

**FINANCIAL STATEMENT DISCUSSION AND ANALYSIS
SCHOOL DISTRICT NO. 51 (BOUNDARY)
JUNE 30, 2025**



The following Financial Statement Discussion and Analysis should be read in conjunction with the audited financial statements and accompanying notes for School District No. 51 (Boundary) for the year ended June 30, 2025.

The purpose of the Financial Statement Discussion and Analysis is to highlight information and provide explanations which enhance the reader’s understanding of the District’s financial statements, as well as the factors that influenced the financial results presented in the statements. The preparation of the Financial Statement Discussion and Analysis is the responsibility of the management of the District.

This summary of the District’s financial activities is based on currently known facts, decisions and conditions. The results of the current year are discussed in comparison to the prior year and to the approved annual budget. The Financial Statement Discussion and Analysis also contains forward-looking information, such as the planned use of local capital funds and accumulated surplus. The purpose of the forward-looking information is to provide management’s expectations regarding results of operations and performance and may not be appropriate for other purposes.

The Financial Statement Discussion and Analysis has not been audited.

OVERVIEW OF SCHOOL DISTRICT NO. 51 (BOUNDARY)

As one of 60 public school districts in British Columbia, School District No. 51 (Boundary) (the “District”) is incorporated and operates under the authority of the *School Act of BC*. The District is governed by the Board of Education, including seven trustees elected for a four-year term. The next scheduled general local election will be held October 17, 2026.

The District is comprised of 9 rural communities located in the southeastern part of BC and spans from Big White to Christina Lake, covering almost 7,000 square kilometers. The District provides educational programs to approximately 1,300 students in grades K to 12 in 6 elementary schools, 2 high schools, 1 alternate school and a K-9 community school. Enrolment has been moderately stable over the past 10 years, and a key focus for the District has been to keep small rural schools open with a full range of programs and services.

Some unique characteristics of the District include:

- Approximately 30% of our student population self-identifies Indigenous, Metis or Inuit heritage
- The District is 1 of only 2 districts in the Province that operates on a 4-day school week with students typically attending school Monday through Thursday
- Over 70% of our students are registered for busing, with some students travelling more than two hours per day on the bus
- Our largest school has over 400 students and our smallest typically has 12 or less

In 2021, the Board of Education engaged in the development of a five-year strategic plan. Working with a diverse group of stakeholders, the vision, mission and values of the District were created to guide our work.



Our Vision

To nurture curiosity, resilience and joy in all

Our Mission

To ensure our students are flourishing today so they can build a confident future tomorrow



To ensure our vision and mission resonate and come alive for students, staff, families and the community, the Board established the following strategic directions as a lens for which to consider all decisions, financial and otherwise:

- Equity, inclusion and belonging
- Student voice and agency
- Wellness and resilience
- Community connections

FINANCIAL HIGHLIGHTS

Financial statement highlights to note include:

- Accumulated Surplus **decreased \$23K** from prior year as a result of a decrease in the capital fund of \$222K offset by an increase in the operating fund of \$199K.
- The increase in the accumulated operating fund surplus of \$199K is a result of an increase in operating funds restricted for future use due to the nature of constraints on the funds.
 - **The unrestricted operating surplus actually decreased by \$43K** and is now \$581K or 2.7% of average operating expenditures.
- Total Ministry of Education and Child Care funding reported increased \$669K to **\$24.3 mil**, compared to \$23.6 mil in 2023/24.
- Operating expenditures were \$96K or **0.45%** higher than budgeted.
- Student enrolment at September 30/2024 of **1,281.375 FTE** was down 30 FTE from prior year (1,311.625 FTE) and down 24.6 FTE from projected (1,306.00 FTE).
- Total capital asset additions were **down to \$2.52 mil** from \$3.26 mil in 2023/24
- **\$435K in local capital expenditures** were made to support the technology and white fleet replacement needs of the District.
- As per the Independent Auditor’s Report on page 2-4 of the financial statements, the external auditors, BDO Canada LLP, concluded that the **2024/25 financial statements present fairly, in all material respects, the financial position** of the School District

Comparison to Prior Year

	2024/25	2023/24	Variance
Revenue	26,429,035	25,618,646	810,389
Expenditures	26,452,191	25,831,948	620,243
Surplus (Deficit)	(23,156)	(213,302)	190,146

The most significant change in revenue from the prior year is the 3.4% increase in the MECC per student rates to fund negotiated wage and benefit increases for unionized workers. Overall, total MECC *operating grants* increased from \$20.94 mil in 2023/24 to **\$21.55 mil in 2024/25** even though student enrolment was down more than 30 FTE from September 2023. New in 2024/25, the District received \$101K to support the implementation of Indigenous Education Councils as per Bill 40. As well, \$188K was received in current year labour settlement funding to support the 1.0% Cost of Living Adjustment (COLA) that was not known at the time the per student rates were set.

Also contributing to the overall increase in revenue is an increase of \$275K of revenue recognized in the special purpose fund primarily as a result of small to moderate increases in spending across existing programs (i.e. School Generated Funds, CEF- Staffing, Feeding Futures Fund, Seamless Day etc.) and the introduction of the National School Food Program and a one-time grant from United Way for the purchase of a refrigerated van.

