

DRAFT Financial Statement Discussion and Analysis



Year ended June 30, 2026

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Introduction

This is management's discussion and analysis of the financial performance of the Board of Education of School District 22 (Vernon) (the 'Board') for the fiscal year ended June 30, 2026. Management prepares this analysis based on currently known facts, decisions, and conditions.

Users of this document should read this in conjunction with the Board's consolidated financial statements for the year ended June 30, 2026, which are available on the School District's website. This document guides the user through the various components of the financial statements and provides a supporting analysis of the financial information.

The preparation of this financial statement discussion and analysis is management's responsibility.

Located in the Okanagan Valley of British Columbia, the Board serves the communities of Vernon, Coldstream, Lavington, Lumby, and Cherryville. The Board provides educational services to approximately 9,000 students. These services include an international program, a French immersion program, a Montessori program, online learning courses, an Indigenous focus, opportunities for trades training and secondary apprenticeships, numerous sports, and specialty academies.

The Board's mission is:

We inspire and nurture students to thrive in their learning, relationships, and community.

The financial statements illustrate, in financial terms, how the Board allocated and consumed resources during the year to June 30, 2026.

Summary

Key points identified in this report are:

The Board made progress towards its target contingency reserve of \$2.4 million

The contingency reserve grew by \$363,024 to \$1,824,242. This is primarily due to the contribution from the international program.

The Board continues to prioritize and allocate resources to maximise expenditure on Instruction.

Expenditure on Instruction is greater than the previous year's Provincial average, indicating that the Board devotes a greater percentage of its resources to the delivery of education.

Cost pressures increased at a faster rate than grant revenue

Provincial Government grant revenue per student has increased at a slightly greater pace than inflation (the consumer price index) in recent years. However, it has not kept pace with the increasing complexity of student demographics. The 2025/26 school year started with 954 students with funded designations compared with 660 students at the start of the 2021/22 school year.

Management report and Independent Auditors' Report

These two reports outline the responsibilities of management and the Auditor regarding the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. The financial statements are the sum of over 100,000 individual transactions made during the year. Management is responsible for maintaining controls to ensure the Board records and reports these transactions correctly.

The Auditors (KPMG LLP) are responsible for gaining an understanding and performing testing to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The Auditors concluded that the 2025/26 financial statements present fairly, in all material respects, the financial position of the School District.

Composition of the Financial Statements

The two key audited statements are:

- A **statement of financial position** (page 5), which summarizes the assets and liabilities on June 30th. This provides an indication of the financial health of the Board.
- A **statement of operations** (page 6), which summarizes the revenues received, and expenses incurred during the twelve months between July 1 and June 30. This provides an indication of the funding received by the Board and how the Board spent that funding.

The Statement of Changes in Net Financial Assets (Debt), the Statement of Cash Flows and the notes to the financial statements are also audited and provide further analysis of the Board's finances.

The Board manages its financial activities in three distinct areas, being the

- Operating fund;
- Special purpose funds; and the
- Capital fund.

The schedules at the end of the notes to the financial statements are in a format prescribed by the Ministry of Education and Child Care ('MECC'). These schedules provide more detail specific to each of these funds. The balances in these schedules are consistent, when combined, with the financial statements.

Schedule 1 (page 28) illustrates the sum of the funds.

Schedule 2 (page 29) provides detail on the **Operating Fund**.

The Operating Fund accounts for the Board's operating grants and other operating revenues. Legislation requires that the Board present a balanced budget for the Operating Fund, whereby budgeted expenditure does not exceed the total of budgeted revenue and any surplus in the operating fund carried forward from previous years.

Schedule 3 (page 34) provides detail on the **Special Purpose Funds**.

The Special Purpose Funds account for grants and contributions that the provider directs towards specific activities. As these are targeted grants, the Board accounts for any unspent funding as deferred revenue, not as accumulated surplus.

Schedule 4 (page 39) provides detail on the **Capital Fund**. The capital fund accounts for:

- The capital assets of the Board, including buildings, furniture, computers, and equipment.
- Grants directed by agreement with a third party for the purchase of capital assets.
- Funds restricted by the Board for future capital asset purchases (local capital).

Statement of Financial Position

The statement of Financial Position is on page 5 of the financial statements.

Cash and cash equivalents

On June 30, 2026, the Board held \$30.9 million in cash. This is deposited in financial institutions. The Board uses term deposits to maximise interest revenue, balancing income potential with necessary liquidity.

This balance offsets the liabilities of the Board and unspent funds restricted for use on specific projects.

Accounts receivable

The Board collects funds from various entities during the year, including the MECC, the Okanagan Indian Band, unions for the cost of replacing union leaves, international students, and various other sources. The Board had not collected some outstanding amounts by the year-end, which is normal.

The table below provides further detail as to the origin of these receivable amounts.

	June 30, 2025	June 30, 2026	
Due from MECC	\$185,085	\$ 2,705,002	This relates to Classroom Enhancement Funding expected to be received.
Due from Okanagan Indian Band ('OKIB')	1,192,506	1,122,734	OKIB pays the School District directly for the education of students who live on the OKIB reserve. This amount represents the amount yet to be paid by OKIB for the education of students in the year.
Employee health and dental benefits program surplus	417,581	417,581	The Board's contributions to these plans during the year, in the form of premiums, exceeded the cost of providing the plan's benefits. The Board is entitled to this excess amount of premiums.
Sales taxes recoverable	90,898	68,796	The Board receives a partial rebate for the GST portion paid on most expenditures.
Proceeds from insurance claims	370,488	697,792	The Board incurred remediation costs after fire and flood claims at Seaton and Fulton Secondary throughout 2025 and 2026. The Board will be reimbursed for these costs through insurance.
Other – miscellaneous receivables	259,486	480,976	Relates to various other costs that the School District recovers from third parties.
Total accounts receivable	\$ 2,516,044	\$ 5,492,881	

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities represent expenses that the Board has incurred but not paid. They comprise the following amounts:

	June 30, 2025	June 30, 2026
Trade and other amounts payable	\$ 3,691,611	\$3,049,331
Wages payable – teachers 12-month instalment plan	1,748,701	1,816,762
Pension contributions payable	1,634,317	1,606,261
Payroll taxes payable	2,601,221	2,986,592
Accrued vacation pay	1,297,956	1,346,301
Accrued wages – biweekly payroll	557,316	640,757
Other accrued liabilities	130,119	121,786
Due to Okanagan Labour Relations Council	415,554	316,120
Total accounts payable and accrued liabilities	\$ 12,076,795	\$ 11,883,910

Trade and other amounts payable primarily relates to service, supply and asset purchase costs incurred before the year-end that the Board had not yet paid on June 30.

