



**SCHOOL DISTRICT 5**  
SOUTHEAST KOOTENAY

# **Financial Statement Discussion and Analysis**

For the year ended June 30, 2025

# School District No. 05 (Southeast Kootenay)

## Financial Statement Discussion & Analysis

### For the Year Ended June 30, 2025

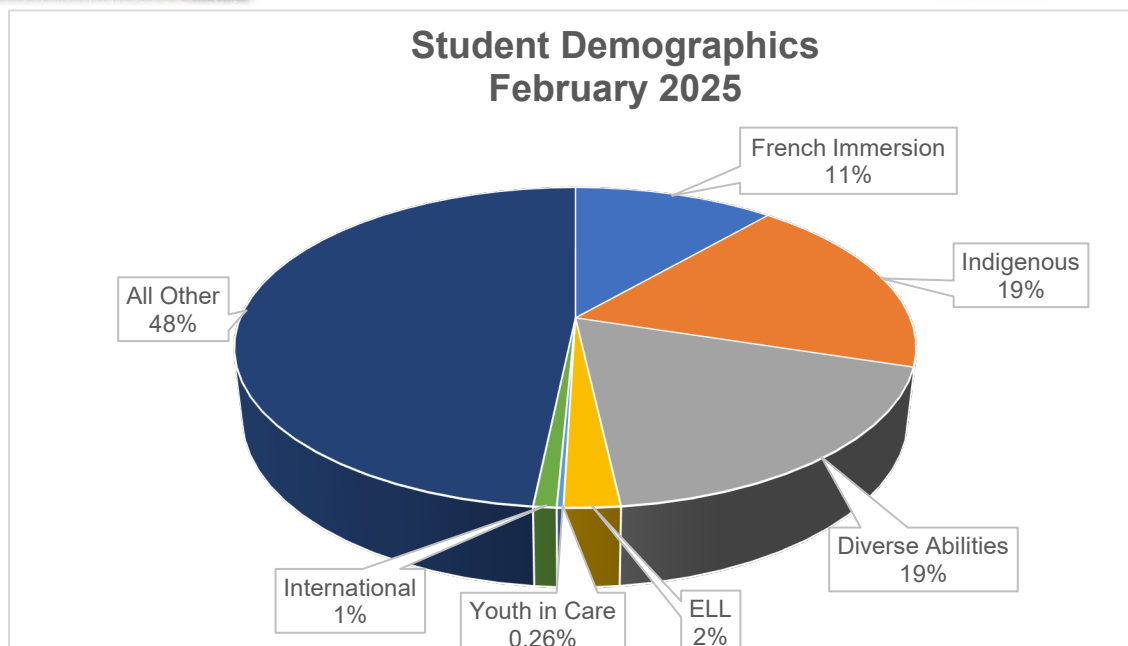
The following is a discussion and analysis of School District No. 5 (Southeast Kootenay) (the “District”) financial performance for the fiscal year ended June 30, 2025. This report is a summary of the District’s financial activities based on currently known facts, decisions, or conditions. The results of the current year are discussed in comparison with the prior year and the budget. This report should be read in conjunction with the District’s annual financial statements.

### OVERVIEW OF THE DISTRICT

The District is located in the Southeastern corner of British Columbia. The District is on the traditional territories of the Ktunaxa peoples. The footprint of the District is fully contained within the Ktunaxa Nation.



The District is comprised of the communities of Elkford, Sparwood, Fernie, Jaffray/South Country and Cranbrook. It encompasses 17 schools, plus one online school. Five of these schools offer French Immersion programs. The District serves approximately 5,890 full-time equivalent (FTE) students.



The Framework for Enhancing Student Learning (“FESL”) guides the District’s Board of Education (the “Board”) and its employees and partners in delivering educational programs.

**Board Vision:** Students love to learn here, staff love to work here, families love to gather here.

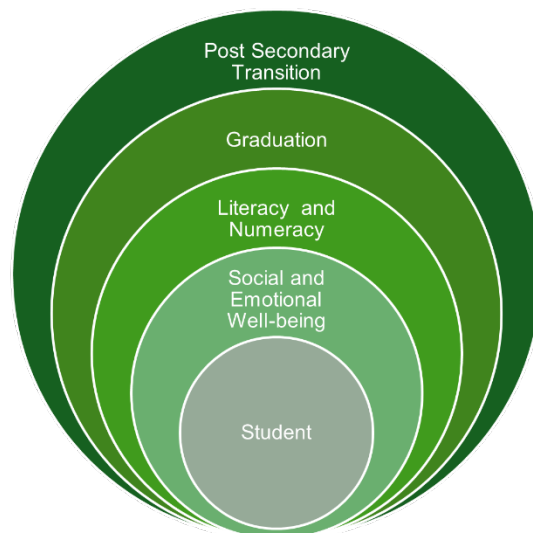
**Board Mission:** Our students will graduate with dignity, purpose and options.