The \$620K increase in expenditures from the prior year is a result of:

- Negotiated wage increases of approximately 3.0% for all employees,
- Increased replacement costs of approximately 14% due to higher volume of employee absences and higher wage costs of replacements, and
- Increased benefit premium rates for employee extended health and dental plans.

Annual Budget compared to Amended Budget

	Amended Budget 2024/25	Annual Budget 2024/25	Change
Revenue	26,510,790	26,002,924	507,866
Expenditure	26,894,390	26,255,282	639,108
Surplus (Deficit)	(383,600)	(252,353)	(131,242)

The projected deficit increased from \$252K in the original budget to \$384K in the amended budget mainly due to increased employee replacement costs due to absenteeism and employee benefit costs.

The change in revenue of \$508K from the annual budget to the amended budget is explained by fund as follows:

Fund	Amended	Annual	Change	Comments
Operating	21,985,065	21,777,375	207,690	Funded enrolment decrease of 24.625 FTE offset by enrolment decline supplement and increase in teacher salary differential supplement; as well, increase of \$65K in miscellaneous revenue due to equipment sales (IT, buses etc.) and energy rebates.
Special Purpose	3,443,835	3,155,536	288,299	Increase of \$109K due to carry-forwards confirmed through year-end audit; increase of \$254K due to funding confirmed after original budget passed. Off-set by decrease of \$75K due to staffing shortages.
Capital	1,076,890	1,065,013	11,877	Original recognition of deferred capital revenue based on planned capital projects. Amended budget adjusted based on updated information.
	26,505,790	25,997,924	507,866	

Total increase of **\$639K** in expenditures from the annual budget to the amended budget is a result of:

- Increase of **\$401K** in budgeted OPERATING expenses as follows:
 - o \$98K increase for teacher incrementing and staffing changes
 - o \$193K increase in substitute budget based on employee absence trends and known vacancies
 - o \$100K increase in supplies/services budget to accommodate inflation and unplanned expenditures
- The SPECIAL PURPOSE FUND includes targeted funding provided to the District that is subject to a legislative or contractual stipulation or restriction as to its use and revenues are only recognized when the related expense is incurred. As such, the increase in expenditures from the annual budget to the amended budget is as described in the revenue section above.
- Increase of \$20K in budgeted CAPITAL fund expenses (amortization) as a result of higher than budgeted capital asset purchases.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The two key audited financial statements are:

- *Statement of Financial Position* – summarizes the combined assets and liabilities at June 30th. This provides an indication of the financial health of the District.
- *Statement of Operations* – summarizes the combined revenues received and expenses incurred during the 12 months between July 1 and June 30. This provides an indication of the funding received by the District and how that funding was spent.

A Statement of Change in Net Financial Assets (Debt), Statement of Cash Flows and the Notes to the Financial Statements are included to provide further analysis of the District's finances.

The unaudited schedules at the end of the Notes to the Financial Statements are in a format prescribed by the Ministry of Education and Child Care. These schedules provide more detail specific to each of the three funds (Operating, Special Purpose and Capital). The balances in these schedules are consistent, when combined together, with the audited financial statements (Statement 2).

OPERATING FUND	SPECIAL PURPOSE FUND	CAPITAL FUND
<p>Includes revenue and expenses related to the daily operation of the District, including instructional programs, school and district administration, facilities operations, maintenance and transportation functions. Approximately 98% of operating fund revenue comes from MECC. Any surplus is carried forward to future budgeting years through the <i>Accumulated Surplus - Operating Fund</i> (see Schedule 1 and Note 18).</p>	<p>Includes targeted funding provided to the District that is subject to a legislative or contractual stipulation or restriction as to its use. Revenues are only recognized when the related expense is incurred, thus any unspent funds are recorded as a liability (deferred revenue) on the Statement of Financial Position.</p>	<p>Includes capital expenditures related to equipment and facilities purchases and enhancements. Funding is accounted for using the deferral method, whereby revenue is recognized over the life of the asset rather than in the period received. Therefore, funding reported in Schedule 4 does not match actual funding received in the year. Funding sources include MECC Bylaw Capital, MECC Restricted Capital, Other Provincially Restricted Capital, Land Capital and Local Capital.</p>

Statement of Financial Position at June 30:

	2025	2024	2023
Financial Assets	5,992,698	5,029,997	5,386,102
Liabilities	30,588,019	28,895,736	27,540,617
Net Debt	(24,595,321)	(23,865,739)	(22,154,515)
Non-financial assets	28,595,151	27,888,725	26,390,803
Accumulated Surplus	3,999,830	4,022,986	4,236,288
Accumulated Surplus – Operations	1,007,531	808,804	1,033,854
Accumulated Surplus – Capital	2,992,299	3,214,182	3,202,434

Financial assets are assets that can be used to discharge liabilities and provide working capital funds in the normal course of operations.