Wages payable – teachers' 12-month instalment plan represents the total of amounts teaching staff have elected the Board to withhold from their pay during the school year. The Board then pays these amounts to those teachers in July.

Pension contributions payable and payroll taxes payable relate to pension contributions and tax withholdings for June payroll. The Board paid these amounts to the pension plan providers and CRA in early July, in the usual manner.

Other accrued liabilities represent costs incurred during the year which have not yet been invoiced.

The Okanagan Labour Relations Council (OLRC) is an organisation that assists School Districts in the Okanagan and Southern Interior with labour relations matters. The School District is responsible for the administration of the OLRC's finances. The Board's bank account holds the OLRC's cash reserves. This liability represents the Board's liability to the OLRC for those amounts.

Unearned revenue

The Board receives payment of tuition fees for international students in advance of the student commencing their studies at the School District as well as transportation fees prior to the start of the new school year. The financial statements recognize these fees as earned revenue when the Board provides the program and transportation to the students. The unearned revenue of \$3.8 million represents international student fees and transportation fees received prior to June 30, 2026, for tuition and bussing in the 2026/27 school year.

Deferred revenue

Deferred revenue represents the unspent portion of grants that the provider targets, by legislation or contractual obligation, for a specific purpose. Schedule 3A on page 35 of the financial statements breaks the total balance of \$4.1 million by category of grant received.

Deferred capital revenue and tangible capital assets

The deferred capital revenue balance is closely linked to the tangible capital asset balance. Tangible capital assets are items owned by the Board that have a lifespan of more than one year. This includes school buildings and sites, furniture, busses, and most computer equipment.

Specific grants provided by MECC fund most of the Board's capital expenditure, such as the construction of new schools. Once an asset is built or acquired and is in use, the cost of that asset is amortized over the expected life of that asset. Any grants targeted towards the acquisition of that asset are also amortized over the expected life of that asset.

After allowing for amortization, the Board has \$135.1 million of tangible capital assets. Of this, \$107.4 million (being the deferred capital revenue balance) of assets were purchased with targeted grants. Operating revenues and other non-targeted funding funded the remainder.

This inclusion of deferred capital revenue is not consistent with generally accepted accounting principles. The inclusion of this balance is a requirement of the Provincial Government. Note 2 to the financial statements explains this in more detail.

The capital fund section, included later in this document, provides a more detailed explanation of the accounting for capital assets and associated grants.

Employee future benefits

The employee future benefits liability of \$4.6 million accounts for amounts or benefits earned by current employees during past service.

About 85% of this amount accounts for retirement benefits. Support staff and certain members of school and district administration are entitled to a one-time payment from the Board on their retirement. The amount of payment depends on years of service and final salary.

The Board sets aside a liability each year to reflect expected future payments on retirement. The financial statements reflect the amount set aside during the year as an expense. The expense is based on the length of service to date of employees. The liability is reduced when employees retire, and payments are disbursed.

The remainder of the employee future benefits liability is associated with teachers' sick leave and death benefits earned but not yet paid.

Actuaries calculate the total liability amount based on the Board's number of employees, age, length of service, contract terms, and established actuarial assumptions. They also review and update these estimates every four years.

Asset Retirement Obligation

Many facilities constructed prior to 1990 contain asbestos. This substantially increases the cost of renovating or removing those facilities. The Asset Retirement Obligation liability of \$5.7 million is an estimate of these additional future costs.

Net debt

This is the total of the Board's financial assets and liabilities. It implies that the Board has a net debt of \$101.1 million. The deferred capital revenue liability of \$107.4 million heavily skews this net debt amount. As there is no future cash flow associated with the deferred capital revenue balance, a more meaningful measure of net financial assets or debt excludes that balance, giving a revised figure of a net asset of \$6.3 million.

Accumulated surplus

Broken down by fund, the accumulated surplus comprises the following amounts:

	June 30, 2025	June 30, 2026
Operating fund	\$ 3,283,054	\$ 6,625,294
Special purpose funds	572,398	525,159
Capital fund – local capital (amounts available to spend on future capital asset purchases)	1,026,006	1,207,933
Capital fund – invested in tangible capital assets (being the cost of assets owned by the Board, net of amortization and targeted grants)	26,570,151	25,836,283
Total accumulated surplus	\$ 31,451,609	\$ 34,194,669

This analysis discusses these surpluses in more detail later in this document.

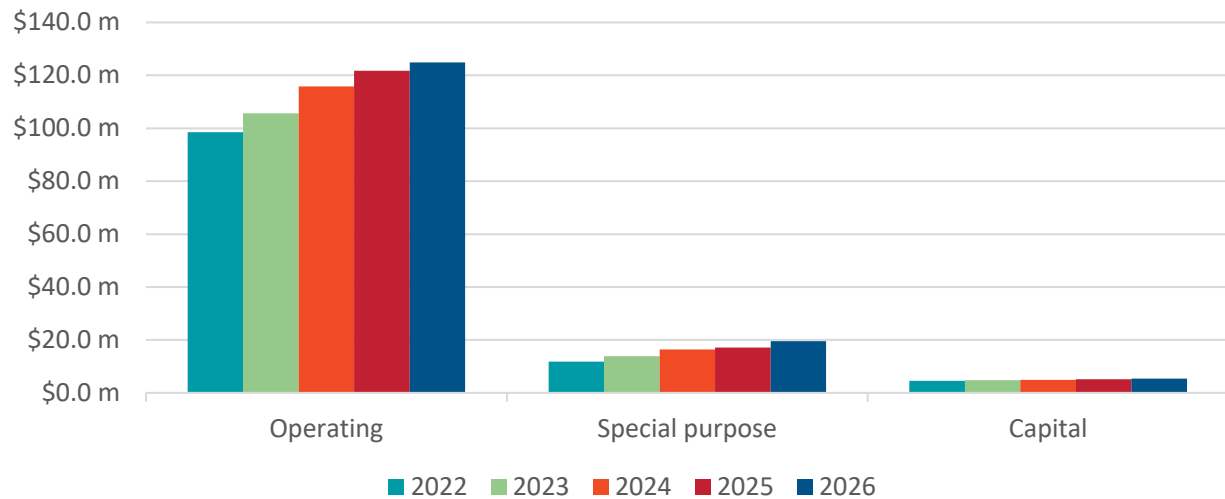
Statement of Operations

The consolidated statement of operations on page 6 is the sum of the revenues and expenses of the Board's various funds.

