



FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2025

AS PRESENTED SEPTEMBER 2025

TABLE OF CONTENTS

Introduction	2
Overview of the School District	2
Strategic Plan, guiding principles and Mission.....	3
School District Vision and Values.....	4
Schools.....	4
Composition of the Financial Statements	5
Statement of Financial Position (Statement 1).....	6
Statement of Operations (Statement 2).....	14
Operating Fund (Schedule 2 – 2C).....	24
Special Purpose Funds (Schedule 3 – 3A).....	26
Capital Fund (Schedule 4 – 4D).....	27
Summary and other Significant Matters	28
Contacting Management	28
Appendix A – Financial Statement Definitions.....	29



INTRODUCTION

This is a discussion and analysis of the financial statements for Nicola-Similkameen Public Schools (SD No. 58, the 'District') for the fiscal year ended June 30, 2025. This report should be read in combination with the District's consolidated financial statements of the same period.

The purpose of the Financial Statement Discussion & Analysis (FSDA) is to highlight information and provide explanations which enhance the reader's understanding of the School District's financial statements as well as factors that influenced the financial results. This report is a summary of the District's financial activities, based on currently known facts, decisions, and conditions. The statements illustrate, in financial terms, how resources have been allocated and consumed during the fiscal year.

The preparation of this financial statement discussion and analysis is management's responsibility. All dollar amounts are reported to the nearest thousand.

SCHOOL DISTRICT OVERVIEW

Located in the Similkameen and Nicola valleys, the School District serves six First Nations, the Metis peoples, the Town of Princeton, Regional District of Okanagan Similkameen (RDOS), the City of Merritt, and the Thompson Nicola Regional District (TNRD) spread throughout the Similkameen and Nicola valleys. The District provides educational services to approximately 2,400 students, which includes the School District's online learning program for students across the Province of BC. Services include Indigenous Education Program; French Immersion; Youth Work in Trades; secondary apprenticeships; sports; Distributed Online Learning; and Alternative Programming. The District operates within the traditional and unceded territories of the Nl̓eʔkəpmx and Syilx people and it values the knowledge of, and contributions by, our Métis Communities in both Princeton and Merritt. The District is working to increase awareness, understanding and integration of Indigenous culture, history and language in all our schools; it is part of the School District's ongoing commitment to Truth and Reconciliation.

The governing body of the School District is a Board of Education made up of seven trustees who are each elected for a four-year term. Two trustees are elected in the Town of Princeton, one trustee elected in the Regional District of Okanagan Similkameen, three elected in the City of Merritt, and one trustee elected in the Thompson Nicola Regional District. The District's day-to-day operations are carried out by the administrative staff of the School District under the leadership of the Superintendent of Schools (the District's Chief Executive Officer) and, the Secretary Treasurer (the District's Chief Financial Officer).

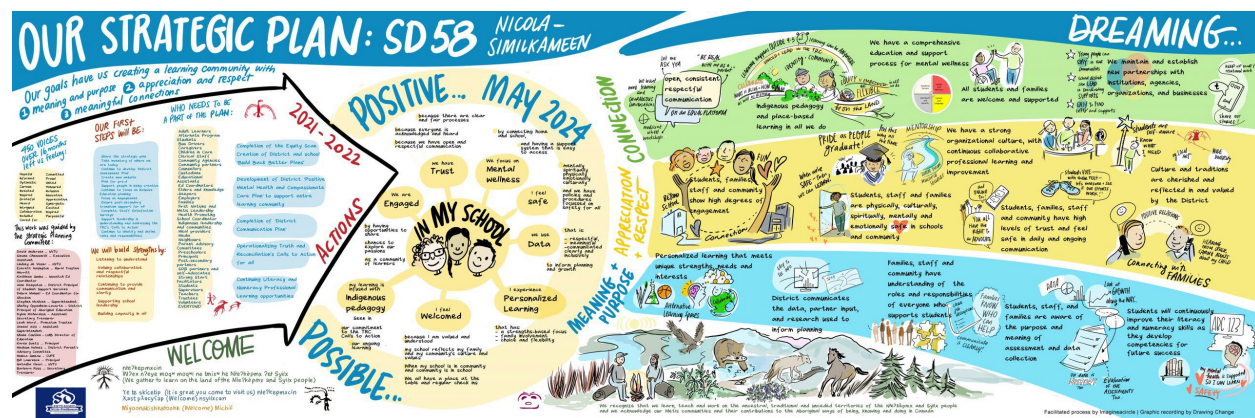
STRATEGIC PLAN

In June 2021, the School District completed its Strategic Plan, in consultation with our partner groups—a group represented by more than 450 voices. While the full Strategic Plan is available on the School District's website, www.SD58.bc.ca, it's three priorities include:

1. **Meaning & Purpose.** Engage our learning community through a common understanding and commitment to the purpose and pursuit of student success.
2. **Appreciation & Respect.** Creating a culture of care built on respect and appreciation
3. **Connection.** Build capacity by connecting students, families, staff and the greater community to learning.

The Board of Education has extended the Strategic Plan to 2026 in light of the operational setbacks resulting from the pandemic, wildfires, and the overland flooding events through the past few years. The guiding principles behind the Strategic Plan include:

1. Innovation & promising educational practices
2. Inclusion, equity, dignity and diversity
3. Relationships built on trust & mutual respect
4. The well-being of student, families, staff, and the community
5. The pursuit of excellence, personal best, and citizenship
6. The heritage and culture of Indigenous people and the recognition of the traditional territories of the Nl̓eʔképmx and Syilx peoples
7. The important role families have in their children's education



MISSION

- Supporting excellence in teaching and learning.
- Challenging and supporting staff and our students to pursue their personal best.
- Recognizing and celebrating cultural diversity and the heritage of our communities.
- Encouraging parental involvement with students at home and school through meaningful relationships with families and communities.

- Fostering resilience, resourcefulness, respect and independence.
- Inspiring curiosity, creativity and critical thinking in all students and staff to achieve their full potential.
- Recruiting the best qualified personnel, providing ongoing, systematic professional development, and retaining outstanding staff.
- Providing timely, relevant, and useful information and data to students, staff, parents, and partner groups.

VISION

Success for all learners, today and tomorrow.

VALUES

- **Inclusive** education and partnerships.
- The **diversity** of our communities.
- **Fairness** and **due process** in decision making.
- The **heritage** and **culture** of Aboriginal (Inuit, Indian and Metis) and First Nations people, with **recognition** of the traditional territory of the local Nłeʔképmx and Syilx people.
- The **dignity** of all individuals.
- The important role of parents and caregivers in **support** of their child's education.
- The pursuit of **excellence** and **personal** best.
- The **well-being** of students and staff.
- Parental and student **choice with respect to how, when, and where learning takes place**.
- Responsible **Citizenship**.
- Regular, effective, and relevant communications.
- Positive relationships based on trust and mutual respect.
- Innovation and promising educational practices.

SCHOOLS

Elementary Schools

- Diamond Vale Elementary School
- École Élémentaire Collettsville School
- John Allison Elementary School
- Merrit Bench Elementary School
- Merritt Central Elementary School
- Nicola Canford Elementary School
- Vermillion Forks Elementary School

Secondary Schools

- Merritt Secondary School
- Princeton Secondary School

Alternate Programs

- Community Learning Centre (Merritt Alternate)
- The Bridge (Princeton Alternate)

Distributed Learning (Online)

- South Central Interior Distance Education School (SCIDES)



COMPOSITION OF THE FINANCIAL STATEMENTS

School District financial statements are prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.



This Section requires that the financial statements be prepared in accordance with Canadian public sector accounting standards, except regarding the accounting for government transfers.

To understand financial performance, it is important to understand that the Financial Statements are broken up into three distinct areas: 1) Operating Fund, 2) Special Purpose Funds, 3) Capital Funds.

The financial discussion and analysis should not be viewed as a stand-alone document and should be read with a copy of the School District's audited financial statements for the same fiscal year...

The presentation of the School District's financial statements begins with Statements 1 through 5. After the presentation of Statements 1-5 are the Notes to the Financial Statements, which are followed by Schedules 1 through 4. While Statements 1-5 are comprised of consolidated financial information, the Schedules include more details specific to each of the three areas, providing increased transparency and accountability. The balances reported in the Schedules, when consolidated, are consistent with the balances reported in Statements 1-5. Please refer to 'Appendix A - Financial Statement Definitions', for explanations on the Statements and Schedules contained within the Financial Statements.

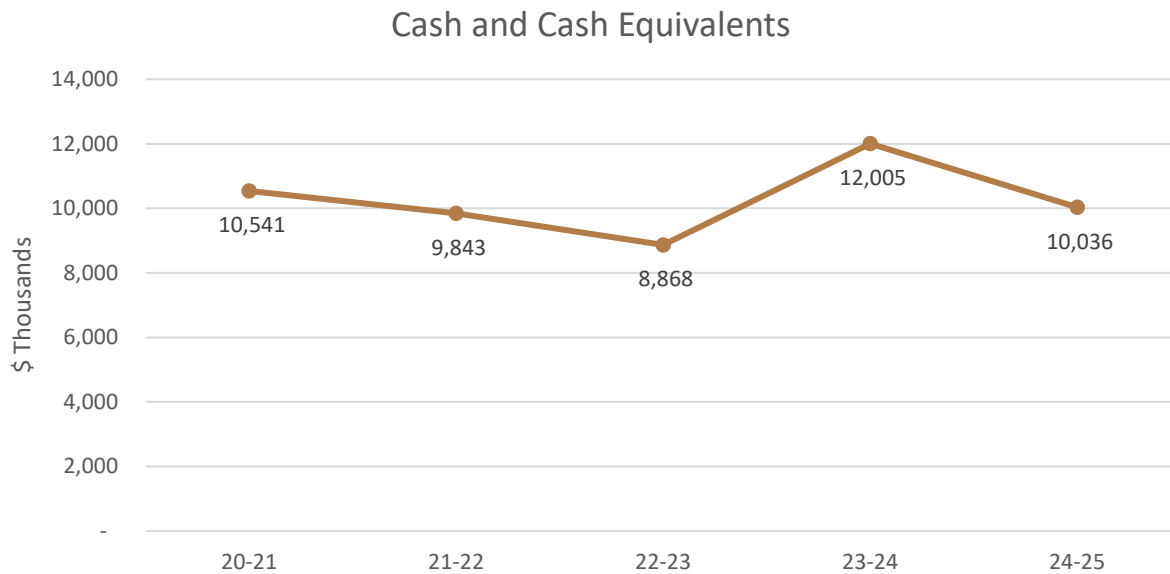
FINANCIAL ANALYSIS

The financial discussion and analysis should not be viewed as a stand-alone document and should be read with a copy of the School District's audited financial statements for the same fiscal year. A copy of the financial statements can be downloaded at [Budget & Financial Statements - SD58 Nicola-Similkameen](#).