Cash and cash equivalents – At June 30, 2025, the District held \$5.18 mil in cash (2024 - \$4.57 mil), deposited in financial institutions and the Province’s central deposit system. The District holds cash for: payment of current liabilities, summer savings plan (teachers), deferred funds, and restricted operating and capital funds. Cash on hand does not represent funds available for new initiatives. Statement 5 provides information on how the District's cash is spent each year.

Accounts Receivable (AR) – Includes amounts due from the Ministry of Education and Child Care and Other. Amounts due from MECC represent Certificate of Approval funds requested for capital projects completed prior to June 30, 2025. Note 4 outlines the changes in *Other* AR from 2024. Included in AR in 2025 was a receivable of approximately \$340K for costs incurred on insurance claims in progress.

Liabilities are present obligations of the District to others arising from prior transactions or events, the settlement of which will require the use of current and future financial assets.

Accounts Payable and Accrued Liabilities (AP) – Includes trades payable and salary and benefits payable. Fluctuations in AP are generally related to timing of cheque processing and accrual of salaries and benefits around year end, as well as changes in reserve funds for professional development. AP increased \$536K from 2024 as payroll remittances and final cheque run were released after year-end.

Deferred Revenue – Consists of Special Purpose Fund balances deferred to subsequent periods for the intended use. Statement 1 reports an increase of \$301K in deferred revenue in 2024/25, while Schedule 3A reports the programs with unspent balances, including: Learning Improvement Fund, School Generated Funds; OLEP; CEF – Remedies; Seamless Day Kindergarten; Early Childhood Education Dual Credit Program; Student & Family Affordability Fund; Just B4; Early Care & Learning; Feeding Futures Fund; the Professional Learning Grant; UBC Rural Innovation Grant and the Boundary Watershed Management Grant.

Deferred Capital Revenue – Includes the total of funds received and spent on capital projects, which is being amortized annually at the same rate as the related capital asset. See the Capital Fund Analysis section for more information.

Employee Future Benefits – Represents the total vested and non-vested sick leave benefits and retirement benefits that will be paid to employees in future years. The liability is actuarially determined and is adjusted annually for actual costs paid out to employees during the year on vested plans.

Asset Retirement Obligation –Canadian public sector accounting standard *PS 3280 – Asset Retirement Obligations* was adopted in 2022, which addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of certain tangible capital assets such as asbestos removal in buildings that will undergo major renovation or demolition in the future. An ARO liability of \$4.70 mil related to the incremental costs associated with future asbestos abatement in district-owned buildings is reported. Note 16 provides additional information.

Net Debt – The sum of the District’s financial assets and liabilities at June 30, 2025 is net debt of \$24.6 mil (2024 - \$23.87 mil). This balance is skewed by the deferred capital revenue liability of \$21.0 mil. As there is no future cashflow associated with the deferred capital revenue balance, a more meaningful measure of net financial assets (debt) excludes the deferred capital revenue balance, giving a revised net debt figure of \$3.61 mil (2024 - \$3.67 mil).

The revised net debt balance is primarily comprised of the ARO liability of \$4.70 mil, less the accumulated operating fund surplus of \$1.0 mil (Schedule 2) and local capital fund balance of \$14K (Schedule 4). The use of these amounts is internally restricted, as outlined below.

Non-Financial Assets – By nature, non-financial assets are normally for use in service provision and include purchased, constructed, contributed, developed or leased capital assets, and prepaid expenses. Total non-financial assets at June 30, 2025 were \$28.595 mil, an increase of \$706K from 2024. More information is provided below in the Capital Fund Analysis section.

Statement of Operations:

Financial results for the year ended June 30/2025:

	Operating Fund (Schedule 2)	Special Purpose Fund (Schedule 3)	Capital Fund (Schedule 4)	Total (Statement 2)
Revenues	21,997,376	3,351,111	1,080,548	26,429,035
Expenditures	21,481,903	3,210,287	1,760,001	26,452,191
Net Surplus	515,473	140,824	(679,453)	(23,156)
Transfers	(316,746)	(140,824)	457,570	0
Surplus (Deficit) for the year	198,727	0	(221,883)	(23,156)
Surplus, beginning of year	808,804	0	3,214,182	4,022,986
Surplus, end of year	1,007,531	0	2,992,299	3,999,830

Financial results for the year ended June 30/2024:

	Operating Fund (Schedule 2)	Special Purpose Fund (Schedule 3)	Capital Fund (Schedule 4)	Total (Statement 2)
Revenues	21,395,759	3,075,965	1,146,922	25,618,646
Expenditures	21,188,589	2,984,554	1,658,805	25,831,948
Net Surplus	207,170	91,411	(511,883)	(213,302)
Transfers	(432,220)	(91,411)	523,631	0
Surplus (Deficit) for the year	(225,050)	0	11,748	(213,302)
Surplus, beginning of year	1,033,854	0	3,202,434	4,236,288
Surplus, end of year	808,804	0	3,214,182	4,022,986

OPERATING FUND ANALYSIS – REVENUE

The primary revenue stream in the Operating Fund is the Ministry of Education and Child Care annual operating grant (see page 9 for more information). The District also receives additional supplemental grants from MECC such as the Pay Equity Grant and the Student Transportation Grant.