Year to	June 30, 2025	June 30, 2026
Revenue		
Operating fund (Schedule 2, page 29)	\$ 121,731,638	\$ 124,846,211
Special purpose funds (Schedule 3, page 34)	17,162,485	19,530,013
Capital fund (Schedule 4, page 40)	5,144,090	5,371,338
Total revenue (Statement of Operations)	144,038,213	149,747,562
Expenses		
Operating fund	118,948,616	119,972,599
Special purpose funds	16,699,452	19,283,275
Capital fund	7,549,038	7,748,628
Total expense	143,197,106	147,004,502
(Deficit) surplus for the year	\$ 841,107	\$ 2,743,060

The chart below summarizes revenue over the previous five years. It has increased steadily over that period.

Chart: Revenue by fund for past five years



Student funded enrolment has also increased steadily.

Chart: Student Enrolment (FTE) over past five years

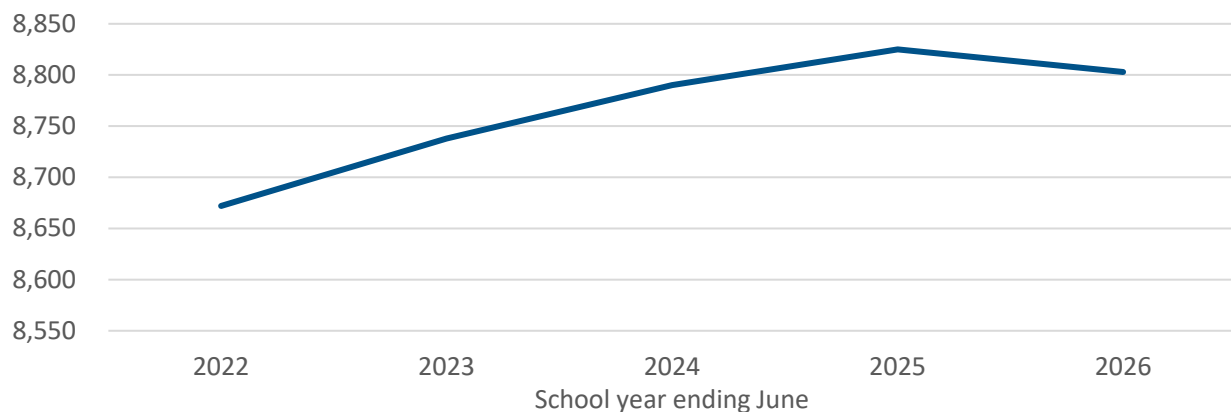


Table: Revenue per full-time equivalent student

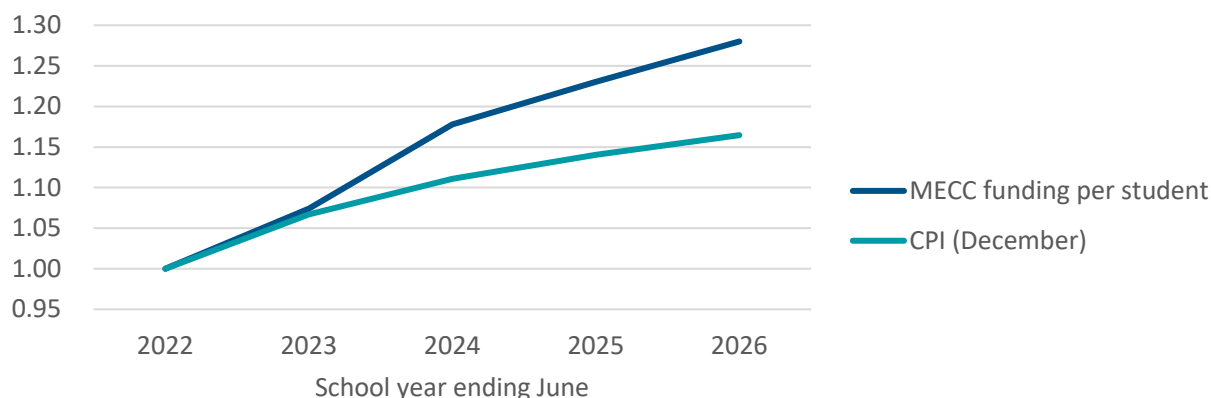
Fund	2022	2023	2024	2025	2026
Operating	11,359	12,098	13,180	13,794	14,182
Special purpose	1,366	1,590	1,869	1,925	2,219
Capital	527	547	561	583	610
Total	13,252	14,235	15,610	16,302	17,011

Revenue per full-time equivalent student has increased every year.

The majority (82%) of the School District's total expense is on salaries and benefits (note 16, page 25 of the financial statements).

87% of revenues are in the form of grants from the MECC. In the past few years, this grant income, per funded student, has increased faster than the BC All Items Consumer Price Index (CPI). The following chart compares changes in total MECC funding per student with changes in CPI, indexed such that 2022 = 1.

Chart: Indexed grant funding vs CPI



While funding growth outpacing CPI is a good thing, it should be considered in the context of the changing demographics of the student population. The 2025/26 school year started with 954 students with funded designations compared with 660 students at the start of the 2021/22 school year.

Operating Fund

Overview

The following schedules in the financial statements report operating fund transactions. The schedules show columns with figures for the amended budget, year to June 30, 2026, and year to June 30, 2025.

Schedule	Page	Overview
2	29	Summarizes the revenues and expenses of the operating fund. Also indicates the amounts spent on capital assets and transferred to the Local Capital fund.
2A	30	Outlines in more detail the operating revenues earned by the Board.
2B	31	Summarizes salaries by employee group and other operating costs.
2C	32-33	Provides the same information as in 2B, broken down in more detail to show each program the Board spent funds on.

Revenue

Schedule 2A on page 30 breaks down operating revenue by source.

91% of the Board's operating revenue is from the MECC and direct funding from the Okanagan Indian Band through a Local Education Agreement ('LEA').

The MECC allocates the majority (\$112.3 million) of this funding using a funding formula. The primary inputs into this formula are student enrolment and demographics, and the geographic circumstances of the School District. The composition of the School District's allocation of \$112.3 million is available on the MECC website:

[2025/26 Final Operating Grants - Province of British Columbia](#)

The table below compares revenue earned against the amended budget for the year ended June 30, 2026.