STATEMENT OF FINANCIAL POSITION (Statement 1)

The statement of financial position must report net debt and the accumulated surplus (deficit). Together these two indicators explain the District's financial position at the end of the reporting period. The difference between financial assets and liabilities is reported as the measure of the District's net debt. The statement of financial position must report non-financial assets below the net debt indicator. The sum of the government's net debt and its non-financial assets is accounted for and reported as the accumulated surplus (deficit) of the District at the end of the accounting period. This represents the government's net assets.

The District's net assets are down \$3,074,821 from last year. Cash and cash equivalents (charted below), are showing a significant drop from last year. As you can see by the trend line, 2024 had an influx of cash which can be attributed to increased spending that occurred with mitigation of the overland flooding events, and the new childcare centre that was under continued construction in Princeton at the former Riverside school campus. If the anomalous year is removed, cash and cash equivalents show an increase which is likely due to increased student numbers and Ministry grants.



District Liabilities increased by \$10.5 million when compared to last year, as indicated in the chart below.

In Thousands	2025	2024	Change
Accounts Payable and Accrued Liabilities	\$ 4,188	\$ 3,775	\$ 413
Unearned Revenue	-	-	-
Deferred Revenue	1,988	1,739	249
Deferred Capital Revenue	36,357	29,713	6,644
Employee Future Benefits	1,325	1,323	2
Asset Retirement Obligation	4,714	1,509	3,205
Total	\$ 48,572	\$ 38,059	\$ 10,513

Statement 1 (Statement of Financial Position)

Accounts Payable liability increase of \$413,043 is due to the timing of June payrolls and liability obligations to Receiver General and other benefit companies for the most part.

Deferred Revenue is the unspent portion of revenue explicit for externally restricted programs where the grants and revenue received must be spent in accordance with each program's guidelines. These programs include but are not limited to Community Link, Strong Start, Ready Set Learn, Early Care & Learning, After School Sport and Arts, and include School Generated Funds. Deferred revenue has increased \$249,291 since last year.

Deferred Capital Revenue is closely linked to the tangible capital asset balance. Revenue used in the acquisition of the School District's assets is amortized over the expected life of respective capital

assets. Of the District's \$45.5 million in tangible capital assets (Statement 1), \$36.4 million represents deferred capital revenue that is yet to be recognized, or amortized, over the remaining expected life of the District's assets. Deferred Capital Revenue has increased \$6,643,424, mainly due to the new childcare centre built in Princeton on the former Riverside campus. This project is now essentially complete.

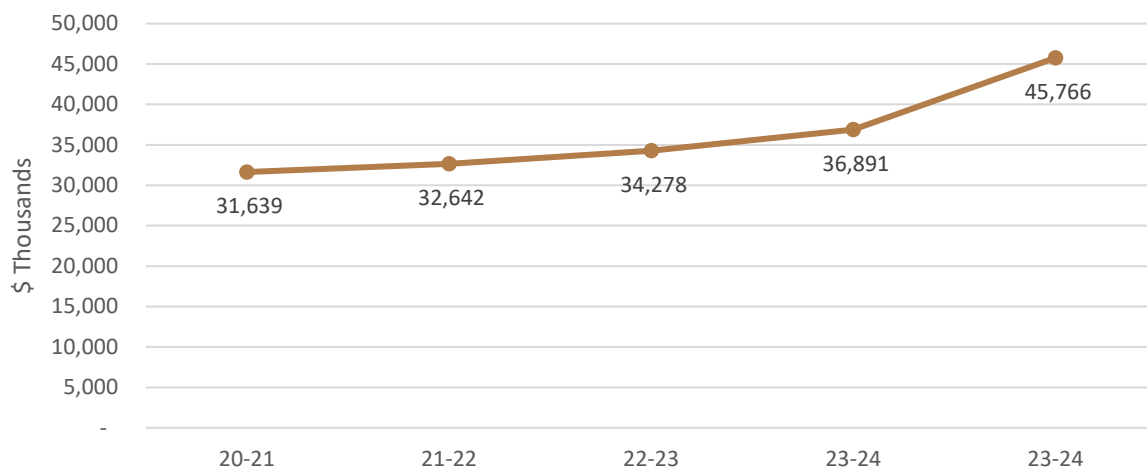
The Employee Future Benefits Liability of \$1.3 million is represented by the total benefits (Ex: retirement, vacation etc.) owed to current employees, recognizing past work completed as well as an estimation for future expected payments. As employees leave the employment of the School District, this liability is reduced. An actuarial tool, that is updated every three years, is used to calculate this liability, factoring in assumptions such as total employees, age, length of service, amongst other established actuarial assumptions.

Asset Retirement Obligation (ARO) is a liability that is associated with the eventual retirement of a fixed asset. The liability for ARO is commonly a legal requirement to return a site to its previous condition. Some examples of these costs include the remediation of hazardous materials such as asbestos, vermiculite, and oil containers. The \$3.2 million increase in ARO represents an update in the estimated cost to remediate.

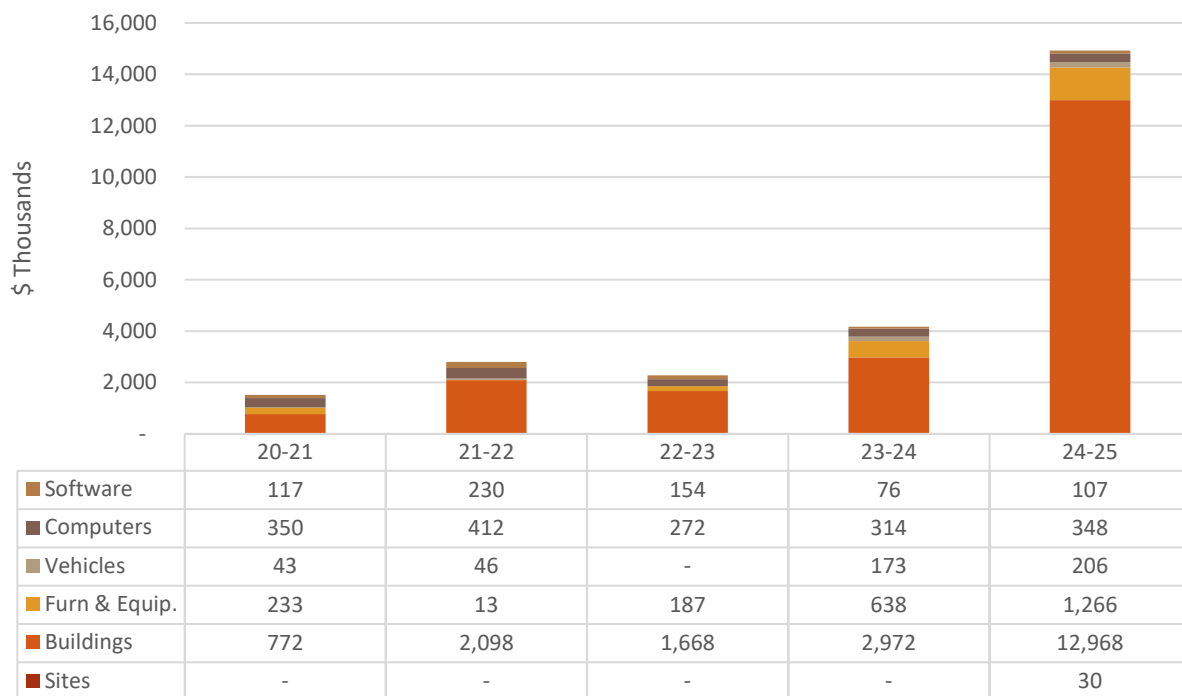


In addition to current assets and current liabilities, the Statement of Financial Position reports the Tangible Capital Assets (TCA) of the District. The following two charts provide trends as well as the types of TCA purchased by the School District over the past five years with buildings additions being the most significant TCA addition.

Tangible Capital Assets



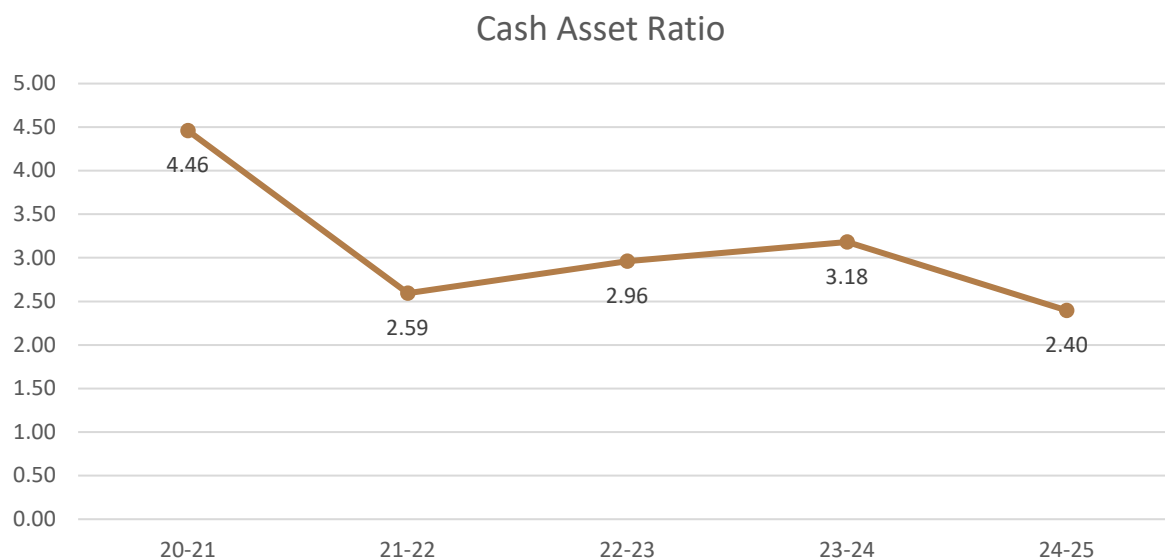
Capital Asset Additions By Type By Year



Capital asset additions fluctuate from year to year based on the capital funding provided by the Ministry of Education and Child Care as well as Board approval of local capital projects. The following table lists the capital projects in progress at year end:

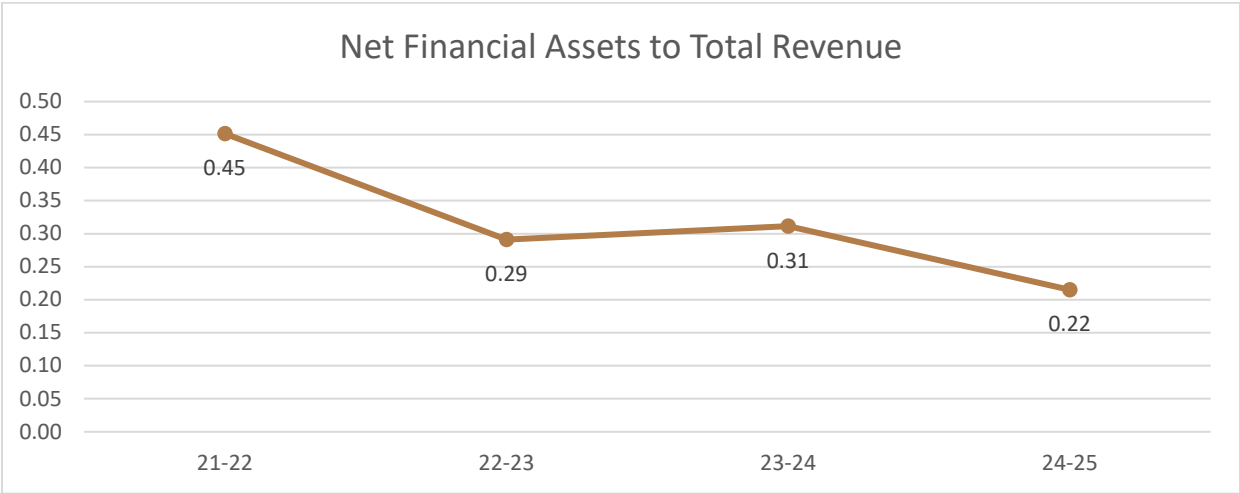
Capital Project	Location	Value (\$ In Thousands)
Food Infrastructure (23/24)	Bench Elementary	\$ 103,188
Food Infrastructure (24/25)	John Allison, Merritt Central	\$ 200,000
HVAC Upgrades (24/25)	Bench Elem, Merritt Sec, Princeton Sec	\$ 1,332,500
AFG (25/26)	All Schools	\$ 872,406
Food Infrastructure (25/26)	Collettsville, Diamond Vale, Merritt Sec	\$ 89,000
Science Room Upgrade (25/26)	Merritt Secondary	\$ 450,000
HVAC Upgrades (25/26)	Collettsville, John Allison, Vermillion Forks, Merritt Sec, Coquihalla Middle	\$ 320,000
Electrical Upgrade (25/26)	Bench Elementary	\$ 290,000

Financial ratios measure the relationship between two or more components of the financial statements that can indicate the District's results, financial risks, working efficiency, and stability. Below are financial ratios pertaining to the statement of financial position. Formulas for the financial ratios disclosed in this report can be found under definitions in Appendix A.



The cash asset ratio is a tool to assess the ability of the District to meet its current obligations. A ratio equal to or greater than 1.0 generally indicates that enough cash and cash equivalents are on hand to pay off all short-term debts. A ratio under 0.5 is considered risky as this is an indication that there is twice as much short-term debt compared to cash. The School District's cash asset ratio is trending well above 1.0, demonstrating its ability to pay for all short-term obligations.

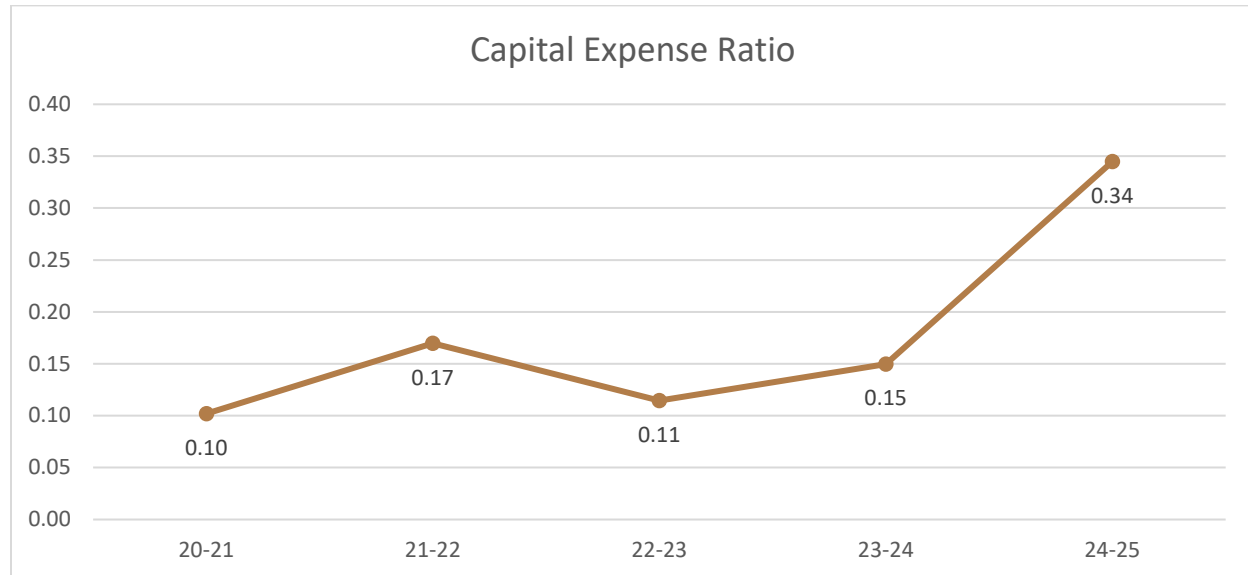
Below is the net financial assets to total revenue ratio, which assesses long-term financial health and sustainability, providing insights into the District’s ability to meet its financial obligations and invest in future needs without relying excessively on external borrowing or depleting reserves. The below ratio suggests that net financial assets are 22% of the District’s annual revenue, indicating a relatively strong financial position.



The capital expense ratio charted below indicates the proportion of capital expense relative to total expenses. The five-year trend charted below indicates that between 10% - 17% of the School District’s expenses are represented by capital spending normally. However, the current year shows the completion or near completion of a large capital project (Child Care facility in Princeton) which is why 34% of expenses this year are attributed to capital activity.

Riverside Childcare Centre, completed 2024-25





Schedule of Changes in Accumulated Surplus

Schedule 1 provides the schedule of changes in accumulated surplus. The \$8,868,261 accumulated surplus on Statement 1 is broken down as follows:

\$ Thousands	2025	2024	Change
Operating Fund	1,855	1,446	409
Local Capital Fund	1,052	1,462	(410)
Invested in Capital Fund	5,961	9,035	(3,074)
Total Accumulated Surplus (Deficit)	8,868	11,943	(3,075)

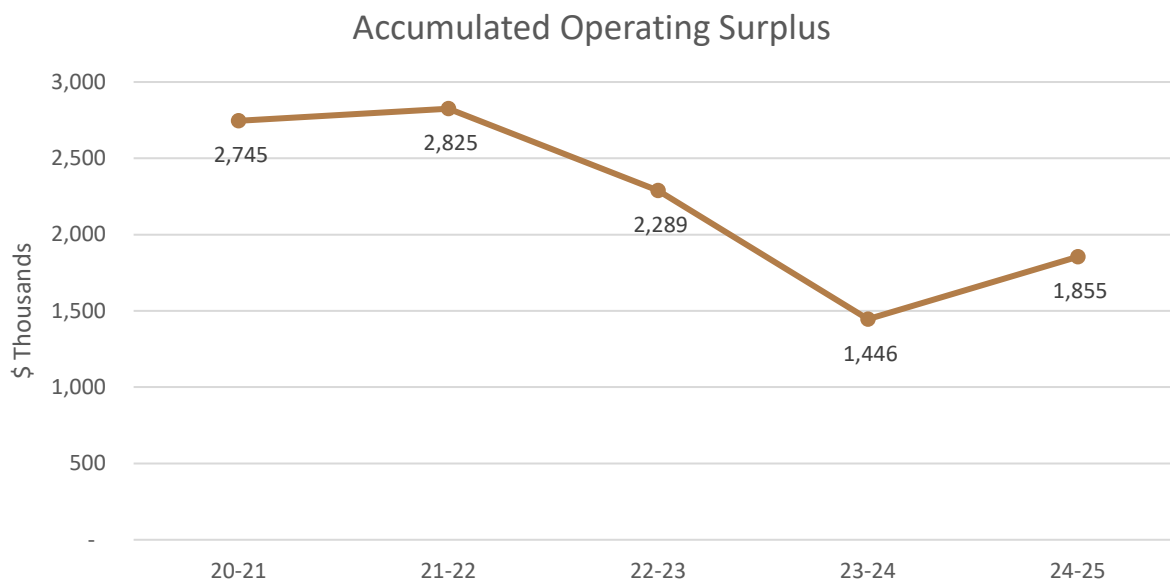
Accumulated surplus represents the Board's residual interest in its assets after deducting liabilities. Most of this balance is unavailable to fund operations as it is either internally restricted, or has already been used to invest in buildings, equipment, and other capital assets. The accumulated surplus for the capital fund was reduced by over \$3 million, this was again the impact of recognizing assets into the Asset Retirement Obligation (ARO) as these assets were immediately amortized in full as they were over 40 years old.

The residual accumulated operating surplus at year end, \$1,855,146 represents 6.1% of the total operating expenses, \$30,378,381 (Schedule 2), Of the above noted surplus only \$361,359 is unrestricted representing 1.2% which is below the 2-4% guidelines within the Board Policy 611, Accumulated Operating Surplus. The Board will review surplus needs in the fall.

Restricted Operating Surplus	2024-25	2023-24
Internally Restricted:		
Indigenous Education Surplus	36,476	3,529
IEC Council Funds	94,805	
School Surpluses		160,245
Labour Relations Reserve	500,000	
SCIDES Summer School	150,000	
Reserve for Potential Cyber Security Attack	450,000	
CUPE Service Improvement Fund - Article 26G	62,098	59,495
Extreme Weather Grant		52,388
2025/26 Numeracy Supplies	50,000	
ICY Teams Grant Funds	150,408	150,379
Total Internally Restricted	1,493,787	426,036
Unrestricted Accumulated Operating Surplus	361,359	1,020,203
Total Available for Future Operations	1,855,146	1,446,239

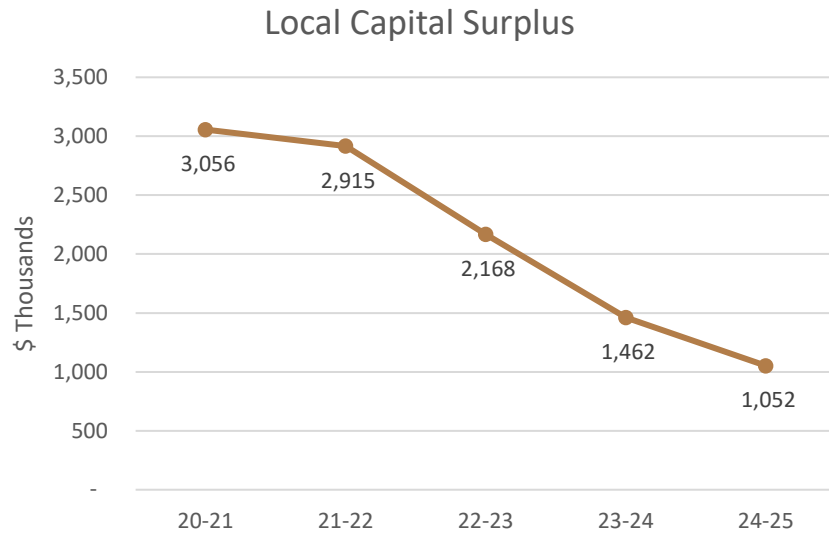
Below are two charts that provide five-year trending on the accumulated operating surplus and the local capital surplus.