Other sources of operating revenue include grants from other provincial agencies such as the Ministry of Children and Family and Interior Health, rental income earned through community use of District facilities, interest earned on bank balances, proceeds on the sale of equipment/vehicles, energy rebates and child care fees collected from parents and through the Child Care Fee Reduction Initiative (CCFRI).

Last Year	Budget	Current Year	Variance	
			Current Year/Last Year	Current Year/Budget
21,395,759	21,777,375	21,997,376	601,617	220,001
			2.81%	1.01%

Total grant funding from MECC increased 2.9% from \$20.94 mil in 2023/24 to **\$21.55 mil in 2024/25** mainly due to 3.4% increase in per student rates to fund negotiated wage increases and benefit enhancements.

Although student enrolment was down from prior year, the operating block increased \$739K as a result of rate increases as per above, the enrolment decline supplement, increased teacher salary differential (SD51 average teacher salaries higher than provincial average), increased Inclusive Education claims, and the new IEC grant.

In other revenue, bank interest and the Skilled Trades BC grant were down, but were offset by increases in miscellaneous revenue and child care fees (both parent and CCFRI subsidy).

MECC grant per budget was based on 1,306.00 FTE while actual funded enrolment was 1,281.375. This resulted in \$66K more funding than budgeted due to the enrolment decline supplement. As well, *Other Revenue* was originally budgeted at \$30K but was increased to \$95K due to higher than anticipated equipment sales and an energy rebate from Fraser Basin Alliance.

Operating funding and student enrolment

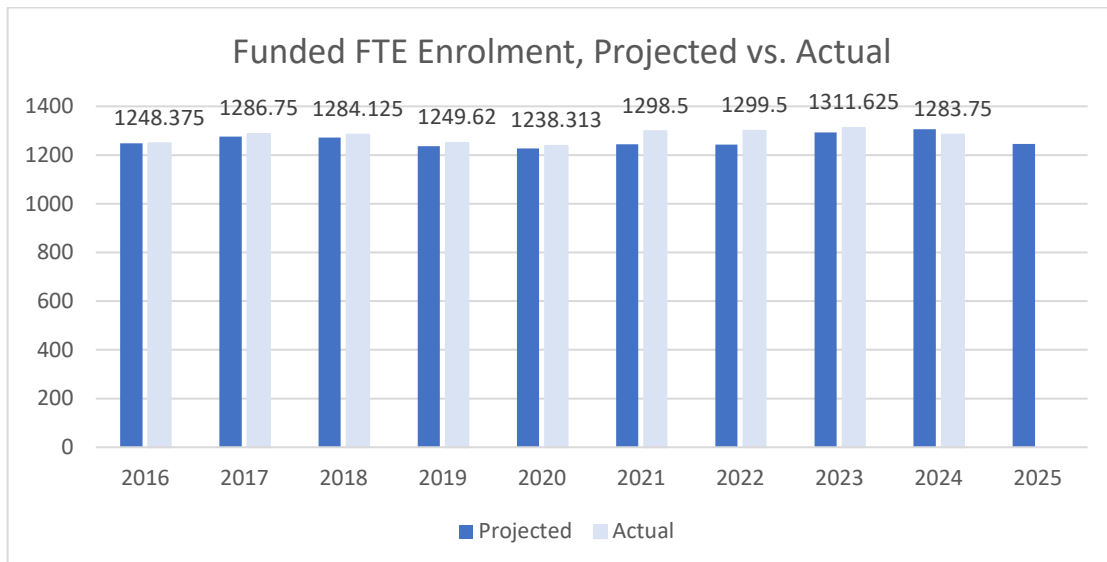
Approximately 95% of the District’s operating funding is received through the Ministry of Education and Child Care’s operating grant (\$21.04 million in 2024/25), the basis of which is student enrolment. The District receives a fixed amount per full-time enrolled (FTE) student, as well as supplementary amounts for:

- Each identified student with unique needs, including Inclusive Education, Indigenous Education, English Language Learners and Adult Education;
- Teacher salary differential (additional funding to districts with higher average teacher salaries compared to provincial average per teacher FTE); and
- Unique geographic factors, including Small Community supplement, Low enrolment factor, Rural factor, Climate factor, Sparseness factor, and Student location factor.

For students in kindergarten to grade 9, one student equates to one FTE. For students in grades 10 to 12, students are funded based on course enrolment with eight (8) courses equaling full-time or 1.0 FTE.

Each Spring, the District undertakes a comprehensive process to establish enrolment projections, considering both current enrolment and population data. As the quantity and composition of students directs our staffing levels, a reliable estimate of student FTE is crucial to the integrity of the District’s financial plan and operating results.

Projected and actual enrolment for the past 9 years is shown below:



While enrolment has remained moderately consistent, a decline from prior year and from projections was experienced in 2024/25 and a further decline is expected in 2025/26. This is a result of graduating cohorts of 100+ students and projected kindergarten cohorts of 60-80 students. However, birth rate data indicates higher than average reported births in 2023 and 2024 (these children will be eligible for kindergarten in September 2028 and 2029, respectively) and so enrolment is expected to stabilize again in the next 3 to 5 years.