	Actual \$	Budget \$	Variance \$	Commentary
Provincial grants - MECC	114,109,823	111,842,191	2,267,632	MECC grants were higher than budget due to \$2.0M received relating to Labour Settlement Funding.
Other Provincial grants	435,343	518,338	-82,995	Revenue associated with dual credit college programs was less than anticipated.
Federal Grants	27,493	-	27,493	Odyssey – Language Assistant Program
International fees	7,021,353	6,726,063	295,290	Management prepared the amended budget prudently, based on known international student enrolment. Actual enrolment was greater than budgeted.
LEA funding from First Nations	1,122,734	1,124,550	-1,816	LEA Funding was consistent with budget.
Fees	347,623	345,000	2,623	This primarily represents fees charged to families for transportation to and from school. Revenue is comparable to budget.
Child Care Fee	586,919	750,000	-163,081	Child care fees were less than budget as not all programs were filled.
Microsoft Settlement Vouchers	122,682	122,699	-17	This revenue is related to a class action lawsuit. It was transferred to local capital to assist in the purchase of Microsoft products.
Other revenues	173,337	33,500	139,837	The Board received various grants and revenues during the year. The district was able to secure another grant from the Industry Training Authority of \$78,000.
Rentals and leases	186,802	150,000	36,802	The Board generated about \$100,000 of rental revenue through ongoing child care related rentals. The rest relates to

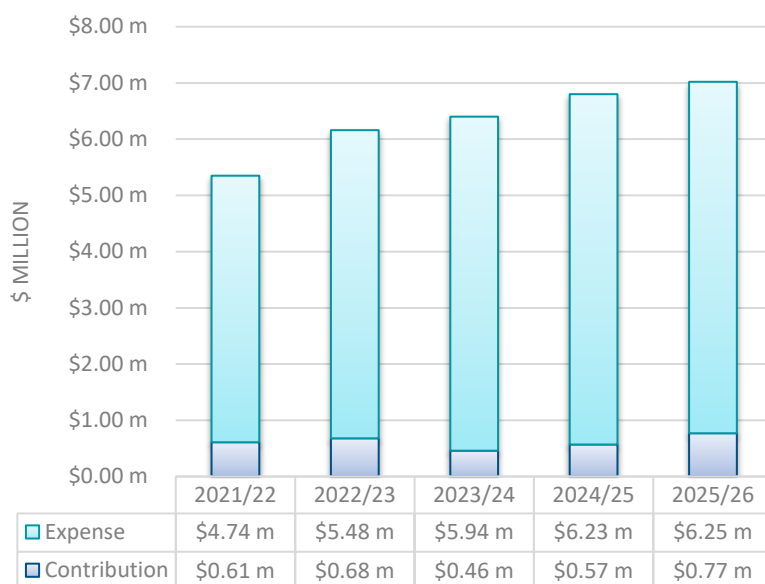
	Actual \$	Budget \$	Variance \$	Commentary
				ad-hoc use by the community of school facilities, primarily gyms.
Investment income	712,102	700,000	12,102	Interest income was higher than expected due to utilizing term deposits throughout the year.
Total	124,846,211	122,312,341	2,533,870	

International program

The Board hosts an international program. International students live with homestay families in the region and attend District schools. The students pay a fee to the Board.

The chart below illustrates this fee revenue, broken out between the associated expense and overall contribution to the Board's other activities.

Chart: International fee revenue and expenditure



This chart illustrates the increasing fee revenue as the international student program has continued to grow and fees have increased.

Contributions grew with the largest number of international students in the program's history. The Board sets fees to maximize fee revenue while ensuring the fees are in line with the market, and approved a fee increase for the 2026-2027 and 2027-2028 school years.

The amended budget overview presented to the Board at the February 18, 2026 Regular Board Meeting indicated 'The budget assumes no net profit from the International Program. In previous years, profits ranged from \$200,000 to \$800,000.' This year's profit, or contribution, was \$766,000, which drives a positive budget variance.

Operating expenditures

Schedule 2C outlines operating expense in detail, including allocating expense by category.

The table below summarizes total expense by category for the year to June 30, 2026. It compares the proportion of expenditure to the average of all school districts in the province for the year to June 30, 2026. The 2024/25 school year is the most recent year for which other District's financial information is

publicly available. For comparison purposes, this analysis excludes international program expenditures.

Function	2025/26 % of total	2024/25 Prov. Av. % of total	Comments
Instruction	83.7%	82.8%	Expenditure on instruction is greater than the previous year's Provincial average, indicating that the Board devotes a greater percentage of its resources to the delivery of education.
District Administration	4.1%	4.0%	Expenditure on district administration is consistent with the previous year's provincial average.
Operations and Maintenance	9.9%	11.3%	Expenditure on operations and maintenance is less than the previous year's provincial average. The Board utilizes its own operations staff to perform functions that many other school districts contract third parties to provide. This typically results in better quality control and lower costs.
Transportation	2.3%	1.9%	This expenditure is greater than the provincial average due to the wider geographic distribution of schools in the Board and one of the lowest walk limits in the province.
Total	100.0%	100.0%	

The following table compares actual expenditure by category to the budget.

Function	2025/26 \$	Budget \$	Variance \$	Comments
Instruction	101,384,095	102,948,620	-1,564,525	See commentary below this table.
District Administration	4,680,770	4,649,471	31,299	Overall expenditures are consistent with budget.
Operations and Maintenance	11,254,970	11,559,076	-304,106	Utility costs were less than budgeted.
Transportation	2,652,764	2,615,676	37,088	Overall expenditures are consistent with budget.
Total	119,972,599	121,772,843	-1,800,244	About 1.0% of the budget.

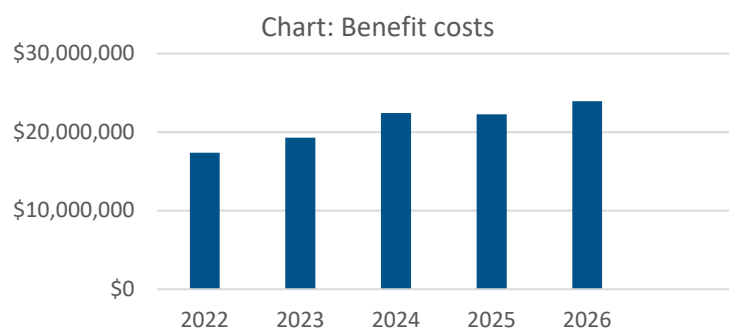
The following differences in costs against budget lead to the variance of \$1.56 million in instruction costs:

Variance \$	Narrative
830,000	Employee extended health and dental benefits costs were substantially higher than budgeted, with benefit use increasing from January 2026 onwards.
-2,705,000	Additional CEF funding received which allowed expenditures budgeted for the operating fund to be recognized as an expense in Special Purpose Funding on Schedule 3A.