Accumulated Operating Surplus experienced a slight increase this year due to combination of higher revenues and less spending over the course of the year.



The Board of Education has been intentionally spending down its accumulated Local Capital surplus by investing in educational programs and services.

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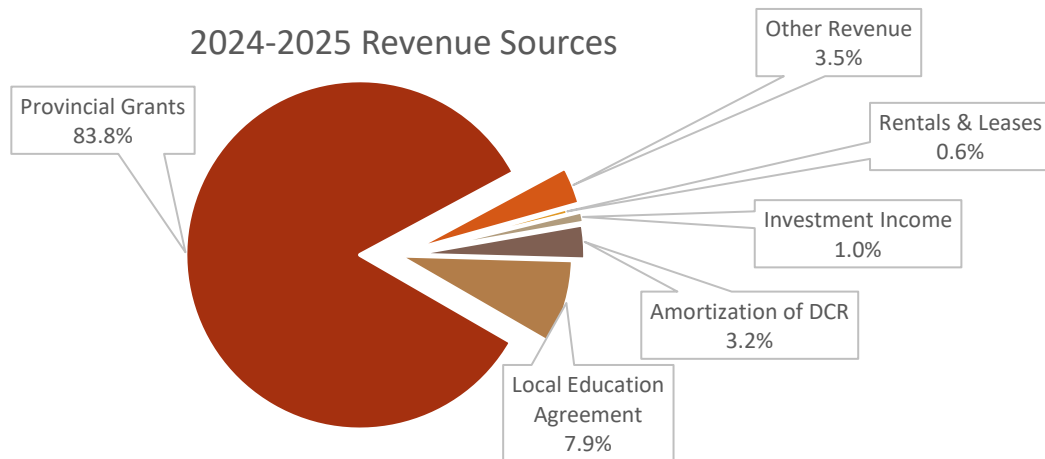


STATEMENT OF OPERATIONS (Statement 2)

REVENUES:

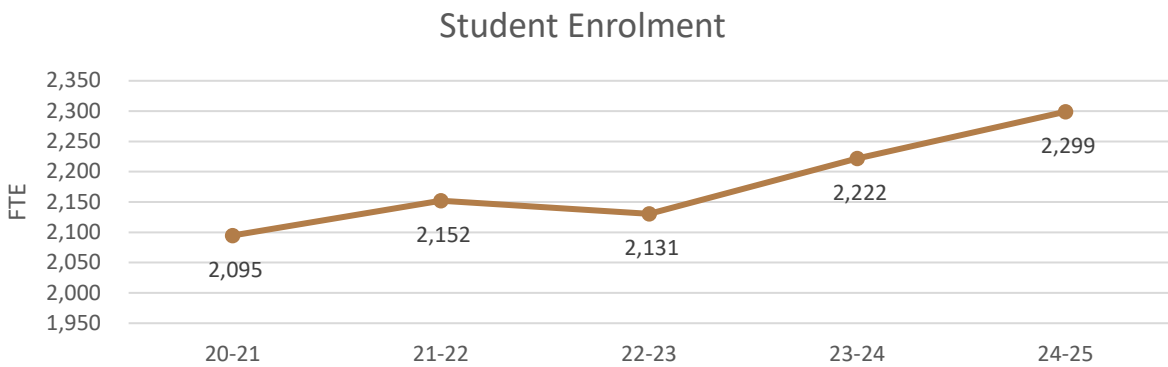
The Statement of Operations is a consolidation of revenues and expenditures in the operating (Schedule 2), special purpose (Schedule 3), and capital funds (Schedule 4).

While the School District received revenues from many sources, the majority of revenue reported on the Statement of Operations comes from the Ministry of Education and Child Care. In the chart below, 83.8% of the District's revenue was received by way of provincial grants.

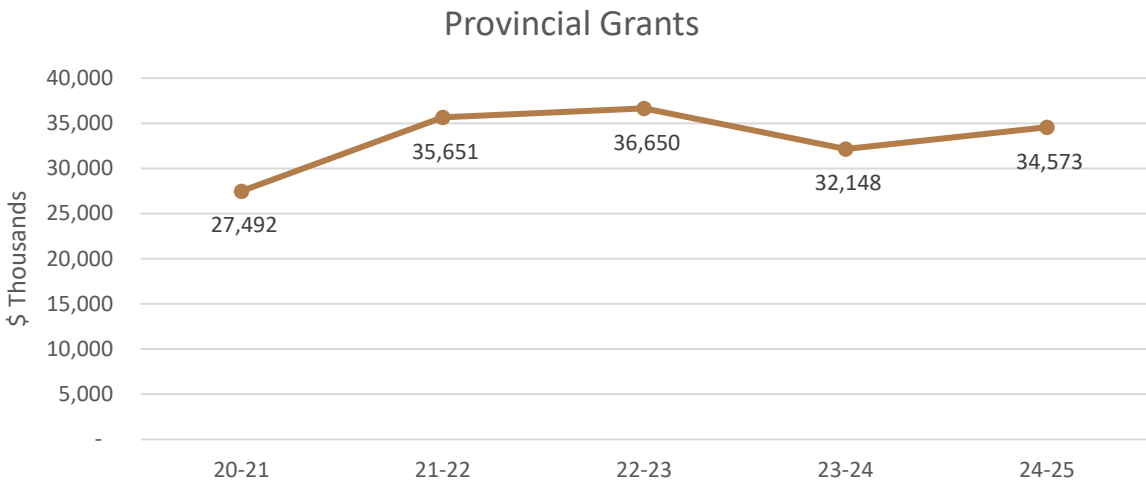


Amortization of deferred capital revenue (DCR) is the accounting recognition of funding received from the Provincial Government for capital projects. The most significant source of revenue for the School District is grants from the Ministry of Education and Child Care, which is driven by student enrolment.

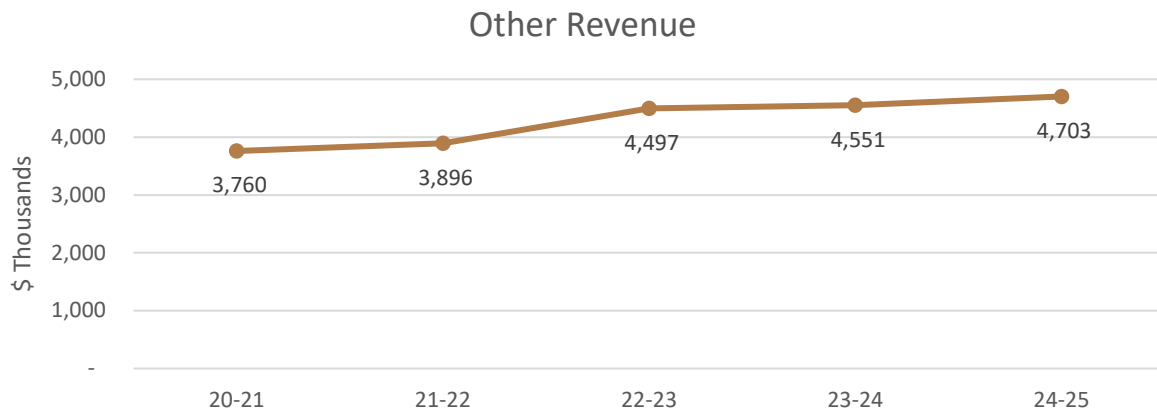
Student enrolment has been trending upward over the past five years, as expressed in the chart below.



The five charts below provide five-year trending on the revenue types as taken from Statement 2.

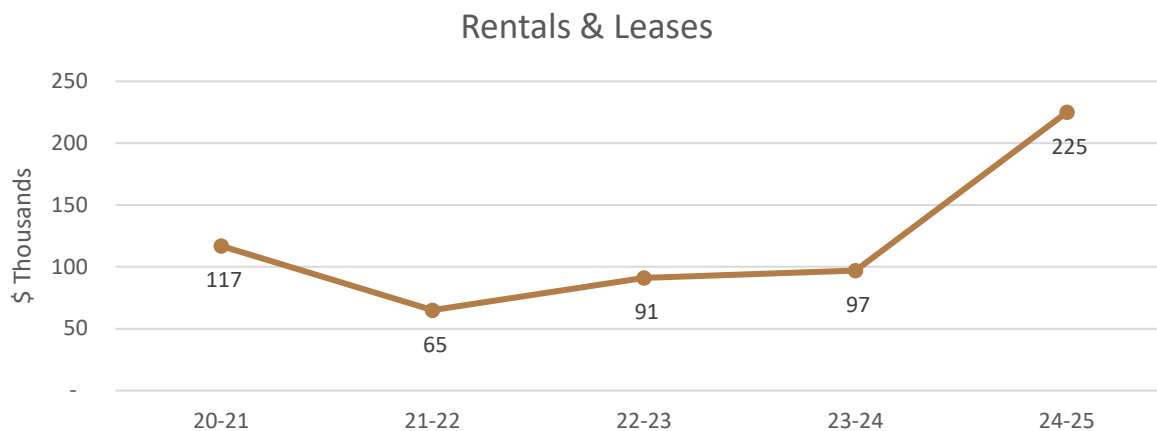


Provincial grants are up from the prior year as a result of increased student enrollment and funding.