OPERATING FUND ANALYSIS – SALARIES

As a service organization, over 85% of the District’s operating budget is spent on salaries and benefits each year. Salaries for teachers and support staff are determined based on grids established within the respective collective agreements and any wage increases are negotiated through collective bargaining based on mandates set by the provincial government. Salary grids for non-unionized staff are developed and maintained by the BC Public Sector Employers Association. Learn more about BCPSEA here: [Who We Are - BC Public School Employers' Association \(bcpsea.bc.ca\)](http://www.bcpsea.bc.ca)

Last Year	Budget	Current Year	Variance	
			Current Year/Last Year	Current Year/Budget
Salaries Only				
14,030,216	14,097,629	14,250,717	220,501	153,088
			1.57%	1.09%
Substitute*				
822,002	709,625	935,977	113,975	226,352
			13.87%	31.90%
Total				
14,852,232	14,807,254	15,186,694	334,476	379,440
			2.25%	2.56%

Salaries - The most significant impact to salaries in the current year is application of the 3.0% negotiated wage increase for all employees (2.0% General Wage Increase, plus 1.0% Cost of Living Adjustment). Total salary costs increased less than 3.0% as result of reduced teacher FTE from 75.53 in 2023/24 to 74.53 in 2024/25. As well, some PVP salaries were charged through the Special Purpose Fund for administrative support in those programs in 2024/25.

Substitutes – In 2020/21, substitute costs totaled 3.78% of total salaries. 5 years later, in 2024/25, this has risen to 6.61% (increase from \$450K to \$936K). Particularly, substitute costs for teacher sick have increased over 50% from the average of the three prior years, and teacher long-term sick has increased 14% from the average of the three prior years.

Salaries - \$153K variance in salaries from original budget is result of teacher category incrementing and addition of EA positions to support changes in student composition.

Substitutes – Original budget based on historical trends. Amended budget increased to acknowledge current year trend. Actual results only 3.7% or \$33K higher than amended budget.

* When certain employee groups such as teachers, EA’s, clerical, bus drivers, and custodians are absent from work, the District pays for a replacement worker to take their place. In recent years, the cost to replace absent employees due to illness or other paid leaves has increased significantly and is affecting budgeted and actual financial results. This information is now being reported and commented on separately from salaries.

OPERATING FUND ANALYSIS – BENEFITS

There are 3 categories of benefit costs:

1. *Statutory Benefits* are required to be calculated and remitted on all payroll costs of the District and include the employer’s portion of Canada Pension Plan (CPP) and Employment Insurance (EI), the Employer Health Tax (EHT) and WorkSafeBC premiums. As these costs are calculated as a percentage of earnings to an annual maximum, they fluctuate to some extent with changes in salary costs.
2. *Extended health benefits* include supplemental insurance plans that cover costs beyond what is covered in the provincial health care plans and are available to employees that meet certain eligibility criteria. Coverage includes extended health, dental, basic life insurance, accidental death and dismemberment and long-term disability. Premiums are generally 100% employer paid and are a set monthly fee based on employee status (single, couple, family).
3. Eligible employees are required to participate in the applicable *Pension Plan* with matched employee and employer contributions based on a percentage of earnings. Both the Teachers Pension Plan (TPP) and the Municipal Pension Plan (MPP) are defined benefit pension plans, which means the plans use an employee’s years of service and highest average salary to determine their pension amount at retirement.

Last Year	Budget	Current Year	Variance	
			Current Year/Last Year	Current Year/Budget
3,456,701	3,732,184	3,659,543	202,842	(72,641)
			5.87%	(1.95%)

The \$203K increase in benefit costs from last year is a result of increased salary costs as both statutory benefits and pension are calculated as a percentage of earnings, and because premium rates for extended health and dental plans increased from 2024. Extended health rates increased an average of 8.8%, while dental premium rates increased an average of 5.6%.

Premium rate increases were accounted for in the 2024/25 budget. Lower than budgeted benefit costs are a result of an unplanned premium holiday for extended health benefits.

OPERATING FUND ANALYSIS – SERVICES & SUPPLIES

Service and supply costs account for 15% or less of the District’s operating budget and include the following categories of expenditures: Services, Student Transportation, Professional Development & Travel, Rentals, Dues & Fees, Insurance, Supplies and Utilities. While many of these costs are fixed and will be incurred regardless of student enrolment and the number of employees (for example, insurance or utilities), there are other categories that are discretionary and spending can be adjusted.

Last Year	Budget	Current Year	Variance	
			Current Year/Last Year	Current Year/Budget
2,879,670	2,846,396	2,635,666	-244,004	-210,730
			-8.47%	-7.40%

Based on increasing substitute and other fixed costs, the amended budget required reductions to discretionary service and supply items to balance. Intentional reductions to spending on professional development/travel and supplies were made throughout the year to manage a projected operating deficit. Cost increases were experienced most in utilities, insurance, software licensing and dues/fees.

