resource requirements.

In December of 2022, the Ministry of Education and Childcare announced the amended operating grant to be allotted to school districts which is based on actual September 2022 confirmed funded student enrolment, and an amended budget was then prepared by the district. The amended annual budget was adopted by the Board on February 8, 2023. The amended annual budget is a ministerial reporting requirement that serves as a forecasting tool of operations toward the fiscal year end.

Moving forward, the district's future budget development processes will ensure annual revenues offset annual expenditures, without the appropriation of prior year reserves to balance the budget. This will focus efforts towards building the district's operating reserves to address unforeseen or unanticipated events.



FUND TYPES

The financial statements are reported as a consolidation of three types of funds: Operating, Special Purpose, and Capital.

Operating Fund	Special Purpose Funds	Capital Funds
Funds used to support instructional programs, school, and district administration, maintaining of schools and district facilities and transportation.	Funds provided by a funder/donor for the sole purpose to carry out a specific function or activity. Examples include school meals program, scholarships and ministry- designated activities, such as annual facility grants, classroom enhancement funds, and early learning programs.	Funds used for the construction of new schools or school expansions as well as extension of the lifespan of capital assets; the purchase of vehicles, computers, furniture and equipment and the acquisition of school sites. Includes the amortization of deferred capital revenue and tangible capital assets recognized for the fiscal year, in addition to any gains or losses on the disposal of tangible assets.

FINANCIAL STATEMENT OVERVIEW

The district's financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulation 198/2011 issued by the Province of British Columbia Treasury Board. This Section requires that financial statements be prepared in accordance with Canadian public sector accounting standards with some exceptions as reported in Note 2 of the financial statements. These exceptions refer to the accounting treatment of recognizing deferred revenue and deferred capital revenue of government transfers for the acquisition of capital assets into revenue on the same basis as the related amortization expense. Whereas Canadian public sector accounting standards (PSAS) would require such transfers be recognized as revenue at the time of acquisition of capital assets. The financial difference on the Statement of Financial Position and Statement of Operations are noted in the table below.

	As Presented	Adjustments	PSAS
Statement of Financial Position - Statement 1			
Total Financial Assets	\$179,557,665		\$179,557,665
Total Liabilities	1,006,717,193	(807,040,172)	199,677,021
Net Financial Assets (Net Debt)	(\$827,159,528)	\$807,040,172	(\$20,119,355)
Total Non-Financial Assets	1,391,273,876		1,391,273,876
Accumulated Surplus (Deficit)	\$564,114,348	\$807,040,172	\$1,371,154,520
Statement of Operations - Statement 2			
Accumulated Surplus (Deficit) from Operations, beginning of year	\$579,550,112	\$775,282,079	\$1,354,832,191
Surplus (Deficit) for the year	(15,435,764)	31,758,093	16,322,329
Accumulated Surplus (Deficit) from Operations, end of year	\$564,114,348	\$807,040,172	\$1,371,154,520

STATEMENT OF FINANCIAL POSITION

Statement of Financial Position presents the financial position of the school district by reporting the amounts of assets, liabilities, net assets, and accumulated surplus as of June 30th of each year.

The following table provides a comparative analysis of the School District's Net Financial position for the fiscal years ending June 30, 2023, and June 2022. The variances are explained below:

	June 30, 2023	June 30, 2022	Variance	% Change
Financial Assets				
Cash and Cash Equivalents	\$163,591,178	\$170,451,709	(\$6,860,531)	(4.02%)
Accounts Receivable:				
Due from Province - Ministry of Education	7,029,210	10,043,095	(3,013,885)	(30.01%)
Due from Province - Other	64,800	-	64,800	
Due from First Nations	98,928	-	98,928	
Other	8,773,549	7,699,222	1,074,327	13.95%
Total Financial Assets	\$179,557,665	\$188,194,026	(\$8,636,361)	(4.59%)
Liabilities				
Accounts Payable and Accrued Liabilities:				
Due to Province - Ministry of Education				
Other	\$15,918,252	\$20,757,201	(\$4,838,949)	(23.31%)
Unearned Revenue	13,677,206	11,428,990	2,248,216	19.67%
Deferred Revenue	12,024,897	12,701,078	(676,181)	(5.32%)
Deferred Capital Revenue	814,826,259	779,678,677	35,147,582	4.51%
Employee Future Benefits	11,919,309	12,649,697	(730,388)	(5.77%)
Other Current Liabilities	81,144,248	69,396,793	11,747,455	16.93%
Asset Retirement Obligation	57,207,022	57,207,022	-	0.00%
Total Liabilities	\$1,006,717,193	\$963,819,458	\$42,897,735	4.45%
Net Financial Assets (Debt)	(\$827,159,528)	(\$775,625,432)	(\$51,534,096)	6.64%
Non-Financial Assets				
Tangible Capital Assets	\$1,387,930,887	\$1,352,907,154	\$35,023,733	2.59%
Restricted Assets (Endowments)	800,000	-	800,000	
Prepaid Expenses	2,542,989	2,268,390	274,599	12.11%
Total Non-Financial Assets	\$1,391,273,876	\$1,355,175,544	\$36,098,332	2.66%
Accumulated Surplus (Deficit)	\$564,114,348	\$579,550,112	(\$15,435,765)	(2.66%)

Cash Summary

Cash assets as of June 30, 2023, are categorized as follows:

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Cash Position	June 30, 2023	June 30, 2022	Variance
Bank Deposits	\$73,971,538	\$84,780,385	(\$10,808,847)
Central Deposit - Ministry of Finance	89,619,640	85,671,324	3,948,316
Total Cash and cash equivalents	\$163,591,178	\$170,451,709	(\$6,860,531)

Cash is held in the Operating bank account, the school bank accounts, and in the Provincial Central Deposit Program with the Ministry of Finance. In 2021-2022, the district sold off land resulting in a corresponding cash inflow; no land sales occurred in 2022-2023. In addition, capital expenditures decreased year over year, however, timing differences of staff and vendor payments led to additional cash outflow in the current year. These factors drove a \$6.8 million decrease in cash over the previous year.