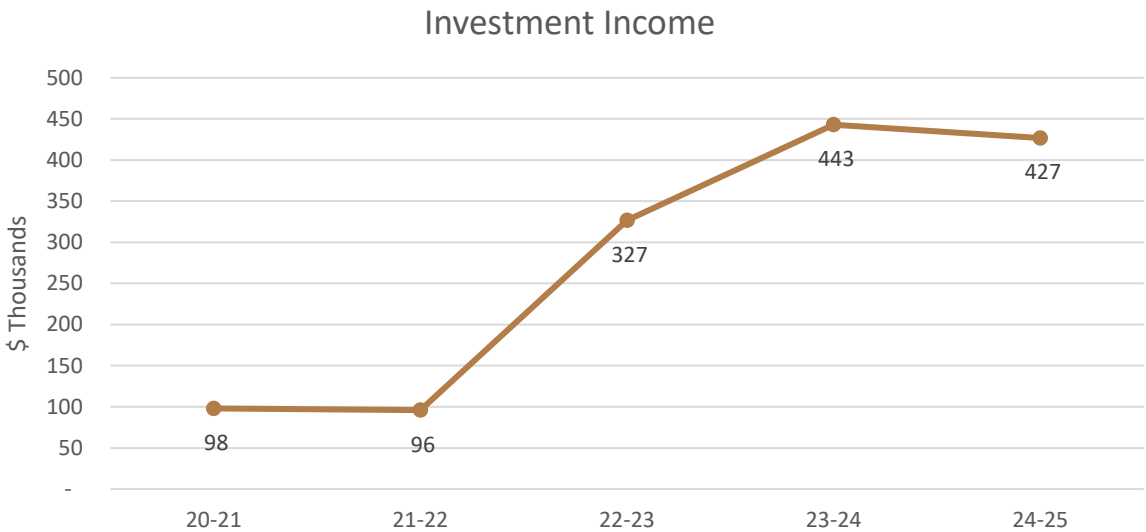


\$4,702,820 was received to Other Revenue for the school year. This amount is represented by various revenue sources, including our Local Education Agreement (LEA) and School Generated Funds. The LEA represents funding for educational programs and services that are received from the school district's rights holders. The LEA for the school year is represented by: Coldwater Indian Band, Nooaitch Indian Band, Lower Nicola Indian Band, Shackan Indian Band, and Upper Nicola Indian Band. School Generated funds (SGF) are the aggregate of each school bank account. SGF are the monies collected by schools from students/families for various school-based programs specific to each school (Ex. Hot Lunch, Athletics).

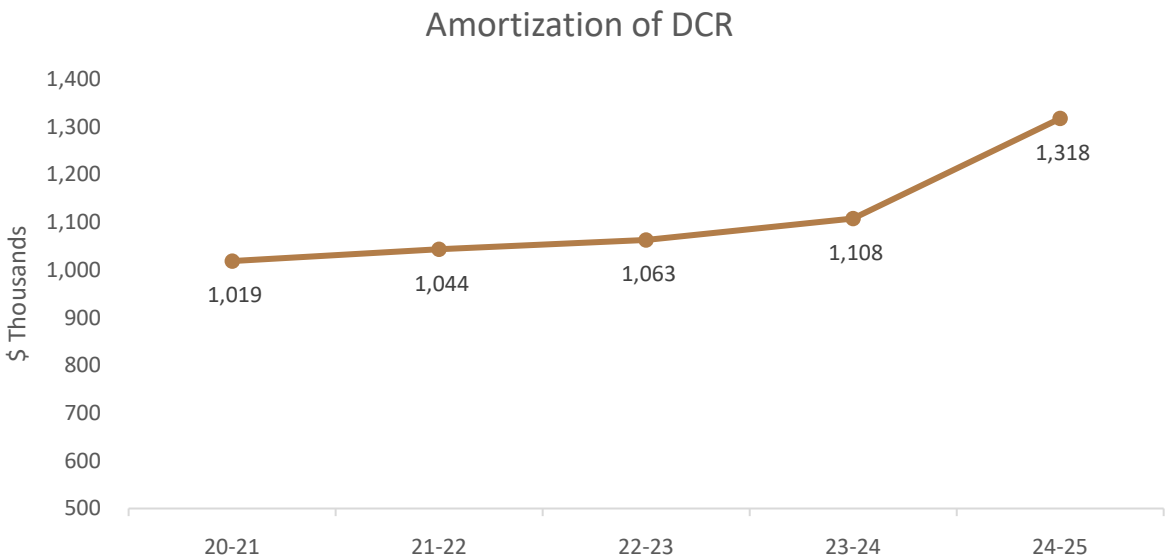
Other Revenue Sources	(\$ In Thousands)
Local Education Agreement (Rightsholders)	3,257,160
Miscellaneous	133,283
School Generated Funds (SGF)	1,273,499
Charitable Society (Scholarships/Bursaries)	38,878
	\$ 4,702,820



Rental income had a nice influx this year due to Canada and BC Elections advanced polls held in two district buildings. Further, the district (as of April 2024) has a new rental contract with Scw'exmx Child & Family Services for the Kengard Learning Centre.



Interest rates were not as favorable in 2025 largely due to the global economic impacts and uncertainties.



The Amortization of Deferred Capital Revenue is trending upwards over the past five years. The steep jump this year is due to the large capital project that was funded by the Ministry of Education and Child Care and will continue at this level for many years.

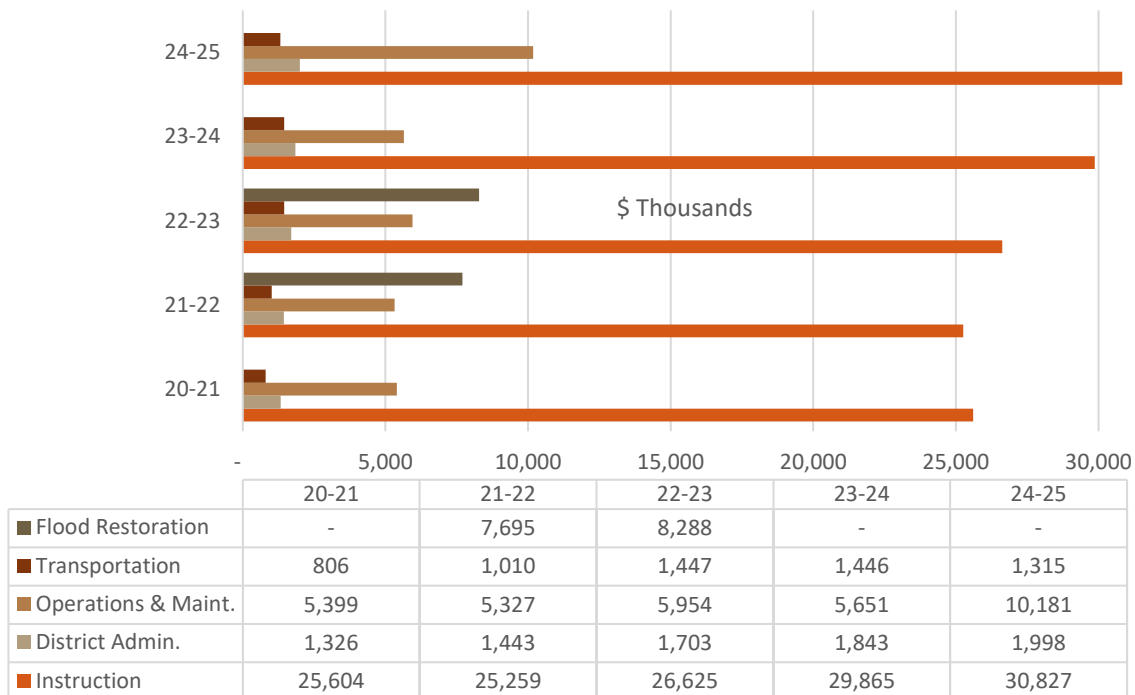
The Amortization of Deferred Capital Revenue is trending upwards over the past five years

Amortization of Deferred Capital Revenue is the recognition of revenues closely aligned with the recognition of the depreciation (Amortization) of Tangible Capital Asset. Depreciation represents the portion of capital assets that is consumed in the delivery of educational services during the year.

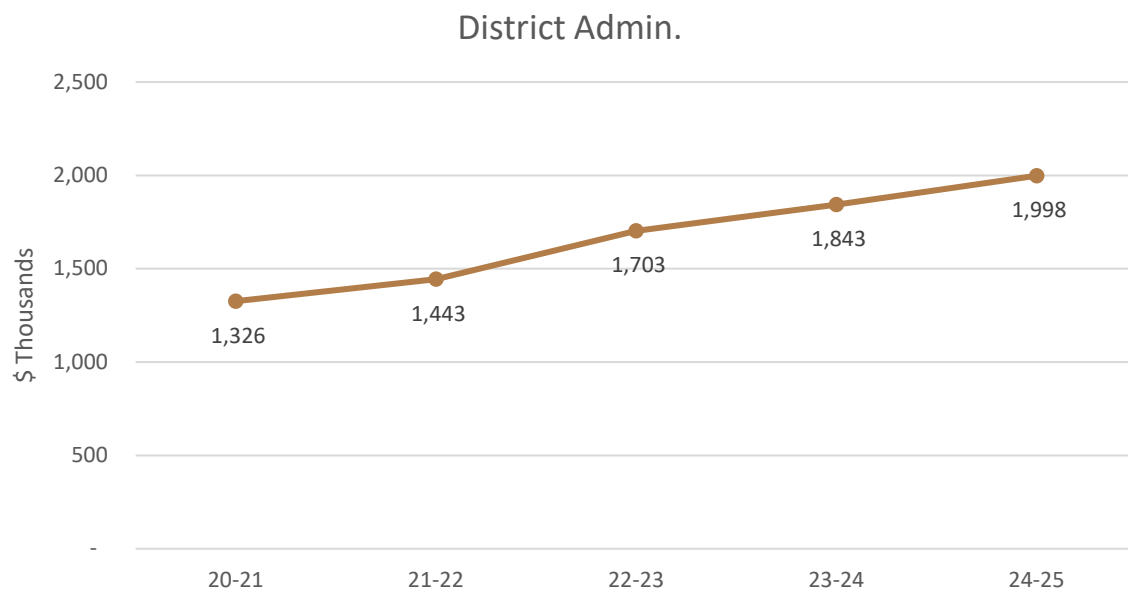
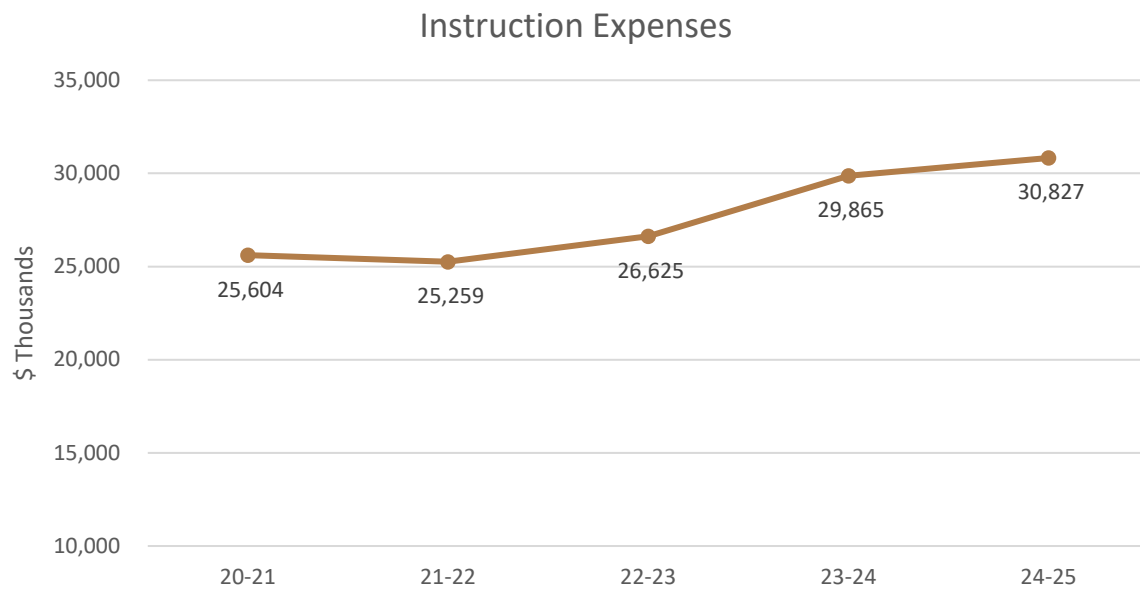
EXPENSES:

Moving away from revenue towards expenses, as taken from Statement 2, expenses are reported in two formats: by object and by function. The chart below demonstrates spending by program, with instructional costs representing the majority of expenses to the District, followed by operations and maintenance.