**Board Values:** Respect, Vision, Fairness, Collaboration, Integrity, Inclusion.

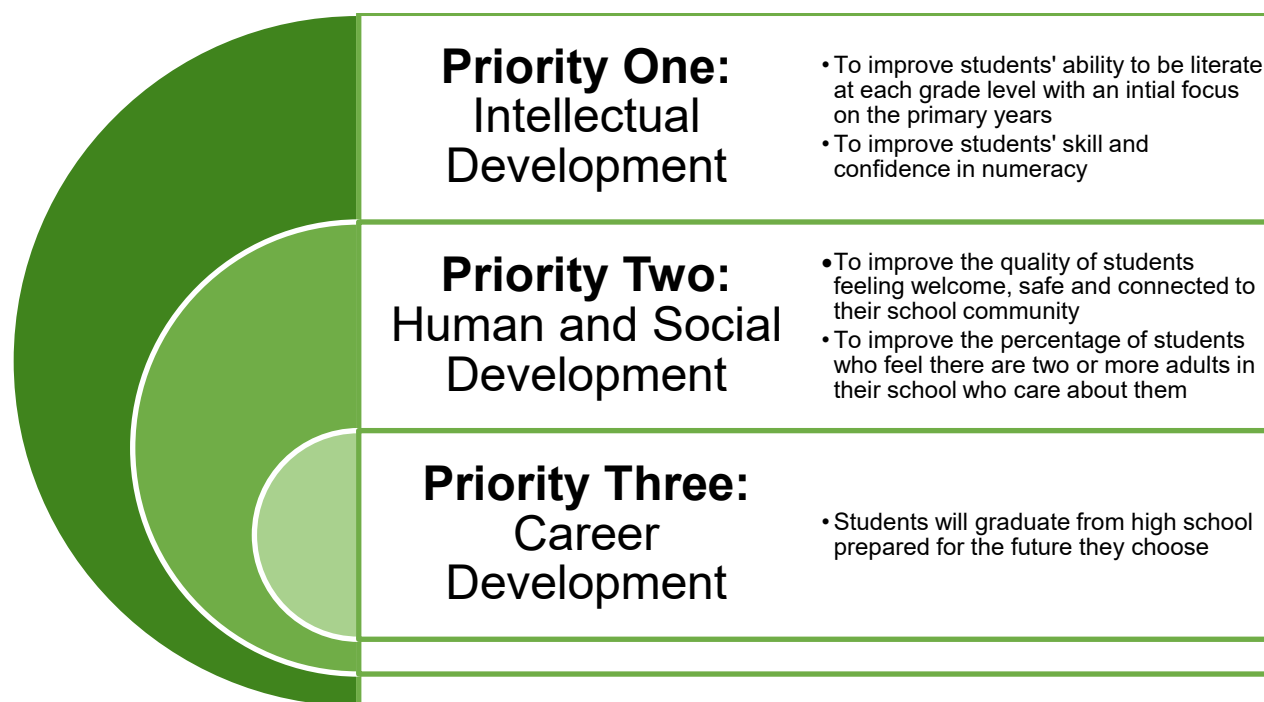


The District aims to cultivate an inclusive environment where every learner has pathways to graduation that honours individual strengths and abilities.

This academic, social and personal journey will be one of continuous improvement and commitment to educational excellence.



School District No. 5 (Southeast Kootenay) endeavors to maintain high and measurable standards, with a strategic focus on the following priorities and related goals:



## UNDERSTANDING SCHOOL DISTRICT FINANCIAL PERFORMANCE

Annual surplus and accumulated surplus are key financial statement performance indicators; however, interpreting the meaning of these figures in BC school districts is complicated by the use of fund accounting and deferral accounting. The use of fund accounting means the financial statements of school districts are a consolidation of three separate funds (operating, special purpose and capital), and each of these funds differs with respect to the methods of accounting used and the legislative and other constraints on budgeting and financial results. This means financial performance can only be fully understood by reviewing each fund separately. Financial performance for each fund is reported in the supplementary schedules that follow the notes to the financial statements.