Accounts Receivable

Accounts Receivable is made up of three categories: Due from Province-Ministry of Education and Childcare, Due from First Nations and Other. The year-over-year decrease in the Due from Province – Ministry of Education and Childcare relates to the timing of funding received from the province for capital construction projects, coupled with a reduction in capital related activity year over year. The amounts that are receivable from Other are primarily attributable to the timing of Goods and Services Tax (GST) rebates from the Federal Government and School Site Acquisition Charges due from the City of White Rock and Surrey and security deposits held by both cities for construction purposes.

Accounts Payable and Accrued Liabilities

Accounts Payable & Accrued Liabilities is made up of two categories: Due from Province-Ministry of Education and Childcare and Other. The year-over-year decrease in payable to Other of \$4.8 million is primarily due to less accrued construction payments related to capital projects.

Unearned Revenues

Unearned Revenues includes tuition fees received for courses to be delivered in future periods and receipt of proceeds for services or products to be delivered in a future period. The increase of \$2.1 million in Unearned Revenues from the previous year (\$10.9 million at June 30, 2022 vs \$13.0 million at June 30, 2023) is due to increased deposits for 2023-2024 International Student fees as COVID-19 pandemic restrictions subside. In addition, a \$0.1 million increase is applicable in rental deposits for the 2023-2024 fiscal year have been received.

Unearned Revenue	June 30, 2022	Increase to Unearned Revenue	Revenue Recognized in the Period	June 30, 2023
Tuition Fees	\$10,927,621	\$14,557,066	(\$12,414,737)	\$13,069,950
Rental/Lease of Facilities	501,369	3,947,121	(3,841,234)	607,256
Total Unearned Revenue	\$11,428,990	\$18,504,187	(\$16,255,971)	\$13,677,206

Deferred Revenues

Deferred Revenues represent special purpose fund balances, including unspent school generated funds. These amounts will be recognized as revenue and spent in future years as the expenses are incurred. The year-over-year change has balance has remained relatively consistent, with a slight decrease of \$0.7 million due to the timing of expenses incurred for revenue recognition.

Deferred Revenues	June 30, 2022	Increase to Unearned Revenue	Revenue Recognized in the Period	June 30, 2023
Provincial Grants - Ministry of Education	\$3,910,481	\$75,225,912	(\$75,780,135)	\$3,356,258
Provincial Grants - Other	767,327	791,855	(825,274)	733,908
Federal Grants	102,977	12,500	(82,157)	33,320
Other Revenue	7,920,293	19,113,028	(19,131,910)	7,901,411
Investment Income	-	33,130	(33,130)	-
Total Deferred Revenues	\$12,701,078	\$95,176,425	(\$95,852,606)	\$12,024,897

Deferred Capital Revenues

These revenues relate to funds received in support of capital projects. The change in the Deferred Capital Revenue account is shown in the table below:

Deferred Capital Revenues	June 30, 2023	June 30, 2022	Change
Deferred Capital Revenue – Opening Balance	\$779,678,677	\$732,557,868	\$47,120,809
Additions – Funding Received in respect of Capital Projects	73,748,822	78,102,711	(4,353,889)
Current year transfers to revenue (site purchases) and amortization of Deferred Capital Revenue	(38,601,240)	(30,981,902)	(7,619,338)
Closing Deferred Capital Revenue Balance	\$814,826,259	\$779,678,677	\$35,147,582

The closing Deferred Capital Revenue balance includes Work in Progress. The Work in Progress amount as of June 30, 2023, was \$41,958,896 (June 30, 2022: \$75,342,753).

Employee Future Benefits

This liability measures the estimated future costs to the district to provide employee benefits such as retirement allowances, sick pay, and death benefits.

Other Current Liabilities

Other Current Liabilities include Salaries and Benefits Payable, Accrued Vacation Payable and Teachers deferring a portion of their payroll to be paid over the July and August period. The increase of \$11.7 million over the previous year is primarily attributable to additional days of wages incurred but not yet paid for

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unionized staff, as schools ended a week later in June in 2023 vs. 2022, all of which are accrued at a higher rate than prior year due to collective agreement ratifications in 2022-2023, coupled with an increase in employees year over year.

Asset Retirement Obligation

Asset retirement obligations (“ARO”) are defined as costs expected to be incurred as a result of the retirement or disposal of a tangible capital asset (“TCA”). New accounting standards, effective on or after April 1, 2022, stipulate that a liability must be recognized on the statement of financial position when a legal obligation to incur retirement costs in the future exist. Based on analysis performed by the district, an ARO is applicable for buildings with asbestos and/or other hazardous materials in the amount of \$57.2 million.

Tangible Capital Assets and Amortization Expense

The district has an active Capital Project Office and has many active school construction projects. These projects include the construction of new or replacement buildings, upgrades to existing buildings and seismic upgrades. The funds spent on buildings, furniture and equipment, vehicles, and computer hardware and software are capitalized as Tangible Capital Assets. The costs of these assets are recognized over their respective expected useful lives through recording of an Amortization Expense. Furniture and equipment, vehicles, and computer hardware and software are deemed to be disposed of at the end of their useful life.