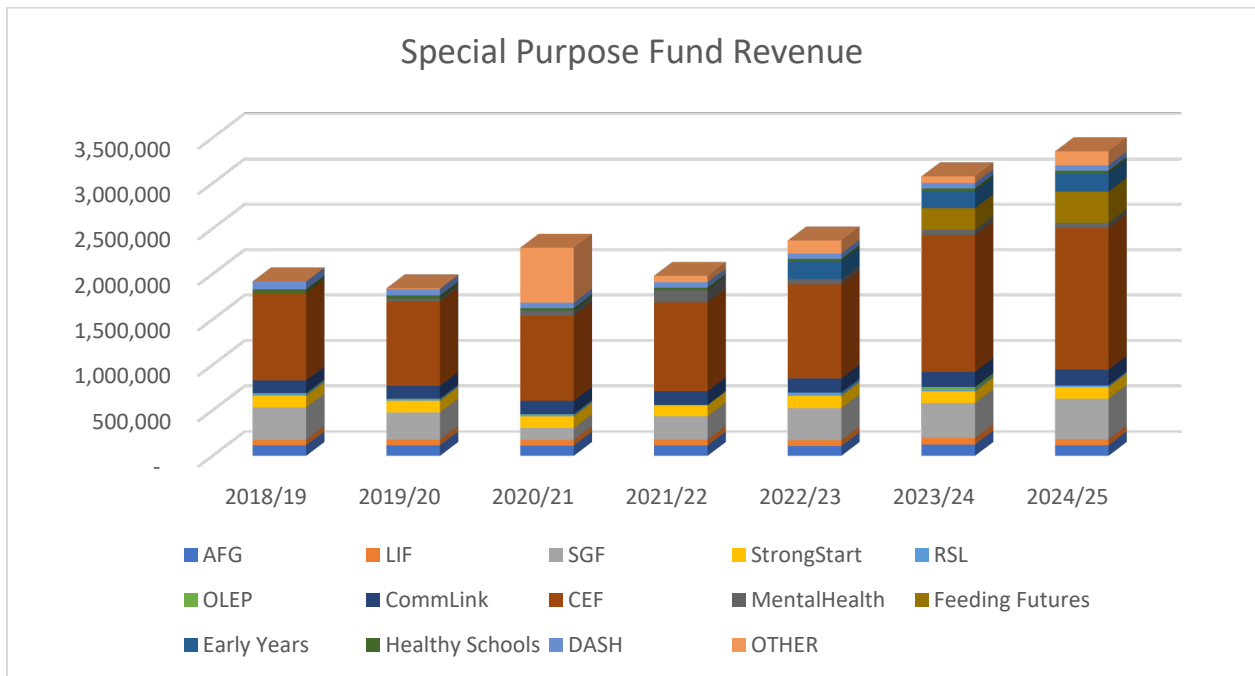
As in 2023/24, the original budget for service and supplies was conservative; however, inflation throughout the year resulted in further spending reductions in discretionary categories and a variance in the budget-to-actual results.

SPECIAL PURPOSE FUNDS ANALYSIS

The Special Purpose Fund (Schedule 3) reports funds received from the Ministry of Education and Child Care or other sources that have been designated for specific purposes. During 2024/25, \$3.65 mil in special purpose fund contributions were received and \$3.35 mil was spent (see Schedule 3A for details).

As at June 30, 2025, \$1.34 mil in Special Purpose Funds remain available for expenditures in future years for designated purposes under the following programs: Learning Improvement Fund, School Generated Funds; OLEP; CEF – Remedies; Seamless Day Kindergarten; Early Childhood Education Dual Credit Program; Student & Family Affordability Fund; Just B4; Early Care & Learning; Feeding Futures Fund; the Professional Learning Grant; UBC Rural Innovation Grant and the Boundary Watershed Management Grant. This balance is reported on the Statement of Financial Position as *Deferred Revenue*.

Special purpose fund expenses are contingent on the amount of revenue received for the purpose of providing a specific service or program. The chart below shows revenue recognized in the Special Purpose Fund by source and how it has changed over the last seven years. The most significant changes are the increase in the Classroom Enhancement Fund (CEF), addition of the Feeding Futures Fund/National School Food Program and increases in Early Years programs such as Seamless Day Kindergarten, Just B4 and Strengthening Early Years to Kindergarten Transitions.



Included in OTHER in 2024/25 is one-time funding of \$154K for the Student and Family Affordability Fund, the United Way grant, the UBC Rural Innovation grant, and the ECE Dual Credit Program grant.

CAPITAL FUND ANALYSIS

Note 10 and Schedule 4A report the net value of tangible capital assets. At June 30, 2025, the total net value of capital assets for the District is \$28.5 mil (2024 - \$27.8 mil). Of this amount, \$2.1 mil represents net investment in sites, \$23.2 mil in buildings (2024 - \$22.6 mil) and \$3.16 mil in furniture and equipment, vehicles and computer software and hardware (2024 - \$2.99 mil).

Once an asset is built or acquired and is in use, the cost of that asset is amortized over the asset's expected useful life using the rates reported in Note 2(h). The net value of capital assets described above represents the historical cost net of accumulated amortization. The net book value does not reflect current market value.