|  |  |
|--|--|
| <b>Operating Fund</b><br><br>2025 Revenues:<br><b>\$83.3 million</b>   | Annual program revenues and expenditures are reported within the operating fund and special purpose fund (see below). The annual and accumulated surplus within the operating fund are important indicators of financial performance and financial health for school districts. This is because school districts are not permitted to budget for, or incur, an <u>accumulated</u> deficit position. This means when a school district has accumulated operating surplus available it can be used to budget for future expenditures and to reduce financial risk associated with unforeseen circumstances.  |
| <b>Special Purpose Fund</b><br><br>2025 Revenues:<br><b>\$15.5 million</b>   | The special purpose fund includes grants and school generated funds that are restricted for a specific purpose. Annual and accumulated surplus is always zero because revenues are recognized only as related expenditures occur (deferral method of accounting). If expenditures for a program within the special purpose fund exceed available revenues, the resulting deficit is transferred to the operating fund, reducing accumulated operating surplus.   |
| <b>Capital Fund</b><br><br>2025 Capital Funding Received or Receivable:<br><b>\$8.0million</b><br><br>2025 Capital Assets Purchased:<br><b>\$7.9 million</b> | The capital fund reports investment in, and financing activities related to, capital assets. Capital contributions (funding) from the Ministry of Education and Child Care are accounted for using the deferral method of accounting, whereby recognition of capital funding revenue is spread out over the life of the related capital assets to match with the amortization expense which reflects the use of the asset over its life. This means capital fund revenues are not a reflection of funding received in a given year. Also, capital revenues only offset amortization expense in the capital fund to the extent assets were funded by provincial capital grants. As many capital investments are funded by operating revenues (recorded as transfers of accumulated operating surplus to the capital fund), the capital fund normally reports an annual deficit.<br><br>In short, capital fund revenues, expenses and annual deficit are not a meaningful indicator of annual financial performance. |

## FINANCIAL HIGHLIGHTS

Cost of living affected the District students and staff and the District operations. The District received \$771,379 as a Feeding Futures funds to help assist with food insecurities and in school food programs and \$123,333 as a National Food Grant to further assist in eliminating food insecurities. Also our Classroom Enhancement Fund for staffing increased from \$9.5 million to \$10.1 million. The ongoing impact of the economic instability due to tariffs presents uncertainty over future cash flows and may have a significant impact on future operations.



As reported in the Statement of Operations, for the year ended June 30, 2025, the District's revenue exceeded its expenses resulting in an annual surplus of \$2,993,177 (2024 – surplus of \$4,120,548). This was comprised of the combined financial results of the operating fund and the capital fund as follows:

| Annual Surplus (Deficit) | June 30, 2025 | June 30, 2024 |
|--------------------------|---------------|---------------|
| Operating Fund           | \$ 3,000,962  | \$ 3,677,632  |
| Capital Fund             | (7,785)       | 442,655       |
| Combined                 | \$ 2,993,177  | \$ 4,120,287  |