The district’s Tangible Capital Asset balances are recorded in the schedule below:

	Land/Sites	Building	Furniture and Equipment	Vehicles	Computer Software	Computer Hardware	Work in Progress (WIP)	2023 Total
Cost								
Beginning of year	\$399,242,039	\$1,476,000,818	\$65,134,902	\$10,274,722	\$910,883	\$21,087,475	\$87,021,805	\$2,059,672,644
Additions	4,976,838	33,129,677	11,004,042	1,085,169	-	1,764,997	30,311,437	82,272,160
Disposals	-	(513,526)	-	-	-	-	-	(513,526)
Deemed Disposals	-	-	(3,228,292)	(743,451)	(428,911)	(4,707,040)	-	(9,107,694)
Transfer from / (to) WIP	-	71,836,759	-	-	-	-	(71,836,759)	-
Cost, end of year	\$404,218,877	\$1,580,453,728	\$72,910,652	\$10,616,440	\$481,972	\$18,145,432	\$45,496,483	\$2,132,323,584
Accumulated Amortization								
Beginning Balance	-	\$665,310,831	\$24,415,285	\$4,680,304	\$723,403	\$11,635,667	-	\$706,765,490
Amortization	-	35,239,014	6,902,278	1,044,558	139,286	3,923,291	-	47,248,427
Disposals	-	(513,526)	-	-	-	-	-	(513,526)
Deemed Disposals	-	-	(3,228,292)	(743,451)	(428,911)	(4,707,040)	-	(9,107,694)
Accumulated Amortization - Closing	-	\$700,036,319	\$28,089,271	\$4,981,411	\$433,778	\$10,851,918	-	\$744,392,697
Tangible Capital Assets - Net Book Value	\$404,218,877	\$880,417,409	\$44,821,381	\$5,635,029	\$48,194	\$7,293,514	\$45,496,483	\$1,387,930,887

Prepaid Expenses

Prepaid expenses include Materials and Supplies held in Central Stores for use within the district. The year-over-year increase of \$0.3 million is partially due to the purchasing of materials and supplies for summer work, systems/licenses renewals, and for prepayments of other operational services.

Accumulated Fund Balance (Reserves)

Board Policy 4204: Fiscal Responsibility: Operating Fund Balance, outlines the objective of maintaining a reasonable operating fund balance, in accordance with the Ministry of Education and Childcare's financial health best practices for school districts model. Every entity requires some level of fund balance for cashflow purposes and to respond to unknown/emergent events. The amount that an operating fund balance can be retained is dependent on each district's unique set of circumstances.

For the fiscal year end of June 30, 2023, the net change to the operating fund balance for the year was \$16.8 million, resulting in an ending total accumulated operating fund balance of \$10.6 million.

The operating fund balances were planned, and expenses were curtailed in anticipation of increased risks in the district funding levels that are anticipated for the 2023-2024 school year. Risks identified for 2023-2024 include:

- Capital project contribution costs
- Enrolment uncertainties
- Grant funding uncertainties and possible funding model review
- Inflation and cost pressures, including supply chain issues and government policy changes
- Recruitment and retention challenges
- Efficiency needs and modernization of business systems

	Operating Fund	Special Purpose Fund	Capital Fund	June 30, 2023	June 30, 2022
Accumulated Fund Balance (Deficit), beginning of year	\$27,462,073	-	\$552,088,039	\$579,550,112	\$634,298,855
Prior Period Adjustments					(\$56,431,668)
Changes for the year:					
Surplus (Deficit) for the year	(12,762,602)	4,276,434	(6,949,596)	(15,435,764)	1,682,925
Interfund transfers:					
Tangible Capital Assets Purchased	(4,091,758)	(3,476,434)	7,568,192	-	-
Local Capital				-	-
Net Changes for the year	(\$16,854,360)	\$800,000	\$618,596	(\$15,435,764)	\$1,682,925
Accumulated Fund Balance (Deficit), end of year	\$10,607,713	\$800,000	\$552,706,635	\$564,114,348	\$579,550,112

The accumulated capital fund balance represents the total of "Investment in Capital Assets and Local Capital funds" from Schedule 4 of the supporting schedules to the financial statements. Details of Local Capital can be found in the Statement of Operations: Capital fund of this report.

Allocation of Accumulated Operating Fund Balance

Recommendations to the Board were provided to support the following internal restrictions upon Accumulated Operating Fund Balance. Of the \$10.6 million in the Accumulated Operating Fund Balance, \$6.9 million has been internally restricted for the purposes outlined below.

Description	Amount
To Balance Future Operating Budget	\$5,614,140
Indigenous Learners Education Targeted Funds	\$448,814
Net School Operating Balance	\$390,162
Early Career Mentorship	\$450,735
Allocation of Accumulated Fund Balance	\$6,903,851

The district currently relies on an accumulated operating fund to support its annual operating expenses. Of the accumulated operating fund balance, over 60% is needed to sustain the 2023-2024 recurring operating expenses, leaving approximately \$3.7 million as the current fund balance which is insufficient to address any unanticipated events for the next fiscal year.

Consequently, efforts are underway to align annual operating expenses with annual operating revenues, aiming to maintain a sufficient unrestricted reserve fund of at least 3% of operating revenues. This fund will serve to handle unexpected situations without causing any disruptions to educational or operational service.

STATEMENT OF OPERATIONS - CONSOLIDATED

The Statement of Operations summarizes an entity's revenues, expenses, and surplus (deficit) over the entire reporting period. The district's Statement of Operations is reported as a consolidation of the three funds: Operating, Special Purpose, and Capital. Each fund is reviewed separately.