Capital assets can be acquired with Operating or Special Purpose funds, through the Local Capital reserve, or can be funded through capital grants from MECC (Capital Bylaw or Annual Facility Grant Bylaw) or other sources (i.e. Parent Advisory Council/PAC).

Any grants received to fund the acquisition of capital assets are also amortized over the expected life of the asset. The receipt and amortization of such grants are reported on Schedule 4C – Deferred Capital Revenue. The treatment of grants for capital asset purchases as deferred capital revenue is not consistent with Canadian public sector accounting standards, but is a requirement of the Provincial Government through the *Budget Transparency and Accountability Act*. More information on this accounting practice is included Note 2(e).

Total asset additions in 2024/25 are \$2.33 mil (2024 - \$3.26 mil), which includes \$60K transferred from Work-in-Progress at June 30/2024 and \$2.27 mil of current year purchases as follows:

	Buildings	Equipment	Vehicles	Hardware	Software	Total
Operating:	-	8,261	-	10,525	10,160	28,946
Special Purpose:	54,468	-	86,356	-	-	140,824
Local Capital:	-	-	39,975	318,622	76,288	434,885
Deferred Capital:						
AFG Bylaw	593,919	-	-	-	-	593,919
Bylaw	839,270	-	294,960	-	-	1,134,230
Other	-	-	-	-	-	-
	1,487,657	8,261	421,291	329,147	86,448	2,332,804

Significant minor capital projects completed during the year include:

- Roof replacement at Perley (\$550K)
- Interior construction (radon mitigation, concrete work) at Beaverdell Elementary, Hutton and West Boundary (\$150K)
- LED Lighting Upgrade at GFSS (\$250K)
- Phase 2 of the WiFi improvement project (\$118K)
- Staff desktop and school cart replacements (\$161K)
- ERP Modernization, Purchasing and Accounting modules (\$76K)

Other notable projects and equipment purchases include: irrigation system replacement at Perley, purchase of a new maintenance trailer, concrete repairs at West Boundary and Greenwood Elementary, and tree replacement at Hutton. No major capital projects were in progress or initiated during the year, and there were no land sales or purchases.

RESERVE FUND ANALYSIS

Accumulated Surplus – Operating

Board policy 511 – *Accumulated Operating Surplus* was amended and adopted by the Board in June 2022 to align with MECC’s updated operating surplus policy. The goal of the amended policy is to ensure transparent and accountable financial planning and reporting, and to outline how an operating surplus enables the Board to engage in long-term planning, mitigate financial risk and support consistent programs and services to all students.

In 2024/25, the Accumulated Operating Surplus increased by \$198,727 to **\$1,007,531** mainly due to significant increases to monies restricted due to the nature of constraints on the funds. The most notable changes of which are:

1. Indigenous Education Council (IEC) Grant – New in 2024/25, funding was issued to support the implementation of IEC’s as per Bill 40. These are targeted funds and spending less than targeted amounts requires approval of the IEC and Ministry of Education and Child Care. The balance is restricted due to these constraints.
2. Facility Upgrades – Rebates totaling \$56K were received during the year for capital projects which reduced the District’s GHG emissions. The rebates are earmarked for future projects that continue to support the District’s emission reduction plan.
3. Community Network – This is a reserve fund to maintain network infrastructure on the shared Community Network. A continuity plan is established and SD51 and the City of Grand Forks make annual contributions to ensure the reserve is appropriately funded for planned replacements. The increase this year is a result of no planned capital purchases in 2024/25.
4. Schools and other programs – Unspent school budgets carry-forward to future years at a maximum of 25% of their allocated budget. As a result of planned projects/initiatives, schools spent most of their budgets in 2023/24. The internally restricted balance grew in 2024/25 as these schools are building their contingency reserves back up.
5. Child Care, Before-/After-School Program – Fees collected from parents for the Seamless Day, Before-/After-School Program at Perley, as well as subsidies received through the Child Care Fee Reduction Initiative (CCFRI) will fund the continued operation of the Seamless Day program beyond the MECC pilot program grant (reported in the Special Purpose Fund/Schedule 3) and so are internally restricted for this future use.

While monies restricted due to the nature of constraints on the funds increased, **the unrestricted surplus (or contingency reserve) decreased by \$43,280**. The Board is responsible for ensuring the District is protected financially from extraordinary circumstances which would negatively impact operations and the education of students through a contingency fund. The contingency reserve should be maintained between 2% and 5% of average operating expenditures. The **current balance of \$581,031 represents 2.7%** of average operating expenditures. While this is within the acceptable range as per Board policy, the Board may need to consider strategies to increase the unrestricted balance in future budget years to ensure no disruption to educational services/regular operations.

Accumulated Surplus – Capital

The accumulated surplus in the capital fund at June 30, 2025 of \$2.99 mil includes \$2.978 mil of Invested in Capital Assets and \$14K of Local Capital reserve. The change from prior year is summarized as follows:

	Invested in CA	Local Capital	Total
Opening Balance	3,044,160	170,022	3,214,182
Current Year Surplus (Deficit)	(66,015)	(155,868)	(221,883)
Ending Balance	2,978,145	14,154	2,992,299

Funds available for future use included in Invested in Capital Assets are the \$169K of MECC Restricted Capital reported on Schedule 4D. At June 30, 2025, a specific project has not been identified for these funds.