Variance \$	Narrative
-502,000	International Education expenditures were less than budget.
2,000,000	Wage increases for the year of 3% for teachers and 2.5% for non-unionized staff were settled after the Board adopted the amended budget. This is offset by a similar amount of funding.
-280,000	This variance is driven by staff vacancies and unspent budget allocations associated with the administration of the Indigenous Education Council. It is carried forward as a restricted reserve.
-100,000	The Educational Leave Fund, a restricted allocation jointly allocated by the Board and VTA, was not utilised to the extent budgeted.
-350,000	Variances from wage assumptions created led to actual Education Assistant wage costs being about 4% less than anticipated.
-490,000	School supply expenditure was less than budgeted. This variance is carried forward as a restricted reserve.
32,475	The net amount of various other variances from budget.
-1,564,525	Total

Benefit costs

In the five years to June 30, 2026, benefit costs increased much faster than inflation, by several \$million every year. The budget did not necessarily keep pace with that growth, leading to budget shortfalls in 2023, 2024 and 2026.



Staff

The Board spent 89%, or \$107.3 million, of operating expenditure on salaries and benefits. As expected for a school district, the majority of this staff cost (59%) is for teacher salaries and benefits.

Funding criteria means the Board distributes staff costs among the operating fund and the special purpose funds. The classroom enhancement fund, for example, covers the salary and benefit cost of about ten percent of the Board's teachers.

Transfers to other funds

The Board purchased \$225,749 of capital assets during the year directly from the operating fund and transferred \$1,345,623 to the local capital fund during the year. Local capital is broken down in detail later in the Capital Fund section of this document.

\$40,000 was transferred to the operating fund from the company that owns the woodlot utilized by the School District's forestry trades program. The Board directs this funding towards the forestry trades education program.

Operating surplus

Operating surplus restrictions

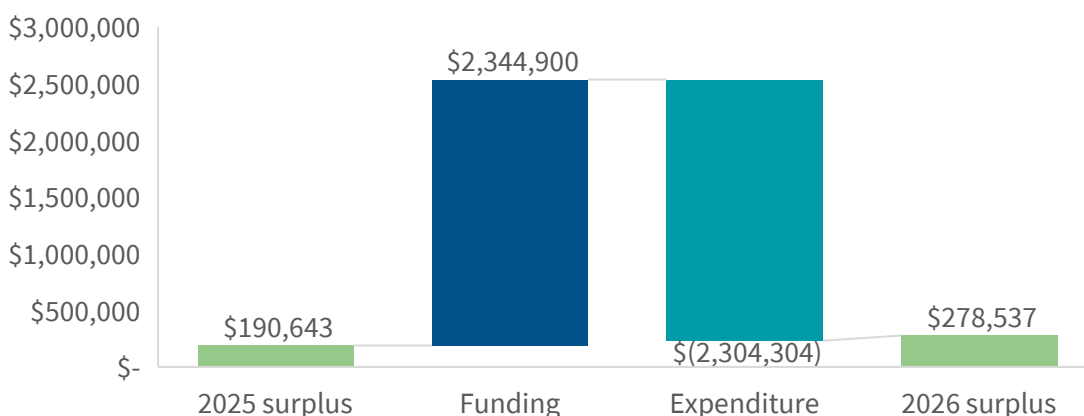
The total operating surplus for the year to June 30, 2026 was \$3,342,240, compared with a surplus of \$1,112,210 in the previous year. Schedule 2 on page 29 of the financial statements shows the calculation of this amount. This increased total operating fund reserves from \$3,283,054 at the beginning of the year to \$6,625,294 on June 30, 2026.

Note 11, on page 22 of the financial statements, outlines the restrictions on the use of the accumulated reserves. The funds are restricted at the Board's discretion. Page 5 of the Amended Budget narrative on the School District's website breaks down the budgeted year-end reserves.

	June 30, 2025	June 30, 2026	Budgeted year-end reserves
Indigenous Education commitments	\$ 190,643	\$ 278,537	\$ -
Union commitments	1,012,036	1,131,032	982,486
School budget balances	578,101	678,903	187,248
Trustee travel	-	7,579	-
Strategic Educational Initiatives	-	2,705,001	-
Appropriated by budget bylaw and budget allocations	41,055	-	-
Contingency reserve	1,461,219	1,824,242	1,134,488
Total operating surplus	\$ 3,283,054	\$ 6,625,294	\$ 2,304,222

Indigenous Education commitments

The Board receives funding from the MECC which Provincial policy states the Board must spend on the provision of Indigenous education programs and services.

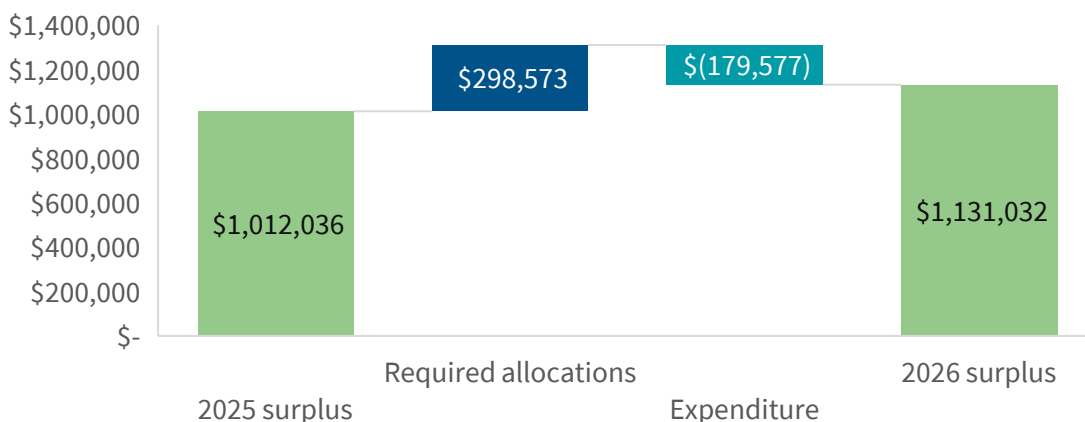


This chart illustrates the revenues and expenditures for the year in comparison to funding remaining at the year-end. This year, unfilled positions resulted in reserves increasing. About 12% of annual

targeted revenues remains in surplus at the year-end. About \$100,000 of that amount is targeted towards the administration of the Indigenous Education Council.