	2023 Budget	2023 Actual	Variance to Budget	2022 Actual	Variance to 2022
Revenue:					
Provincial Grants - Ministry of Education	\$858,180,215	\$875,406,640	\$17,226,425	\$800,523,888	\$74,882,752
Provincial Grants - Other	821,444	1,212,867	391,423	1,278,406	(65,539)
Municipal Grants Spent on Sites	2,410,000	2,444,943	34,943	-	2,444,943
Federal Grants	3,622,744	3,567,509	(55,235)	2,787,204	780,305
Tuition	11,993,747	12,414,737	420,990	11,640,585	774,152
Other Revenue	15,771,118	22,628,645	6,857,527	17,062,611	5,566,034
Rentals And Leases	3,221,101	3,841,234	620,133	2,915,786	925,448
Investment Income	4,692,000	5,154,427	462,427	1,410,833	3,743,594
Gain (Loss) on Disposal Of Tangible Capital Assets	73,088	73,088	-	27,933,827	(27,860,739)
Amortization of Deferred Capital Revenues	33,507,042	33,711,301	204,259	31,377,496	2,333,805
Total Revenue	\$934,292,499	\$960,455,391	\$26,162,892	\$896,930,636	\$63,524,755
Expense:					
Instruction	\$793,616,117	\$816,901,588	\$23,285,471	\$746,918,686	\$69,982,902
District Administration	21,155,251	18,346,806	(2,808,445)	16,530,056	1,816,750
Operations & Maintenance	134,880,422	133,423,479	(1,456,943)	124,495,752	8,927,727
Transportation and Housing	8,601,855	8,019,282	(582,573)	7,303,217	716,065
Total Expense	\$958,253,645	\$976,691,155	\$18,437,510	\$895,247,711	\$81,443,444
Surplus (Deficit) for the year	(\$23,961,146)	(\$16,235,764)	\$7,725,381	\$1,682,925	(\$17,918,689)
Endowment Contributions	-	800,000	800,000	-	800,000
Surplus (Deficit) for the year	(\$23,961,146)	(\$15,435,764)	\$8,525,381	\$1,682,925	(\$17,118,689)

STATEMENT OF OPERATIONS: OPERATING FUND

This statement reflects the day-to-day operations of the district. The following schedule compares the results for the period ending June 30, 2023, to the budget for the year and the prior year actual results.

	Budget 2023	Actual 2023	Variance to Budget	Actual 2022	Variance to 2022
Revenues:					
Provincial Grants - Ministry of Education	\$785,569,043	\$797,181,509	\$11,612,466	\$741,667,653	\$55,513,856
Provincial Grants - Other	376,500	387,593	11,093	577,100	(189,507)
Federal Grants	3,517,349	3,485,352	(31,997)	2,747,935	737,417
Tuition	11,993,747	12,414,737	420,990	11,640,585	774,152
Other Revenue	2,205,485	2,886,705	681,220	3,639,624	(752,919)
Rentals And Leases	3,116,101	3,734,334	618,233	2,797,586	936,748
Investment Income	3,900,000	4,213,724	313,724	1,199,596	3,014,128
Total Revenue	\$810,678,225	\$824,303,954	\$13,625,729	\$764,270,079	\$60,033,875
Expenses:					
Salaries					
Teachers	\$386,843,207	\$389,050,224	\$2,207,017	\$367,534,636	\$21,515,588
Principals and Vice-Principals	37,383,089	37,332,281	(50,808)	35,552,327	1,779,954
Educational Assistants	79,485,925	80,454,872	968,947	73,690,035	6,764,837
Support Staff	63,295,780	64,010,517	714,737	60,606,444	3,404,073
Other Professionals	12,926,928	12,797,002	(129,926)	11,800,400	996,602
Substitutes	31,072,406	34,069,633	2,997,227	30,581,280	3,488,353
Total Salaries	\$611,007,335	\$617,714,529	\$6,707,194	\$579,765,122	\$37,949,407
Employee Benefits	145,992,703	150,096,829	4,104,126	138,186,439	11,910,390
Total Salaries And Benefits	\$757,000,038	\$767,811,358	\$10,811,320	\$717,951,561	\$49,859,797
Services and Supplies:					
Services	\$24,477,112	\$22,100,865	(\$2,376,247)	\$18,914,109	\$3,186,756
Student Transportation	7,080,406	6,869,148	(211,258)	6,009,350	859,798
Professional Development and Travel	3,289,820	2,236,746	(1,053,074)	1,354,576	882,170
Rentals and Leases	1,063,571	979,532	(84,039)	926,233	53,299
Dues and Fees	1,325,882	1,361,156	35,274	1,281,635	79,521
Insurance	1,577,699	1,807,215	229,516	1,547,844	259,371
Supplies	21,100,702	20,995,078	(105,624)	19,087,011	1,908,067
Utilities	12,998,252	12,905,458	(92,794)	12,531,937	373,521
Total Services and Supplies	\$72,913,444	\$69,255,198	(\$3,658,246)	\$61,652,695	\$7,602,503
Total Operating Expense	\$829,913,482	\$837,066,556	\$7,153,074	\$779,604,256	\$57,462,300
Surplus (Deficit) for the year	(\$19,235,257)	(\$12,762,602)	\$6,472,654	(\$15,334,177)	\$2,571,575