The **Local Capital** reserve fund includes the Board’s portion of any proceeds from the disposition of capital assets, transfers from operating funds and any bank interest earned.

The following table outlines actual Local Capital expenditures for the past three years and anticipated expenditures for scheduled replacements to June 30/2028:

	Opening Balance	Technology Replacement Plan	White Fleet Replacement Plan	OTHER	Interest Earned	Reserve Contributions	Ending Balance (June 30th)
2022-23	1,095,982	(514,285)	(16,127)	(138,865)	37,229	250,000	713,934
2023-24	713,934	(127,088)	(186,681)	(500,371)	20,228	250,000	170,022
2024-25	170,022	(200,536)	(39,975)	(194,374)	4,017	275,000	14,154
2025-26	14,154	(27,000)	(90,000)	(115,000)	3,500	215,000	654
2026-27	654	(328,900)	(75,000)	-	-	405,000	1,754
2027-28	1,754	(201,843)	(75,000)	(514,500)	-	275,000	(514,589)

To ensure the Local Capital reserve is appropriately funded for scheduled replacement costs, the Board approved a transfer from operating to Local Capital of \$275,000 at June 30, 2025.

In 2027/28, there is a significant project required to replace network switches at all sites. The Local Capital reserve is not currently funded to support this project. Furthermore, rising cost pressures and projected declines in enrolment do not support increased Local Capital reserve fund contributions. The Board must instead consider alternative funding options or a phased replacement schedule for this project.

FUTURE CONSIDERATIONS – RISKS & UNCERTAINTIES

There are several risk factors that may have a future financial impact on the District. The most significant potential risks and uncertainties are described below.

Funding Shortfalls/Inflation/Declining Enrolment

Inflation is an increasing area of concern as cost of living continues to rise across the country. District operations are primarily funded through the MECC operating grant and, although per student rates have increased to fund negotiated wage increases, no additional funding has been provided to account for inflation or other cost pressures, such as:

- Statutory benefit rate increases
- Increasing employee absenteeism (short- and long-term) and rising replacement costs
- Implementation of *Employment Standard Act* changes to provide five (5) days of paid sick time for all employees
- Extended health benefit premium rate increases beyond negotiated plan enhancements
- Increased cost of insurance premiums, software licensing, utility rates etc.

Furthermore, enrolment projections over the next two years indicate declining student numbers. While there are mechanisms in the provincial funding formula to support districts experiencing enrolment decline, consideration must be given to the impact this could have on service levels. Overall, the District may have to consider program cuts to balance future budgets.

Employee Wellbeing

Our mission is to ensure our students are flourishing today so they can build a confident future tomorrow. For students to flourish, they need safe and inclusive learning environments, which starts with caring and engaged adults. Unfortunately, many factors are impacting employee wellbeing, including social and economic stress in our communities, rising costs of living, increasing workloads and heightened expectations. Maintaining a stable and motivated workforce requires an organizational commitment to mental health supports, wellness programs and work-life balance initiatives which can be challenging to prioritize when budgets are tight.

Cyber Security

All aspects of the District's business operations are dependent on technological infrastructure and, although it has transformed how we conduct business, it has also increased and introduced new and increasingly sophisticated cyber security risks to our organization. These risks include data breaches, ransomware and phishing scams targeting financial data and the personal information of staff and students. Not only can a breach result in stolen intellectual property and loss of resources, but it can also create significant service interruption and reputational damage. Recent attacks on public sector organizations in Canada confirms that school districts are a target for cyber criminals. It is imperative for the District to consider mitigation strategies and contingency plans in the event of a breach, but this does not come without a cost.

Other Assets/Local Capital

Technology, including computer devices/hardware for staff and students and network infrastructure, and the District's white fleet are not eligible for capital funding through MECC. Instead, these items are funded through the Local Capital reserve, which is maintained through transfers from the operating fund. As operating cost pressures rise, transfers to Local Capital may be impacted and the District may

have to amended or postpone refresh schedules for technology and white fleet assets which can directly impact student learning.

Aging Infrastructure

While District facilities are currently in satisfactory condition, our facilities are aging and there are some significant renovation/system replacements scheduled in the coming years. Annual capital funding for such projects is on a submission-basis and, as such, is not guaranteed. Furthermore, capital funding allocations are subject to the provincial climate and with the introduction of the Ministry of Infrastructure in late 2024, it is currently unclear how the capital funding envelope for K-12 will be set in future years.

The District continues development of its first Long-Range Facilities Plan (LRFP) to guide facilities planning for the future, but unplanned or unforeseen capital projects that arise during the year may have to be funded through the contingency reserve in the operating fund or through the Local Capital reserve.

Contacting Management

This financial report is designed to provide the District's stakeholders with a general but more detailed overview of the school district's finances and to demonstrate increased accountability for the public funds received by the District.

If you have questions about this financial report, please contact the Office of the Secretary Treasurer at 250-442-8258 or at info@sd51.bc.ca.