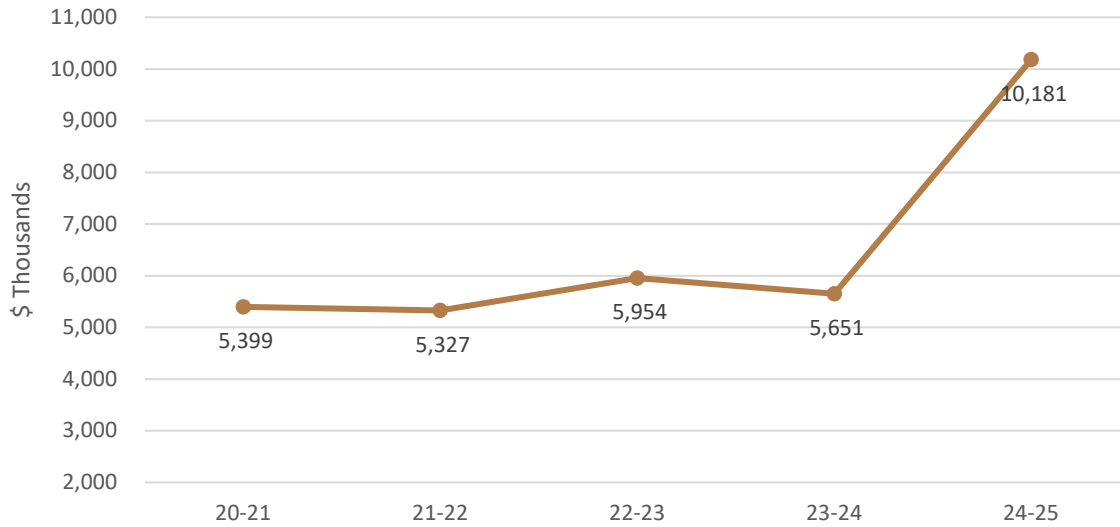
2024-2025 Expenses - By Program



The following four charts provide five-year trending information for each of the identified programs. Inflation has had a drastic effect on the cost of goods and services. Salaries were increased 3% in accordance with teacher and support staff collective agreements. Staffing FTE in all areas was generally maintained from the previous year.

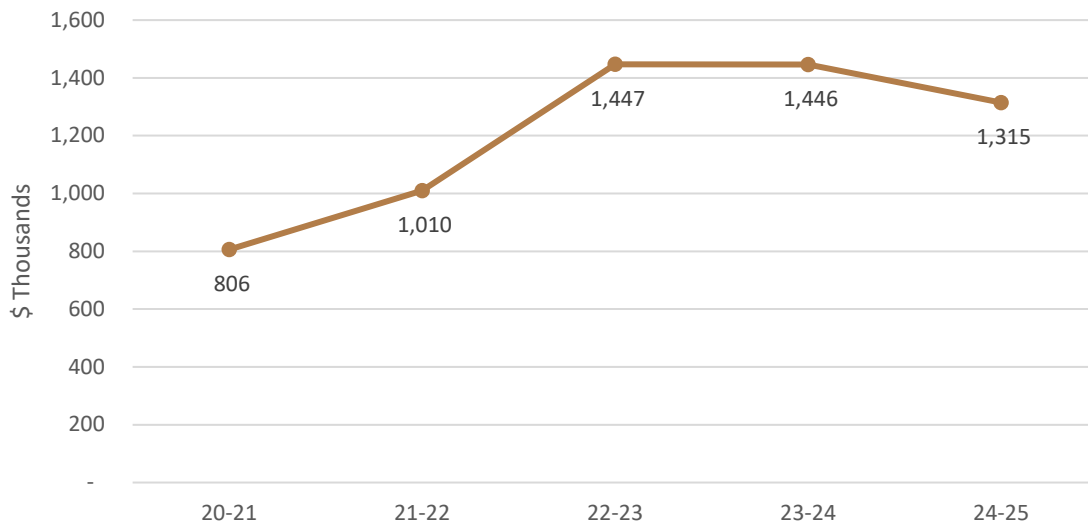


Operations & Maint.

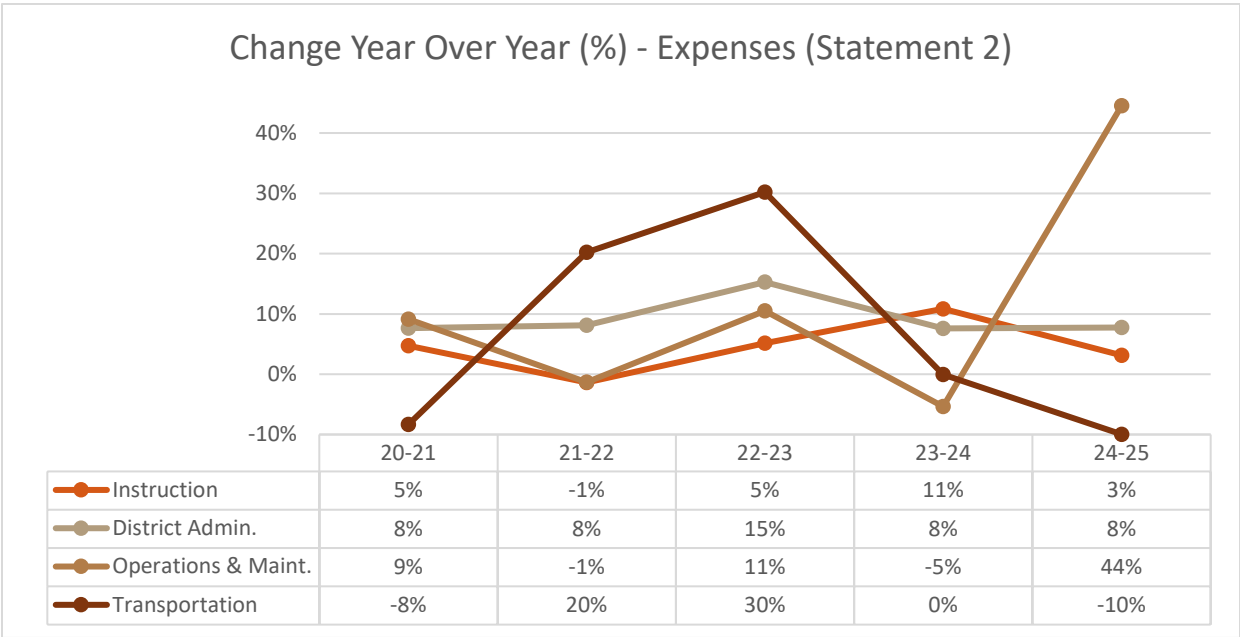


The anomaly in Operations and Maintenance is again due to the recognition of assets into the ARO accounting for \$3.2 million of the increase. This will normalize over the next few years.

Transportation



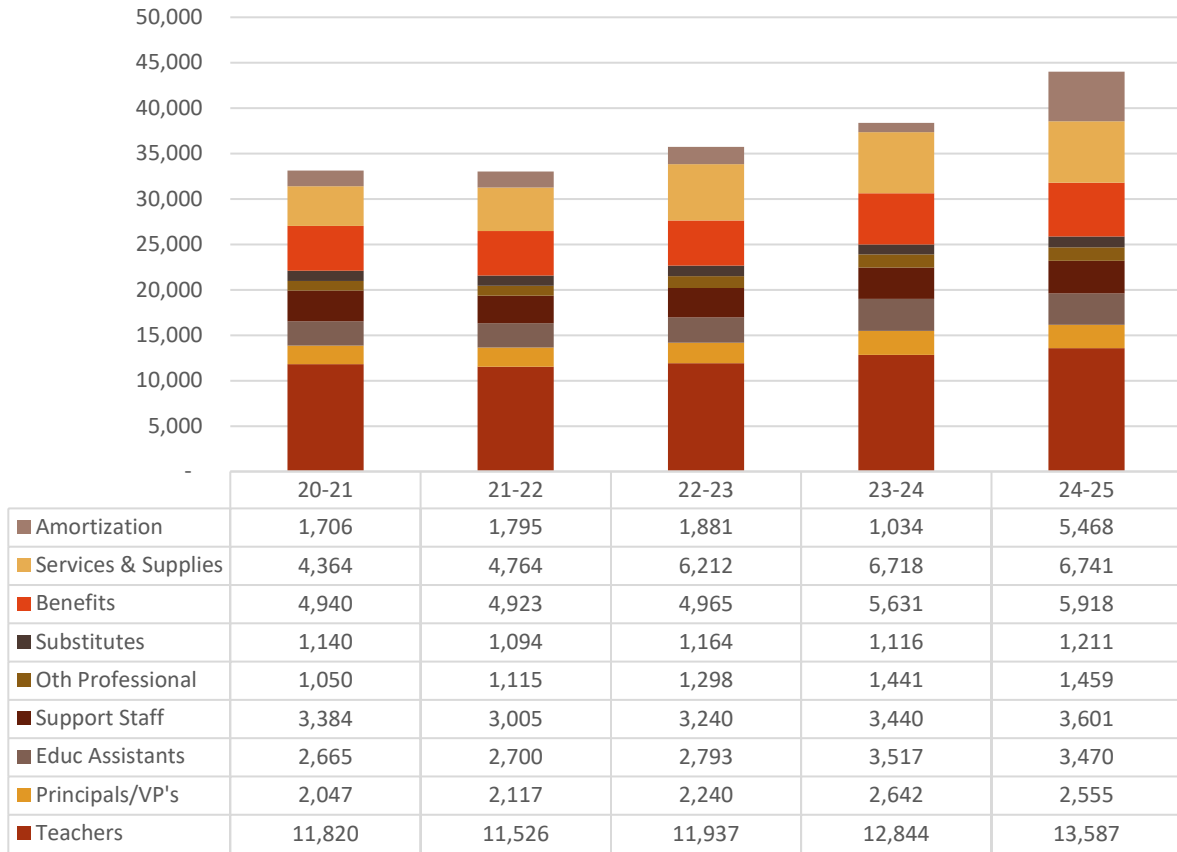
The chart below summarizes the percent change in spending, by program, year-over-year, as taken from Statement 2 of the financial statements.