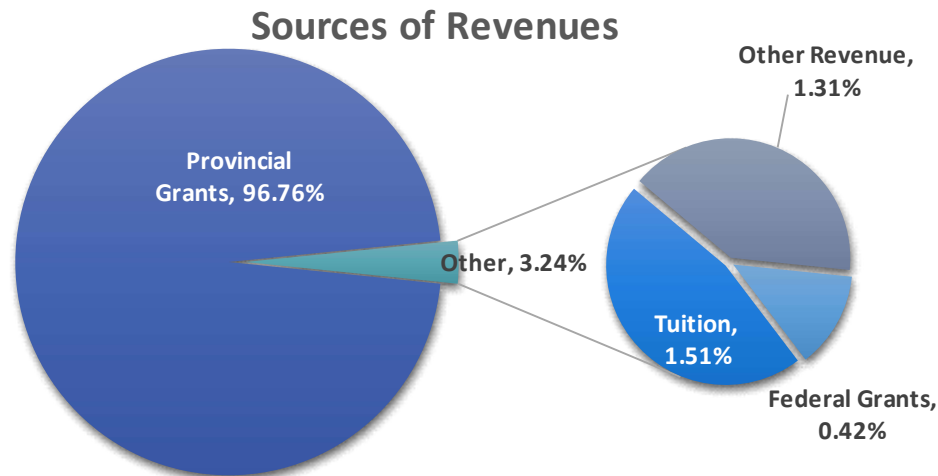
Overview:

For the fiscal 2022 – 2023, the district's operations resulted in a deficit of \$12.7 million which is an improvement of \$6.4 million from the budgeted deficit and \$2.5 million year – over – year. This is the second consecutive year in which the district has experienced an operating deficit, leading to the use of its accumulated operating surplus balance. The district is working towards ensuring long term financial stability via targeting a minimum fund balance of approximately 3% of annual operating revenues, aligning annual expenses and revenues, and optimizing its budgetary allocations.

The discussion below provides further contextual analytics on the current year of operations.

Revenues:

The district receives 96.76% of its operating revenues from the Provincial Government with 3.24% received through tuition fees, other revenues, and some federal grants.



Analysis of Major Changes in Operating Revenue:

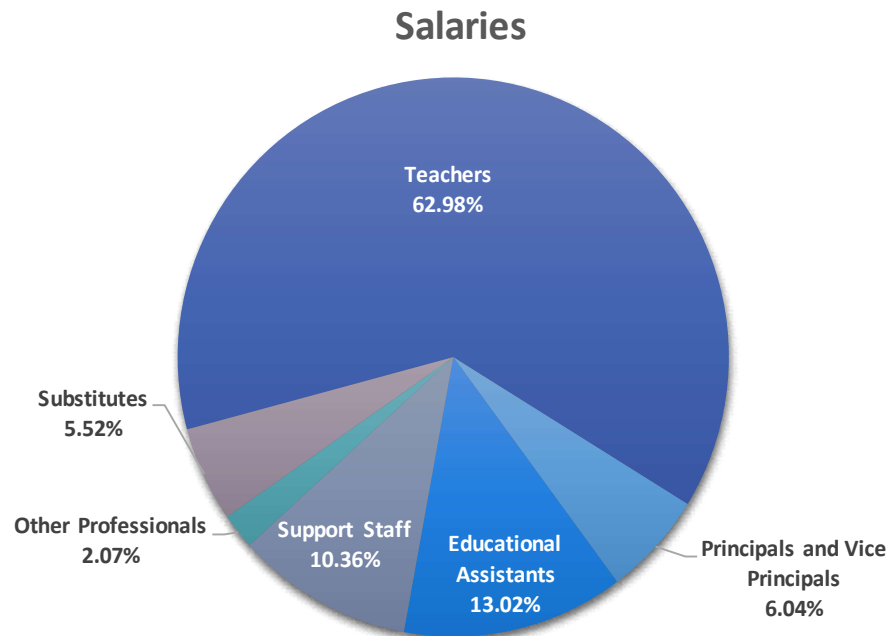
Revenue	Actual to Budget Comparison	2023 to 2022 Comparison
Provincial Grants (MOE and Other)	Operating grant revenue exceeded budget due to higher than projected Feb 2023, May 2023 enrolment, and timing differences between union agreement ratification and provision of funding from the Ministry.	Year-over year increase results primarily from student growth and wage settlement funding from new collective agreements.
Federal Grants	In line with budget expectations.	Increased from the prior year due to additional federal funding for the Settlement Workers in Schools Program.
Tuition Revenue	Tuition revenue exceeded budget due to more international students than anticipated.	Increased tuition revenue from the previous year mainly due to recovery of international student enrolment as pandemic restrictions lifted.
Other Revenue	Revenue exceeded budget mainly due to greater than anticipated revenues generated from school teaching kitchen and filming events.	Decreased due to one-time prior year revenue from the Surrey Principals & Vice Principals Association for which ongoing expenses to be managed by the district.
Rentals and Leases	Revenue exceeded budget due to greater than anticipated recovery in facility and Bell Centre rental activities.	Increased from prior year due to a full year of facility and Bell Centre rentals after pandemic restrictions.
Investment Income	Revenue exceed budget due to greater than anticipated rising of interest rates.	Increased from prior year due rising interest rates throughout the year.

Expenses:

Salaries Expenses

As a percentage of operating revenues, labour costs amount to 93.15% versus 93.94% in the prior year.

As shown in the chart below, the bulk of the salaries paid by the district is for Teachers, followed by Educational Assistants, and then Support Staff.