Union commitments

This balance is restricted to fund contractual obligations in collective agreements with employee unions to provide certain future funds for employee professional development and collective agreement administration.



\$884,357 (778%) of this surplus relates to the teachers' educational leave fund.

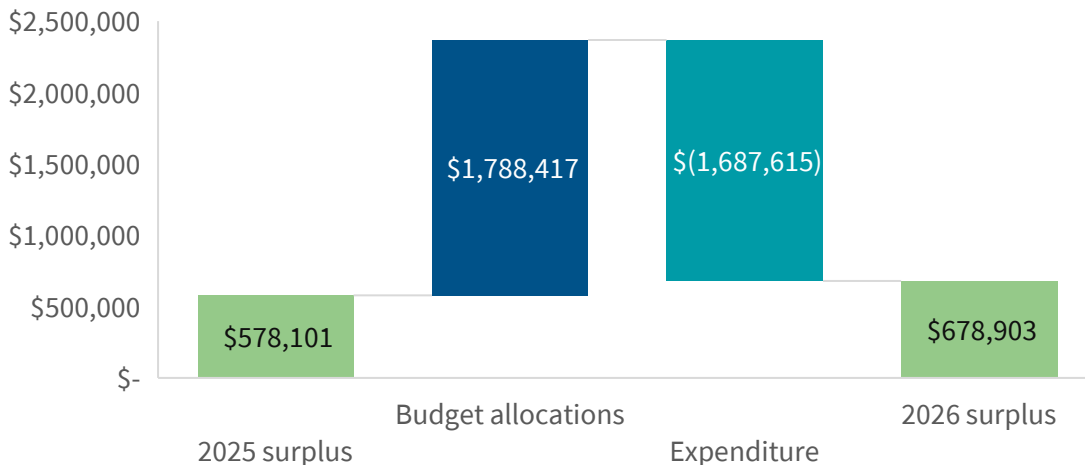
School budget balances

The Board allocates schools a budget to cover the costs that a school Principal has discretion over. This includes classroom supplies, repair, replacement or acquisition of minor equipment, consumables, discretionary time for school staff and many other discretionary costs.

The budget allocation to schools primarily comprises a base amount per school and a per-student amount.

The Board has a practice of carrying forward unspent amounts to the following year, facilitating the Principal's year-to-year management of the school budget.

The chart below shows budget allocations in comparison to surplus and annual expenditure.



Annual expenditure was less than the annual budget allocation. The closing surplus equates to 40% of annual expenditure.

In addition to this surplus, about \$1.6 million of deferred revenue remains for school generated funds noted in the Financial Position section earlier in this document.

Appropriated by budget bylaw and budget allocations

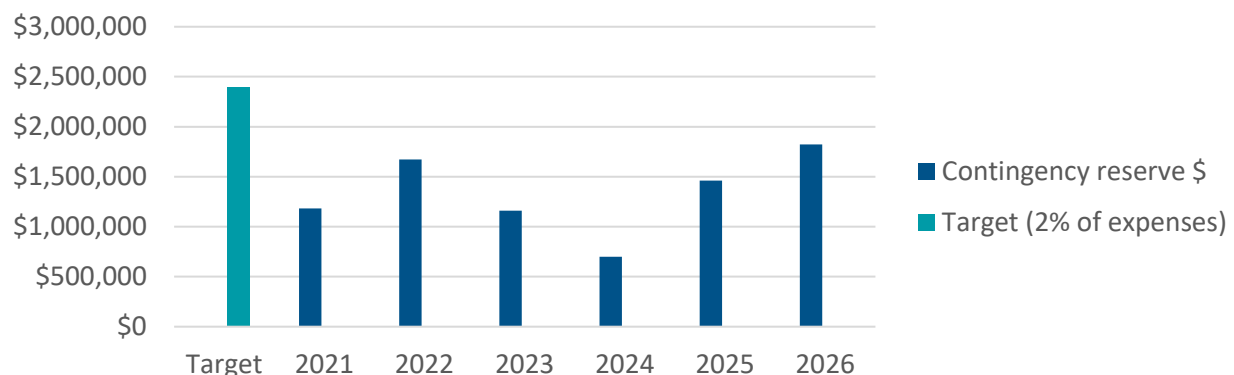
The 2026 original budget adopted by the Board in May assumed the Board would need to appropriate \$41,055 of reserves to balance the budget, in addition to the use of targeted reserves.

Contingency reserve

The amended budget anticipated requiring \$327,000 of contingency reserve to balance the budget. Instead, The contingency reserve grew by \$363,000 to \$1,824,000 – a positive swing of \$690,000. This is primarily due to the contribution from the international program.

The Board now has a contingency reserve of 1.5% of operating revenues. This increase is reasonable progress towards the target range of 2% to 5% outlined in Board policy 611, Accumulated Operating Surplus.

Chart: Contingency Reserve trends



Special Purpose Funds

Overview

The financial statements report transactions within the special purpose funds in the following schedules:

Schedule	Page	Overview
3	34	Summarizes the total revenues and expenses of all the special purpose funds. Also indicates the amounts spent on capital assets and transferred to the Local Capital fund.
3A	35-38	Outlines, by each group of funds, the grants received and expenses for the year to June 30, 2026.

Significant special purpose funds include:

School generated funds

School generated funds account for fees and contributions raised at the school level. Examples of such fees and contributions include school supply fees paid by parents and caregivers; school trip fees; PAC contributions; graduation celebration fundraising; cafeteria revenue, vending machine revenue and athletics fees. The schools target these funds for the purpose that the fee payers or donors intended.

CommunityLINK

The CommunityLINK grant from the Provincial Government is to support programs and services to improve the educational performance of vulnerable students, including both academic achievement and social functioning. This includes promoting partnerships and an integrated approach to supporting vulnerable students with families, communities and service providers.

It funds staff from community organisations who work with our vulnerable students to improve their educational performance.

Grant funding has not increased in line with inflation in previous years. To maintain a reasonable level of service, the Board contributed an additional \$553,250 from the operating fund to provide these services.

Classroom Enhancement Funds

The grants from the three Classroom Enhancement Funds totalled \$11,679,409. The MECC provides these grants to offset the additional costs associated with the restoration of historical collective agreement language regarding class size and composition.