As demonstrated in the following chart, the most significant expense reported on the Statement of Operations is teacher staffing, followed by supplies & services and employee benefits.

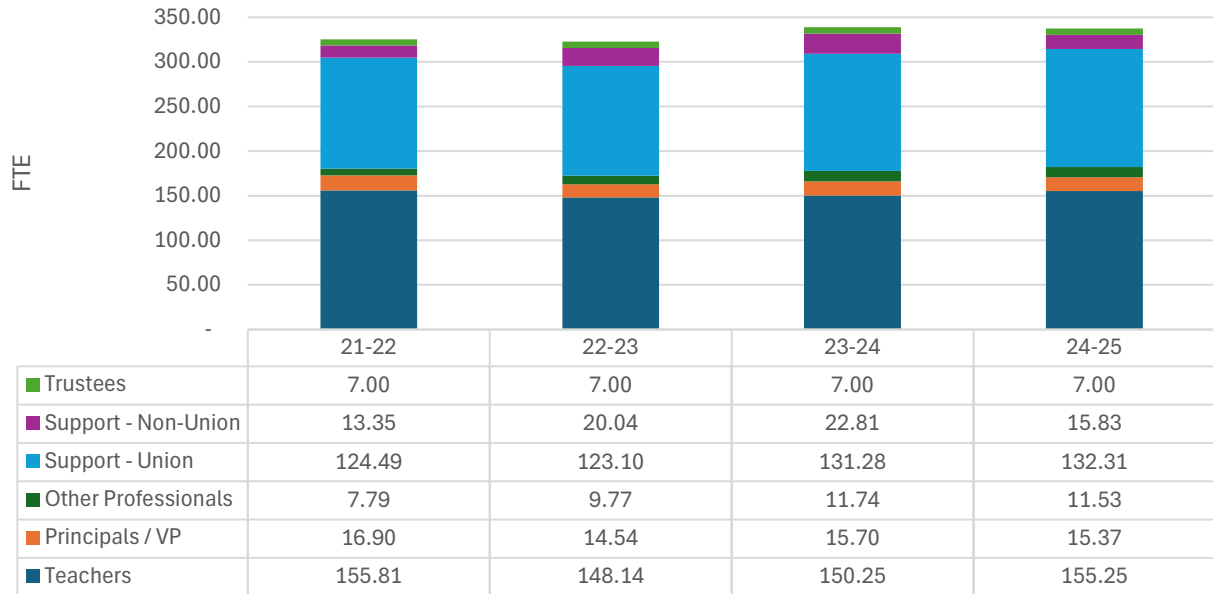


Year-Over-Year Expenses By Object Category

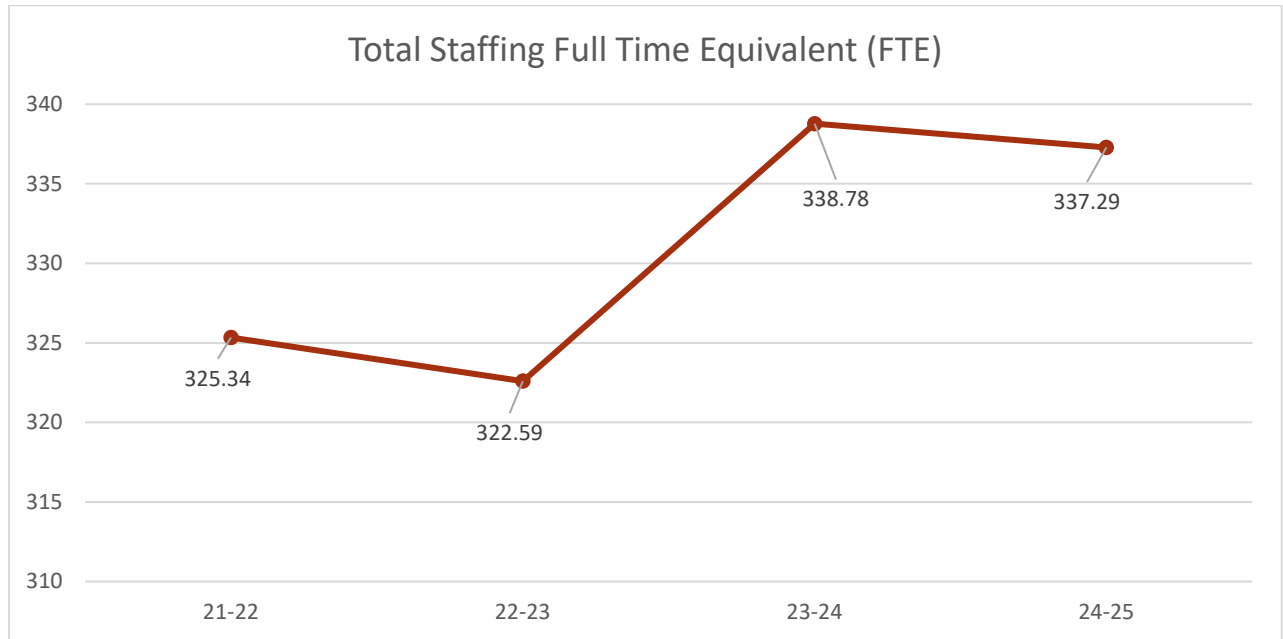


Salary and benefits expenses are based on the number and type of employees hired by the District along with the provisions set forth in the collective agreements. Teacher & Support Staff salaries have increased as contractually negotiated salary increases take effect. This was 3% respectively for Teachers and CUPE. Non-union positions have also realized salary increases for the same period. The following chart demonstrates the changes in full-time equivalent staffing (FTE staffing), since 2021-2022. As well, there were a large number of vacant positions both during and after the pandemic that were filled in the 2023-2024 school year. Finally, short and long term leaves have an impact on staffing FTE from year-to-year. On average, costs associated with employee benefits (Ex. Pension, dental, extended health) represent an additional 23% of employees' salaries.

Staffing Full Time Equivalent (FTE)



Total Staffing Full Time Equivalent (FTE)



Operating Fund (Schedule 2 – Schedule 2c)

Moving from the Statement 2, the Statement of Operations, the following three tables provide an overview of the District's Operating Fund, which is represented by Schedule 2 through to Schedule 2C.

Operating Fund Revenue (In Thousands)	2025	2024	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Ministry Grants	\$ 27,241	\$ 25,294	\$ 27,061	\$ 1,947	\$ 180
Grants from Other Ministries	67	79	80	(12)	(13)
Federal Grants	-	-	-	-	-
Other Revenue	3,390	3,202	3,190	188	200
Rentals and Leases	225	97	225	128	-
Investment Income	389	365	369	24	20
Total	\$ 31,312	\$ 29,037	\$ 30,925	\$ 2,275	\$ 387

Schedule 2 (Schedule of Operations) - Operating

Operating revenue is up \$387,060 compared to the amended budget, due mainly in part to increased Ministry grants resulting from increased student enrolment and labour settlement funding associated with the provisions of both Teacher and Support Staff collective agreements. Other revenue also increased compared to the previous year and amended budget due to increased student enrollments within the Local Education Agreement and the Nominal Roll.

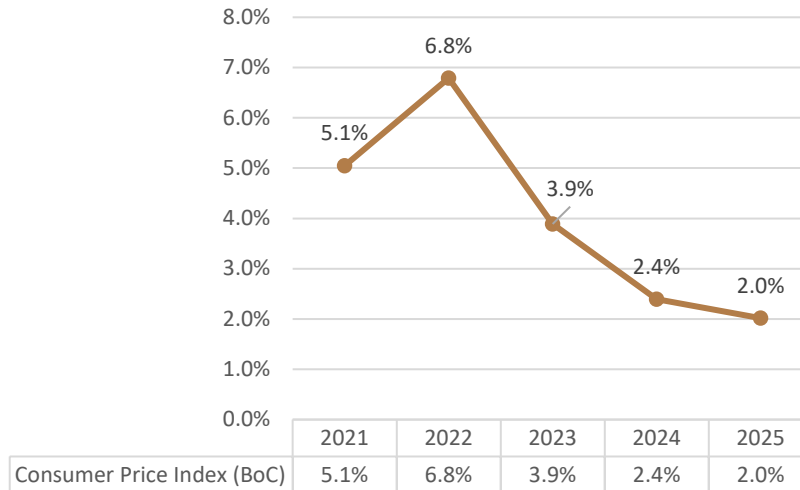
Operating Fund Expenses (In Thousands)	2025	2024	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Instruction	\$ 22,789	\$ 22,437	\$ 23,855	\$ 352	\$ (1,066)
District Administration	1,998	1,843	2,098	155	(100)
Operations and Maintenance	4,505	4,288	4,509	217	(4)
Transportation	1,086	1,158	1,290	(72)	(204)
Total	\$ 30,378	\$ 29,726	\$ 31,752	\$ 652	\$ (1,374)

Schedule 2 (Schedule of Operations) - Operating

The above chart displays operating expense by program. Operating expenses were \$1.3 million less than budgeted expectation. The chart below, taking the Consumer Price Index from the Bank of Canada, shows that total inflation between January 1, 2021 – July 30, 2025, is 20.14%. Inflation has been trending down since its peak in 2022.

Consumer Price Index from the Bank of Canada, shows that total inflation between January 1, 2021 – July 30, 2025, is 20.14%.

Consumer Price Index (BoC)



Operating Fund Expenses (In Thousands)	2025	2024	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Teachers	\$ 9,377	\$ 9,216	\$ 9,648	\$ 161	\$ (271)
Principals and Vice-Principals	2,338	2,433	2,389	(95)	(51)
Educational Assistants	3,135	3,156	3,312	(21)	(177)
Support Staff	3,489	3,355	3,566	134	(77)
Other Professionals	1,383	1,369	1,426	14	(43)
Substitutes	1,207	1,059	1,427	148	(220)
	20,929	20,588	21,768	341	(839)
Employee Benefits	4,769	4,626	4,901	143	(132)
Services and Supplies	4,680	4,512	5,083	168	(403)
Total	\$ 30,378	\$ 29,726	\$ 31,752	\$ 652	\$ (1,374)

Schedule 2 (Schedule of Operations) - Operating

A slightly different view of operating expenses, the above chart displays operating expenses by object/category.

As indicated, all categories are up slightly from the previous year, this would be due to contracted salary increases for both teachers and support staff. Supplies and services are up due to increased costs in utilities, Pro D and Travel and other services. However, the district had budgeted for even greater increases than were realized, which is why the variance from the budget is significantly less.