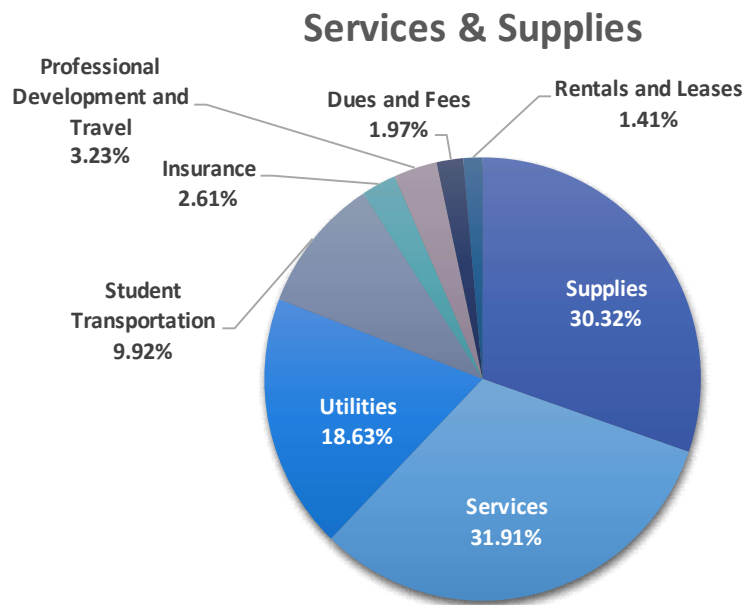
Labour Expense - Variance Analysis Explanations

Labour Expense	Actual to Budget Comparison	2023 to 2022 Comparison
Teachers	Teacher salaries were over budget by \$2.2 million due to greater expenses resulting from an unanticipated change in collective agreement language after the initial ratification of the agreement, unused teacher preparation time, and increased teacher time required for Adult Continuing Education based on increased enrolment.	The \$18 million increase from the prior year was primarily due to wage lifts per the new collective agreement, and additional positions based on increased student enrolment.
Principals & Vice Principals	In line with budget expectations.	The increase of \$1.8 million from the prior year is primarily attributable to the annual wage lift and additional positions due to increased enrolment.
Educational Assistants	Educational Assistants salary expenses were slightly over budget by \$0.9 million due to increased usage based on enrolment.	The \$6.8 million increase from the prior year is from attributable to wage increases from the new

		collective agreement and additional positions due to special needs student growth.
Support Staff	Support Staff salaries were over budget by \$0.7 million due to fewer than anticipated unfilled positions and additional costs for snow removal during winter.	The increase of \$3.4 million is mainly attributable to the wage increases from the new collective agreement and additional positions.
Other Professionals	In line with budget expectations.	The increase of \$1.0 million over the previous year is primarily due to wage increases and additional positions.
Substitutes	Substitute expenses were over budget by \$3.0 million mainly due to greater than anticipated replacement needs for Teachers and Educational Assistants.	The increase of \$3.5 million over the previous year is mainly due to salary increases from new collective agreements.
Employee Benefits	Benefit costs were \$4.1 million over budget due to higher than budgeted salary expenses and benefit improvements from the new collective agreements.	The increase of \$12 million over the previous year is mainly attributed to increased salary expenses and benefit improvements.

Services and Supplies

As shown previously, the bulk of the district's operating budget is used to cover Salary and Benefit costs with 7.90% remaining to support Services & Supplies. The chart below shows the allocation of Services & Supplies:



Operating Expense by Object – Variance Analysis Explanations

Operating Expenses by Object	Actual to Budget Comparison	2023 to 2022 Comparison
Services	Services were under budget by \$2.4 million due primarily to savings from the Next Generation Network program passed along to the district from the province. Savings were also realized in various external consultant contracts, photocopier costs at the school level, less site preparation and remediation costs for portable moves and other various services throughout the district.	Services expenses were \$3.2 million greater than the previous year mainly due to more portable moves (\$1.6 million), software agreements (\$0.8 million), increased maintenance, legal contract costs as well as an increase in agent commission fees due to growth in international enrolment year-over year (\$0.8 million).
Student Transportation	Student transportation was under budget by \$0.2 million due to fewer than budgeted district field trips funds utilized.	Student transportation expenses were \$0.8 million more than the previous year due to higher number of students with special needs enrolled for transportation as well as higher contractual costs related to fuel surcharge.
Professional Development & Travel	Under budget \$1.0 million due to slower than anticipated resumption of professional development activities.	\$1.0 million greater than the previous year due to the resuming of some professional development and local travel activities after the lifting of the pandemic restrictions.
Rental & Leases	In line with budget expectations.	No significant variance from the prior year.
Dues & Fees	In line with budget expectations.	No significant variance from the prior year.
Insurance	Insurance costs were over budget \$0.2 million primarily due to higher than anticipated uninsured losses.	\$0.3 million greater than prior year due to higher insurance premiums.
Supplies	In line with budget expectations.	\$1.9 million greater than the previous year, mainly due to replacement of air quality filters, increased school-based expenditures based on greater facility rental profit-sharing vs. prior year, coupled with inflationary impact on supplies.
Utilities	In line with budget expectations.	Utilities expenses were \$0.4 million greater than the previous year mainly due to higher natural gas rate increase – coupled with cold weather events, price increase for water; offset slightly by various electrical rebates.
Net Transfers to/from Other Funds	Capital purchases were \$0.2 million above budget due to additional vehicle purchases required.	Transfers were \$0.5 million more than the previous year due to more classroom equipment & office furniture purchases.

STATEMENT OF OPERATIONS: SPECIAL PURPOSE FUND

The Special Purpose Fund consists of grants and donations received by the district that are to be specifically designated or targeted towards a specific program or activity. Any unspent fund balances represent the value of Deferred Revenue, on the Statement of Financial Position.