Direct staffing costs associated with the changes to class size and composition are accounted for within the 'Classroom Enhancement Fund – Staffing'. They include:

- 52.8 FTE additional teachers needed to offset the reduction in class sizes;

- 20.592 FTE additional Learning Assistance, SBRT and ELL teachers needed to cover the increase required through restored language.
- 5.7 FTE additional teachers allocated in consultation with teaching staff;
- 2.8 FTE teacher librarians needed to meet non-enrolling ratios; and
- TTOC wages to address other requirements of the restored language.

The MECC calculates the grant based on initial forecasts provided to the MECC by the School District. The School District is only able to utilize these funds to meet necessary costs of the restored language.

Schedule 3A accounts for indirect costs, or overheads, associated with these changes within the 'Classroom Enhancement Fund – Overhead'. They include:

- TTOC coverage for sick and other leaves for the additional teachers;
- Additional Educational Assistants needed to support the increased number of classes; and
- Other miscellaneous costs associated with data tracking, increased class space and staff recruitment.

To receive the grants, the Board must be able to demonstrate to the Provincial Government that the associated direct or indirect costs are a result of the restoration of the collective agreement language.

Certain classes exceeded the class size and composition limits outlined in the Collective Agreement. The School District is required to provide remedy, typically in the form of additional preparation time or collaboration time, to teachers of such classes. The 'Classroom Enhancement Fund – Remedies' provides grant funding to cover the associated expense.

The classroom enhancement funds are a core part of the Board's funding. They fund over 10% of the Board's teachers. This funding is tied to the application of historical language restored to the collective agreement.

Related entities

The operating results and surplus of 554210 B.C. Ltd, a company controlled by the Board, are also reflected as a special purpose fund as a related entity. The company facilitates the Board's delivery of its forestry career education program.

The company generates most of its revenue from the sale of timber harvested from a woodlot owned by the company. Large scale harvesting typically occurs once every five years due to regulatory requirements. Little harvesting was done this year. Silviculture expenditure related to planning for future harvests and the reforestation of previously logged areas continued to occur.

The company distributes \$40,000 to the operating fund to contribute towards the costs of the Board's forestry education program.

The company ended the year with \$525,159 in reserves. This is forecast to be more than sufficient to cover the expenses of the company until the next round of harvesting.

Feeding Futures fund

MECC provided the Board with \$1,325,387 of funding to provide food to students. The Board uses this fund to:

- purchase bagged lunches for direct distribution to students.
- prepare healthy snacks, breakfasts and lunches for hungry children.
- provide food security outside of school to vulnerable students by making food available for them to take home.

Early Learning and Child Care

MECC provided targeted funding for three initiatives that totalled \$801,334.

Capital Fund

Overview

The capital fund, including the local capital fund, accounts for assets owned by the Board and the funds used to purchase them or set aside to acquire them in the future.

Provincial grants targeted for the purchase of assets (for example, a grant to renovate a school) are recorded in the capital fund.

If the Board purchases an asset using operating funds, then the Board treats the cost of the asset as a transfer from the operating fund to the capital fund.

MECC does not provide capital grants for asset acquisitions such as computer equipment, school furniture and equipment, vehicles, maintenance equipment, photocopiers, classroom renovations or district administration buildings. The only source of funding available for these assets is typically operating funds. To set aside funds to allow the future purchase of major assets, the Board may transfer funds from the operating fund to the local capital fund.

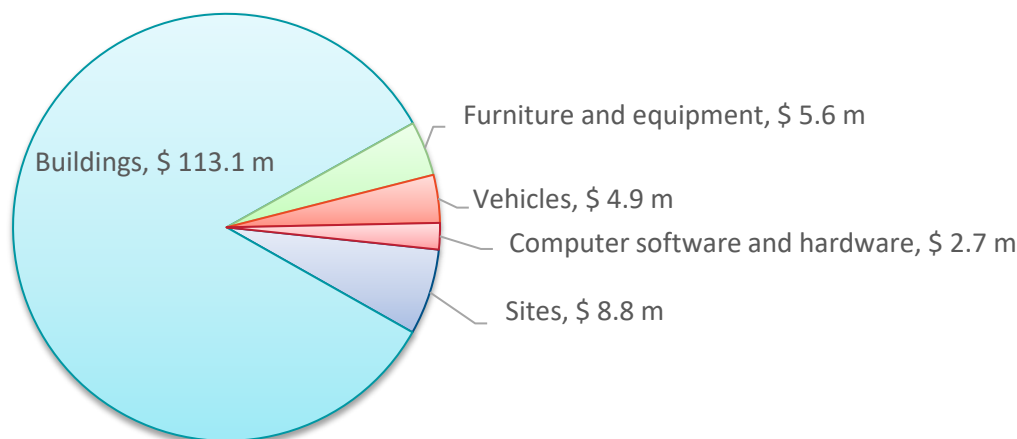
Schedule	Page	Overview
4	39	Summarizes amortization, local capital balances, and transfers to the capital fund from other funds.
4A	40	Outlines • the cost of assets acquired during the year. • the amortization of assets by asset class. • the original cost of assets owned by the Board, by asset class • the total amortization of each asset class. This is an estimate of the value of the wear-and-tear of assets over their lifetime. • the net book value of assets, being the cost less amortization.
4B	41	Outlines costs of construction work that is still in progress. This relates to the development of the child care facility at JW Inglis Elementary.
4C	42	Accounts for targeted funding already spent on the acquisition of capital assets.

Schedule	Page	Overview
4D	43	Accounts for funding received which is targeted towards capital asset purchases and which has yet to be spent.

Capital assets

Schedule 4A summarizes the capital assets owned by the Board.

Chart: Net book value (being cost less amortization) of tangible capital asset



The Board has \$135 million invested in its capital infrastructure.