Special Purpose Funds (Schedule 3 – Schedule 3a)

Special Purpose Fund's revenues are restricted grants designated for specific purposes or programs. Revenue is recognized only when it is expended, not when it is received. Balances can often be deferred to subsequent years for the intended purpose. Some funds require Ministry approval to carry forward and other funds that carry a surplus at the end of the year reduce the funding received in the next fiscal year. Special Purpose Funds are typically connected to an agreement with a third party, with guidelines for how respective funds are to be disbursed.

Special Purpose Funds Revenues (In Thousands)	2025	2024	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Ministry of Education and Child Care	\$ 6,888	\$ 6,338	\$ 7,229	\$ 550	\$ (341)
Grants from Other Ministries	37	15	20	22	17
Other Revenue	1,312	1,349	1,060	(37)	252
Investment Income	2			2	2
Total	\$ 8,239	\$ 7,702	\$ 8,309	\$ 537	\$ (70)

Schedule 3 (Schedule of Special Purpose Operations)

Special Purpose Funds Expenses (In Thousands)	2025	2024	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Instruction	\$ 8,037	\$ 7,427	\$ 8,107	\$ 610	\$ (70)
District Administration	-	-	-	-	-
Operations and Maintenance	90	92	60	(2)	30
Transportation and Housing	36	103	36	(67)	-
Total	\$ 8,163	\$ 7,622	\$ 8,203	\$ 541	\$ (40)

Schedule 3 (Schedule of Special Purpose Operations)

The District received \$8.5 million in grants and other revenue and used \$8.2 million in carrying out the mandate of Special Purpose Funds over the course of the year. Schedule 3A provides a detailed listing for all of the District's special purpose funds.

Capital Fund (Schedule 4 – Schedule 4d)

Capital revenues are represented in part by the Amortization of Deferred Capital Revenue – this is the current year’s recognition of Deferred Capital Revenue for the District’s assets. Deferred Capital Revenue is amortized (taken into revenue) over the useful life of the District’s capital assets, and not necessarily when the money is received. \$1.318 million recognizes the amortization of Deferred Capital Revenue for respective capital projects completed over the assets life including the ½ year amortization rule that recognizes a ½ year of amortization in an assets first year of completion.

Capital Fund Revenues (In Thousands)	2025	2024	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Ministry of Education and Child Care	\$ 311	\$ 423	\$ 298	\$ (112)	\$ 13
Other	\$ 29			\$ 29	\$ 29
Investment Income	37	79	35	\$ (42)	\$ 2
Amortization of Deferred Capital Revenue	1,318	1,108	1,336	\$ 210	\$ (18)
Total	\$ 1,695	\$ 1,610	\$ 1,669	\$ 85	\$ 26

Schedule 4 (Schedule of Capital Operations)

The recognition of capital revenue has a close nexus with the capital expenditures carried out by the School District. Below are capital expenditures which include the amortization of tangible capital.

Capital Fund Expenses (In Thousands)	2025	2024	Amended Annual Budget	Variance from Prior Year	Variance from Budget
Operations and Maintenance	\$ 311	\$ 423	\$ 307	\$ (112)	\$ 4
Amortization of Tangible Capital Assets					
- Operations and Maintenance	\$ 5,275	\$ 849	\$ 1,795	\$ 4,426	\$ 3,480
- Transportation	\$ 193	\$ 185	\$ 180	\$ 8	\$ 13
Total	\$ 5,779	\$ 1,457	\$ 2,282	\$ 4,322	\$ 3,497
Net Transfers (to) from other funds					
- Tangible Capital Assets Purchased	\$ 544	\$ 232	\$ 105	\$ 312	\$ 439
- Local Capital	\$ 56		\$ -	\$ 56	\$ 56
Total	\$ 600	\$ 232	\$ 105	\$ 368	\$ 495

Schedule 4 (Schedule of Capital Operations)

Again, the large anomaly in Amortization – Operations and Maintenance is due to the recognition of buildings into the Asset Retirement Obligation (ARO) that was for \$3.2 million and required that the full amount be amortized in the current year.



SUMMARY OF OTHER SIGNIFICANT MATTERS

The School District submitted a balanced budget to the Ministry of Education for the 2024/25 Fiscal Year that will continue to deliver the mix of programs and services currently offered to students in our schools. Moving into 2025/26 and beyond, there are several factors that may impact the School District's operations and financial position.

Replacement Costs / Availability / Employee Wellness

The unavailability of relief staff, due mainly to labour shortages, made it challenging for employees to take time off to be away from work. Over the past number of years, the District's Relief Staff have been very lean to non-existent (a systemic reality); this combined with staffing vacancies has resulted in increased overtime wages being paid to maintain adequate programs and services.

The cost of doing business

At this time we do not know what the impact of the current economic situation will be on the district's costs. As most of us move forward and try to use fully Canadian supply-chains we hope that this will not impact costs severely. Should labour-shortage constraints continue, could mean that the District will continue to adjust to these challenges heading into the new school year.

Collective Bargaining

Collective bargaining continues for both Teachers and CUPE at the end of this 2024/25 fiscal year. The resulting impacts are unknown in terms of how they will impact the School District's operating and financial landscapes.

Student Enrolment & Accumulated Operating Surplus

Fluctuations with student enrolment, which drive funding, along with the School District's accumulated operating surplus reaching policy thresholds within the next few years may have an impact on the District's economies of scale.

CONTACTING MANAGEMENT

This financial discussion and analysis report is designed to provide a general overview of the School District's financial statements while demonstrating accountability for the public fund received by the School District. If you have questions resulting from this financial report, please contact the Office of the Secretary Treasurer/CFO at 250-378-5161. You can also find additional information on the District, and its strategic vision, on our website: www.SD58.bc.ca.

Appendix A

Financial Statement Definitions

Statement of Financial Position (Statement 1). Summarizes the School District's assets and liabilities to derive Net Debt. The District's Non-financial Assets are disclosed. The Accumulated Surplus (Deficit) on Statement 1 is comprised of the surplus/deficit resulting from Schedule 2 through Schedule 4 of the Financial Statements. Statement 1 informs the reader about the financial health of the School District.

Statement of Operations (Statement 2). A consolidation of revenues and expenses from Schedules 2 through Schedule 4. Statement 2 informs the reader of the total funding received by the School District, and, how that funding was spent.

Statement of Changes in Net Debt (Statement 4). Informs the reader with changes regarding the School District's tangible capital assets (Ex. land, building improvements, vehicles, equipment, and infrastructure). In addition, this statement updates the reader on prepaid expenses, supplies inventory and provides the (Increase) decrease in Net Debt. Net Debt is a liquidity metric that is used to determine how well the School District can pay all its debts if they come due immediately.

Statement of Cash Flows (Statement 5). Provides how cash was generated and spent by the School District in three areas: 1) Operating transactions, 2) Capital transactions, and 3) Financial transactions. The statement concludes by providing the Net Increase (Decrease) as well as what the cash and cash equivalents are comprised of.

Notes to the Financial Statements disclose the detailed assumptions made when preparing the School District's financial statements (Example: Accumulated Operating Surplus).

Schedule of changes in Accumulated Surplus (Deficit) By Fund (Schedule 1) provides an overview of the accumulated surplus for the District's Operating, Special Purpose, and Capital Funds.

Schedule of Operating Operations (Schedule 2), provides a summary of revenues and expenses and the resulting operating surplus (deficit) for the year. This surplus (deficit) is then adjusted for any net transfers (to) from other funds (Ex. Tangible Capital Assets Purchased, Local Capital).

Schedule of Operating Revenue By Source (Schedule 2a) provides an expanded view of the operating revenues from schedule 2 so that the reader has an informed view regarding the sources of operating revenue.

Schedule of Operating Expenses by Object (Schedule 2b) provides an expanded view of the operating expenses from schedule 2 so that the reader understands spending within each object.

Schedule of Operating Expenses by Function, Program and Object (Schedule 2c). In addition to object, Schedule 2c informs the reader how allocations were made within each of the District's operating fund programs.

Schedule of Special Purpose Operations (Schedule 3) provides a consolidation of revenues and



expenses for all of the District's special purpose funds (SPF). SPF are monies received for a specified purpose, with specific reporting requirement, that are typically fully expended within the school year they were received. For these reasons, SPF are tracked separately from the District's operating fund. A summary of revenues and expenses are given that result in the Special Purpose surplus (deficit) for the year as well as any Net Transfers (to) from other funds.

Changes in Special Purpose Funds and Expense by Object (Schedule 3a) provides a detailed listing of revenues and expenses for each of the District's Special Purpose Funds. Revenue received towards a SPF is deferred (I.e. not recognized) until the respective dollars are spent. Schedule 3a informs the reader: how much of the SPF is deferred while providing details for how monies were spent. Revenue and Expenses for SPF always balance to zero.

Schedule of Capital Operations (Schedule 4). Capital operations are comprised of: Investments made to Tangible Capital Asset and Local Capital spending. The summary of revenues and expenses are used to generate the District's capital surplus (deficit) for the year. This surplus (deficit) is adjusted for Net Transfers (to) from other funds.

Tangible Capital Assets (Schedule 4a). At the top of this schedule the reader is provided with the *Cost, Beginning of year*, which is the cumulative, lifetime, total for all TCAs purchased by the School District. Each year the District may purchase and/or dispose of tangible capital assets. These TCA Increases (Ex. Purchases) and TCA Decreases (Ex. Deemed disposals), along with any Work In Progress is captured, arriving at the *Cost, End of Year*. Finally, amortization is applied to the cost of all TCAs purchased by the School District to arrive at the District's *Net Tangible Capital Assets*. Assets have a determined useful life, the cost of which, is recognized over that useful life. This process is called amortization. Essentially, the cost of the TCAs, less the amortization of the TCAs, produce the *Net Tangible Capital Assets*. The cost of a tangible asset must be capitalized at the time of acquisition or construction and amortized over its useful life.

Tangible Capital Assets – Work in Progress (Schedule 4b). Provides more detail on the Work-In-Progress captured in Schedule 4a. Work-In-Progress (or "Construction in Progress") represents the costs incurred to date on a project, which is not substantially complete (<97% complete) or for systems, the earlier of 97% complete or when the system is not in production at the end of the fiscal year.

Deferred Capital Revenue (Schedule 4c). Deferred Capital Revenue is the total of funds received and spent on capital projects and is being amortized annually at the same rate as the related capital assets. The first part of this schedule calculates the *Deferred Capital Revenue, end of year* by factoring in the increases/decreases to deferred capital revenue for the year. The second part of this schedule calculates the *Work in Progress, end of year* by factoring in the increases/decreases to work in progress for the year. At the close of this schedule, the *Deferred Capital Revenue, end of year* is combined with *Work in Progress, end of year* to arrive at *Total Deferred Capital Revenue, end of year*.

Changes in Unspent Deferred Capital Revenue (Schedule 4d). Unspent Deferred Capital Revenue refers to funds received by the District to purchase capital assets, that have not yet been spent. For example, the School District received funding for the construction of a child care centre, some of which, has not yet been spent.