The table below details the funding available, received, and expended on the special purpose grants for fiscal 2023:

MINISTRY OF EDUCATION FUNDING			
Funding Source	FY 2023 Funding Available	FY 2023 Revenue & Expenses	Intended Use
Annual Facilities Grant	2,371,470	2,371,470	Maintenance of Facility Assets
Classroom Enhancement Fund	56,073,087	56,073,085	Classroom Enhancement
Student & Family Affordability	7,385,112	5,460,883	Food Security and Family Assistance
CommunityLINK	4,896,444	4,676,574	Community based expenditures
Learning Improvement Fund	2,622,632	2,622,632	Complex classes that present challenging learning conditions
Provincial Resource Programs	1,101,349	1,057,585	Mental Health & Educational Programming
Early Learning Programs	1,530,931	1,389,957	Early learning development support
Federal Safe Return to Class/Ventilation Fund	1,023,735	1,023,735	Covid funding
French Immersion Growth	1,282,500	465,262	Funds for French Immersion Growth
OLEP	791,264	620,305	French programs
Early Childhood Education Dual Credit Program	90,000	86,692	Early learning development support
Mental Health in Schools	50,639	50,639	Mental Health
First Nation Student Transportation	42,972	28,830	Transportation needs for First Nation students.
Rapid Response Fund	44,595	-	Covid-19 Safety Plans
OTHER PROVINCIAL/FEDERAL GOVERNMENT			
Funding Source	FY 2023 Funding Available	FY 2023 Revenue & Expenses	Intended Use
Indigenous Ed Windspeaker	105,395	82,157	Indigenous Learner's education program
Gang Prevention (BC)	700,983	550,343	Gang preventions
Discover Trades	873	873	Trades Supplies
DONORS			
Funding Source	FY 2023 Funding Available	FY 2023 Revenue & Expenses	Intended Use
Community Schools Other	2,295,766	506,543	Community school initiatives
Donations	3,093,228	1,708,612	Instructional activities
Scholarships and Bursaries	1,191,465	344,732	Scholarships & Bursaries
OTHER			
Funding Source	FY 2023 Funding Available	FY 2023 Revenue & Expenses	Intended Use
School Generated Funds	19,947,006	15,803,480	School purchases
PAC Contributions	535,340	333,337	School purchases
Safe Schools Programs	635,997	566,180	Gang preventions
Physical Health Education	64,721	28,700	Physical health education

STATEMENT OF OPERATIONS: CAPITAL FUNDS

The district's Capital Funds are made up of Local Capital, Ministry Restricted Capital, Land Capital, and Other Provincial Capital Funds.

The specific balances in the Capital funds are presented in the table below:

Capital Fund	June 30, 2023	June 30, 2022	Variance
Local Capital	\$22,676,702	\$24,846,126	(\$2,169,424)
Ministry Restricted Capital	3,765,342	3,454,081	311,261
Land Capital	8,205,075	7,432,227	772,848
Other Provincial Capital	2,161,905	334,145	1,827,760
Total Capital Fund	\$36,809,024	\$36,066,579	\$742,445

Local Capital

These are funds generated by the District generally through transfers from the Operating Fund or sale of assets and are used for capital expenditures as determined by the District. Local capital decreased by \$2.2 million mainly due to telecommunications upgrade \$1.8 million, district contributions to capital projects \$0.7 million and school improvements \$0.1 million, offset by climate action funding of \$0.4 million.

Funds Restricted in Local Capital

All funds in the local capital fund are restricted. The School District has \$22.7 million in Local Capital Reserve funds. The local capital funds are used to pay for capital asset acquisitions and act as a source of funding to pay for asset renewal and maintenance for District's assets not otherwise funded by other Provincial programs such as the Annual Facility Grant (AFG) or School Enhancement Program (SEP). The activity in the Local Capital Reserve can be explained in the table below:

Project	June 30, 2023	June 30, 2022	Variance
District Contributions toward Major Capital Projects (includes contingency for project overruns)	\$19,129,730	\$19,868,325	(\$738,595)
Telecommunications Upgrade	1,059,249	2,836,625	(1,777,376)
Climate Action Initiatives	1,274,318	842,400	431,918
School Improvements and Minor Capital Construction	1,213,404	1,298,776	(85,372)
Total Funds Restricted in Local Capital	\$22,676,701	\$24,846,126	(\$2,169,425)

Existing commitments on the \$22.7 million of local capital funds amount to \$19.7 million and reflect various capital projects including district contributions towards major capital projects, with \$3.0 million reserved for future capital project use.

Ministry Restricted Capital

These funds are generally the proceeds from surplus Bylaw Capital projects, and/or proceeds from disposal of capital assets that were funded from the Ministry. The balance increased by \$0.3 million due to sale of asset for \$0.2 million and investment income of \$0.1 million.

Land Capital

These are funds received from the Cities of Surrey and White Rock for School Site Acquisition charges. The increase of \$0.8 million is attributable to funds received for school site acquisition charges \$2.9 million and investment income \$0.3 million offset by site purchases \$2.4 million.

Other Provincial Capital

Grants received from the Province to support capital initiatives increased by net \$1.8 million. \$3.5 million additional funds were received for childcare spaces, offset by \$1.6 million in capital additions for the childcare spaces.

ACTIVE CAPITAL PROJECTS

The district has several projects underway at various stages of progress.