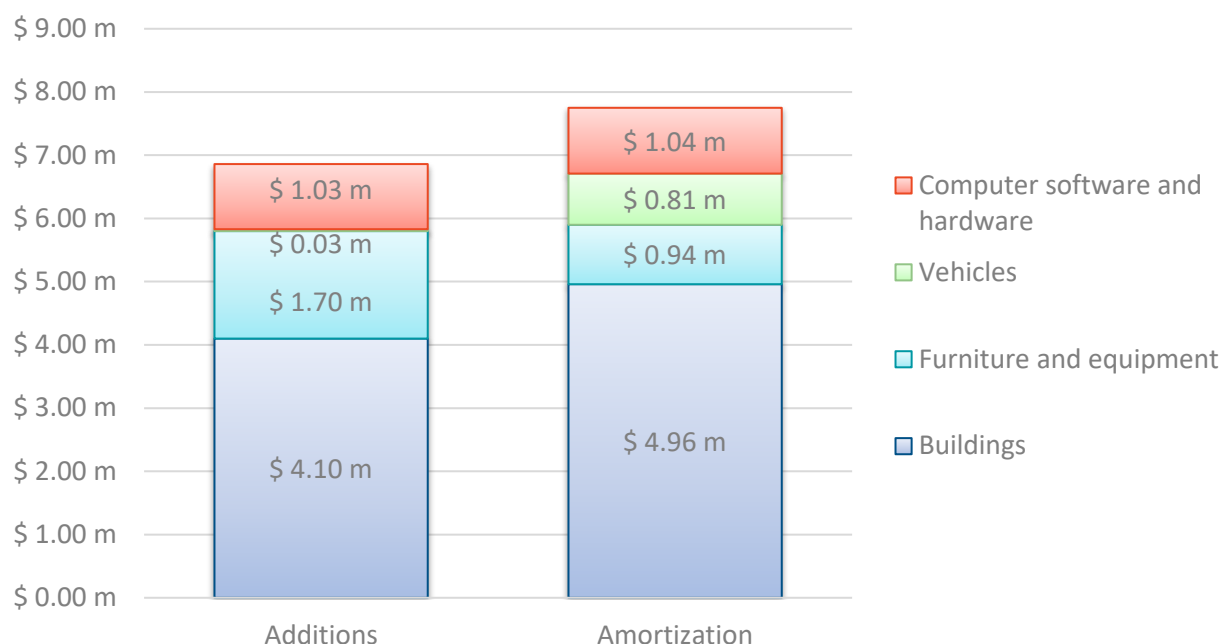
The original cost (not current market value) of the land that the Board's schools are located on is \$8.8m.

The school buildings comprise the vast majority of the Board's capital assets.

The Board also has significant investment in vehicles (primarily school buses), furniture and equipment (school furniture, shop equipment etc.) and computer software and hardware, including servers, staff computers and student devices.

The amortization expense recognizes the amortization of an asset over its useful life. The proportion of amortization to asset additions is an indication of the sufficiency of the level of capital investment. For example, if assets are amortizing faster than the Board is replacing them, this may indicate an infrastructure deficit.

The chart below shows that amortization was larger than additions. This indicates that capital expenditure did not keep pace with the time-related deterioration of assets. This is largely due to timing differences of asset improvement and replacement. For example, a renovation of the HVAC system at WL Seaton Secondary is commencing, and no busses reached end of life during the year.

Chart: Asset additions compared to asset amortization

Building additions were \$4.1 million. This included \$1.4 million on HVAC infrastructure and a variety of other projects to improve facilities, primarily related to exterior building envelopes and lighting upgrades. \$741,000 was spent on the new J.W Inglis Childcare facility with construction beginning in Spring 2026.

Deferred capital revenue

Schedule 4C accounts for grants received for capital asset purchases that the Board has spent. Schedule 4D accounts for grants received for capital asset purchases that the Board has yet to spend.

Included in capital additions is the completion of \$4.5 million of grant funded capital projects during the year. The grants are accounted for as deferred capital revenue on schedule 4C. Deferred capital revenue balances are accumulated over the years and amortized over the estimated lifespan of the assets acquired with the grant money. The deferred capital revenue balance reduced by \$5.4 million in the year to June 30, 2026, to reflect this amortization.

The deferred capital revenue balance on June 30, 2026, is \$102.7 million (Schedule 4C). As the net book value of capital assets is \$135.1 million (schedule 4A), this indicates the Board acquired 76% of its assets using targeted grant funding.

Local capital

Schedule 4 includes a column showing the transfers to and from the local capital fund, and the balance in local capital at the end of the year.

As outlined in Board policy 2.22.0, 'Financial Surplus and Inter-Fund Transfer Policy', the Board approves transfers of funds from the operating fund to the capital fund in anticipation of necessary future capital expenditure which will not be funded by additional targeted grants from MECC. In doing so, the Board must strike a balance between ensuring the Board has the necessary assets to function effectively and using operational funds to provide quality education for students.

To facilitate year-to-year capital planning, local capital budgets that the Board has not spent at the year-end are carried forward to the following year.

The table below discusses the transfers to local capital made during the year, and the utilization of the local capital amounts.

Table: Local Capital analysis

Purpose	Opening balance	Transferred in	Assets purchased	Remaining amount	Notes
Technology	275,796	917,682	925,550	267,928	The technology department use this allocation to purchase student and staff computers, servers, and the infrastructure required for the computers to work. In addition, a multi-year project to replace and improve wireless access points throughout the school district is underway. The district also received \$122,681 from Microsoft in the form of rebate vouchers as a result of a class action lawsuit.
Maintenance, custodial and transportation equipment and vehicles	251,045	188,000	135,917	303,128	The Board transfers \$188,000 a year to local capital for acquisition of this equipment and vehicles. The respective departments have set aside this amount in anticipation of future purchases of equipment or vehicles.
Photocopier replacement	129,272	59,941	1,829	187,384	The Board purchased the current fleet of photocopiers in 2017/18 at a cost of about \$300,000. The Board sets aside funds each year in anticipation of the need to replace these assets at the end of their useful life. This fund will be used more in the coming years to replace other copiers as they reach the end of their functional life.
School classroom improvements	(21,208)	150,000	97,162	31,630	This fund allows for the ongoing upgrade and replacement of projectors in classrooms. The fund started in a deficit position which was remedied during the school year.
Finance enterprise resource planning ('ERP') software	80,773	-	-	80,773	The Board deployed the Finance module element of the replacement ERP software in April of 2021. On June 1 of 2024, the Board went live with the new HR and Payroll module of the ERP software. Funds remain to assist in further work needed to take full advantage of this new software.
Electric bus acquisition	6,875	-	-	6,875	This fund was used as planned to offset the additional costs that were not funded through targeted grants and has a small remaining balance.

Purpose	Opening balance	Transferred in	Assets purchased	Remaining amount	Notes
Learning commons creation	240,496	-	3,238	237,258	The Board allocated funding in 2019/20 to renovate school spaces, such as libraries, to create learning commons areas. A District committee made recommendations as to how the Board should best spend this funding to achieve this goal. This funds the improvements to school facilities consistent with the recommendations of the committee.
School shop equipment replacement	62,957	30,000	-	92,957	The Board allocates \$30,000 a year to the replacement of school shop equipment. Further purchases will be made in the upcoming year.
Total	1,026,006	1,345,623	1,163,696	1,207,933	Agrees to schedule 4, page 39 of the financial statements