Active Projects in Construction and Design during the 2022-2023 fiscal year at June 30, 2023:

Capital Project	Column1	Date of Approval	Design Complete	Construction Completion	Target Occupancy
184 - Maddaugh Road Elementary	25-Classroom New School	Oct 7, 2016	100% Complete	Substantially Complete	Mar-21
177 - Grandview Heights Secondary	60-Classroom New School	Oct 10, 2016	100% Complete	Substantially Complete	Aug-21
021 - Sullivan Elementary	8-Classroom Addition	Mar 18, 2017	100% Complete	Substantially Complete	Aug-21
218 - Regent Road Elementary	27-Classroom New School	Aug 9, 2017	100% Complete	Substantially Complete	Aug-22
180 - Douglas Elementary	25-Classroom New School	Apr 30, 2018	100% Complete	Substantially Complete	Nov-20
164 - Sullivan Heights Secondary	28-Classroom Addition	July 10, 2018	100% Complete	Substantially Complete	Aug-22
188 - Morgan Elementary	8-Classroom Addition	Jul 04, 2019	100% Complete	Substantially Complete	Apr-23
081 - Holly Elementary	Seismic Upgrade	Aug 27, 2019	100% Complete	Substantially Complete	Apr-22
090 - George Greenaway Elementary	Seismic Upgrade	Aug 27, 2019	100% Complete	Substantially Complete	Apr-22
202 - Sunnyside Elementary	10-Classroom Addition	Jan 01, 2020	100% Complete	Substantially Complete	Nov-22
027 - Ta'talu Elementary (Site 207)	New	Apr 15, 2020	100% Complete	49%	Sep-24
044 - Prince Charles Elementary	Seismic Upgrade	Apr 22, 2020	100% Complete	Substantially Complete	May-23
022 - Queen Elizabeth Secondary	Seismic Upgrade	Jul 16, 2020	100% Complete	Substantially Complete	May-23
040 - K B Woodward Elementary	8-Classroom Addition	Jul 27, 2020	100% Complete	93%	Jun-23
115 - Snokomish Elementary	New	Apr 15, 2021	00-Jan	starting in August 2023	Apr-25
009 - White Rock Elementary	8-Classroom Addition	Jun 16, 2021	100% Complete	Substantially Complete	Feb-23
161 - Semiahmoo Trail	Classroom Addition	Aug 25, 2021	95%	starting in Sep 2023	Dec-24
118 - South Meridian	Classroom Addition	Aug 25, 2021	100% Complete	starting in July 2023	Dec-24
150 - Tamanawis	Addition	May 10, 2023	2%		Feb-28
047 - Guildford Park Secondary	Addition	Jun 09, 2023	2%		Apr-28
048 - Kwantlen Park Secondary	20 - Classroom Addition	Feb 22, 2023	29%		Jun-27

Future Developments

- Fleetwood Park Secondary Addition – Project definition report stage
- Clayton Heights Secondary Addition – Project definition report stage
- Forsyth Road Addition – Project definition report stage
- S. Newton – Pending Ministry approval to purchase land
- Anniedale Area – Approved, pending Ministry funding

FUTURE CONSIDERATIONS – RISKS AND OPPORTUNITIES

Financial Sustainability

Operating deficit spending occurs largely due to steady increases in expenditures with a relatively flat revenue stream. Each year this deficit spending erodes the district's fund balance. To support its mission, vision, and strategic plan, the district will continue on the course correction of enhanced reporting and forecasting to optimize budgetary resource allocations, strict adherence to the alignment of annual expenses with annual revenues, building a target fund balance to address any unanticipated events, and focus on appropriate budget management as a performance review metric for applicable employees.

Recruitment, Retention and Attraction

We anticipate that the district will continue to experience enrolment growth in the coming years based on migration trends, coupled with the Fleetwood expansion. Continuous growth presents ongoing challenges to both instructional space and staffing capacity. The district will need to continue recruiting teaching and other staff. Recruiting challenges include a lack of qualified candidates for some specialized roles and the continual need to maintain enough Teachers on Call and casual replacement staff to fill in for absences.

Succession planning of key roles is required to adequately plan for and replace potential vacancies in key management, teaching, principal, and vice principal positions. Ongoing efforts are underway to build professional capacity, and to ensure key roles are adequately trained.

Capital Projects Financing

Despite new school openings and additions that have added capacity for several thousand new students since 2018, the district's capital plan continues to identify the need for additional schools, school additions and site acquisitions, driven by the anticipated continued enrolment growth. We work closely with the Ministry of Education and Childcare and have been able to provide significant contributions through the current process of jointly financing school construction projects between the Province and the District. As the district's financial reserves decline, we anticipate that our ability to contribute to joint funding of capital projects may be challenged.

Technology Requirements

The pandemic environment served as a catalyst to transform our use of technology to ensure continuity of instruction. Now, students, staff, teachers, and community members are looking to the district to continue to provide modern, robust, technological solutions both centrally and in our schools. As the district continues to grow, there is a need to address our legacy systems to modernize and gain better operational efficiencies and more real time reporting on student progress. Providing the needed technological infrastructure changes requires increased financial resources.

Cyber Security

In today's digital world, a potential cyber-attack is a threat. As systems and infrastructure age, the threat increases. Systems must be kept current to mitigate cyber threats and to run our operations efficiently. The district must carefully monitor operations and educate staff and students about cyber security to ensure that our systems and information are securely protected. Keeping up with the rapid pace of technological change will require additional technical expertise and financial resources that will increase budgetary pressures.

Inflation and Cost Pressures

As with most organizations, the district continues to adjust to inflationary cost increases. As costs maintain an upward trend, provincial grant funding remains in that it does not cover inflationary factors. As this trend continues, the district may require the need to adjust service or program levels accordingly.

CONTACTING MANAGEMENT

This financial report is intended to provide the School District's stakeholders with general information on the financial operations of the district for the financial period ending June 30, 2023.

If you have any questions about this financial report, please contact the Office of the Secretary Treasurer at 604-596-7733.

We encourage you to visit and review the Board's strategic vision and plan at <https://www.surreyschools.ca/About/Pages/default.aspx>