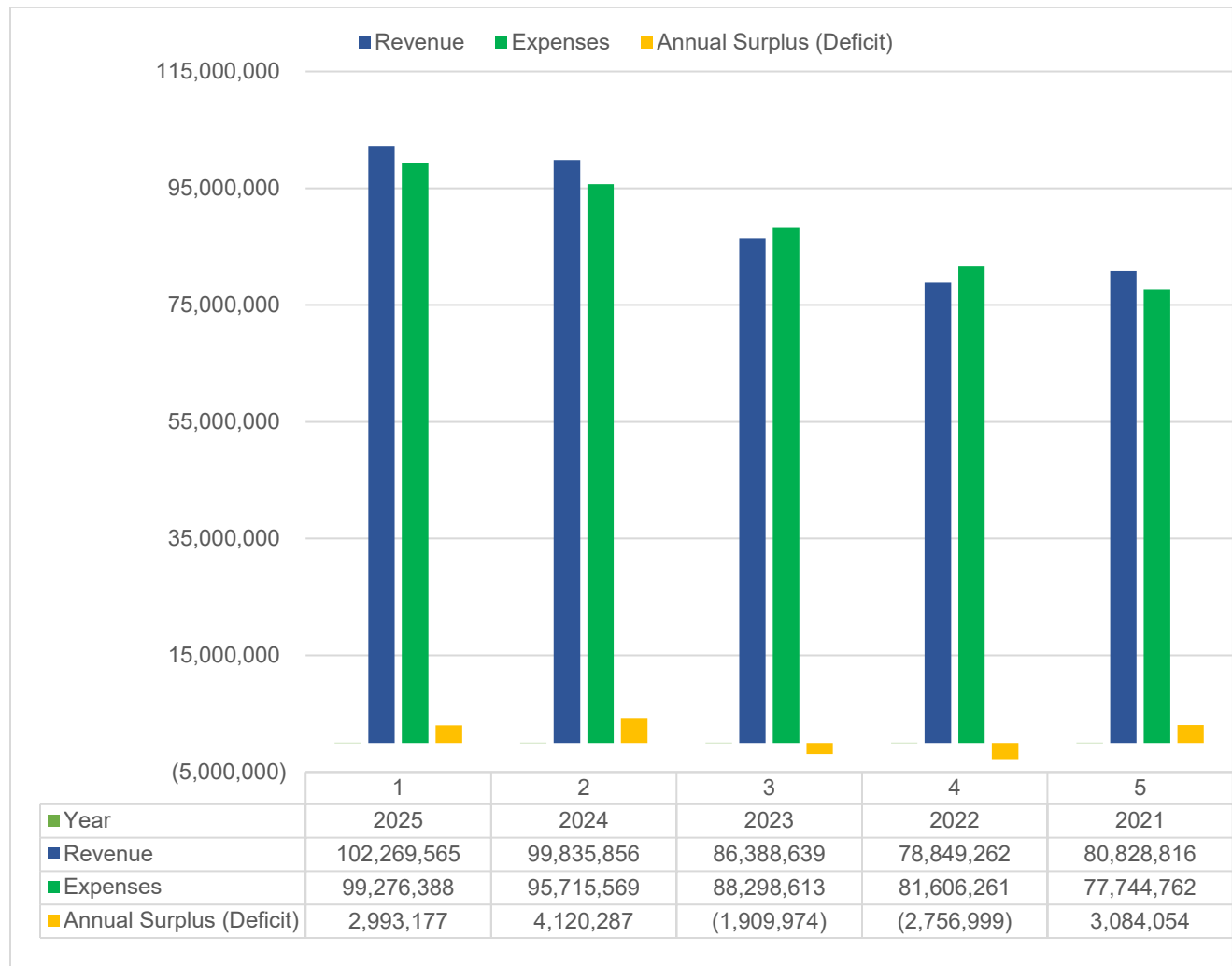
### Financial Results for 2024-2025

| Revenues                                    | Operating           | SPF                 | Capital              | Total                |
|---|---------------------|---------------------|----------------------|----------------------|
| Provincial Grants                           | \$81,482,556        | \$12,856,435        | \$ -                 | \$ 94,338,991        |
| Other Revenue                               | 1,143,023           | 2,658,781           | -                    | 3,801,804            |
| Rentals and Leases                          | 235,903             | -                   | -                    | 235,903              |
| Investment Income                           | 418,988             | 15,500              | 45,243               | 479,731              |
| Amortization of Deferred Capital Revenue    | -                   | -                   | 3,413,136            | 3,413,136            |
| <b>Total Revenues</b>                       | <b>\$83,280,470</b> | <b>\$15,530,716</b> | <b>\$ 3,458,379</b>  | <b>\$102,269,565</b> |
| <b>Expenses</b>                             |                     |                     |                      |                      |
| Instruction                                 | 65,349,563          | 15,437,878          | -                    | 80,787,441           |
| District Administration                     | 3,189,047           | -                   | -                    | 3,189,047            |
| Operations and Maintenance                  | 8,506,515           | 24,430              | -                    | 8,530,945            |
| Transportation and Housing                  | 2,383,398           | -                   | -                    | 2,383,398            |
| Amortization of Tangible Capital Assets     | -                   | -                   | 4,306,327            | 4,306,327            |
| Debt Services                               | -                   | -                   | 79,230               | 79,230               |
| <b>Total Expenses</b>                       | <b>\$79,428,523</b> | <b>\$15,462,308</b> | <b>\$ 4,385,557</b>  | <b>\$ 99,276,388</b> |
| <b>Surplus (Deficit)</b>                    |                     |                     |                      |                      |
| Net Transfers to/(from) other Funds         | (850,985)           | (68,408)            | 919,393              | -                    |
| <b>Total Surplus (Deficit) for the year</b> | <b>3,000,962</b>    | <b>-</b>            | <b>(7,785)</b>       | <b>2,993,177</b>     |
| Surplus beginning of the year               | 6,115,600           | -                   | 20,499,617           | 26,615,217           |
| <b>Accumulated Surplus</b>                  | <b>\$ 9,116,562</b> | <b>\$ -</b>         | <b>\$ 20,491,832</b> | <b>\$ 29,608,394</b> |



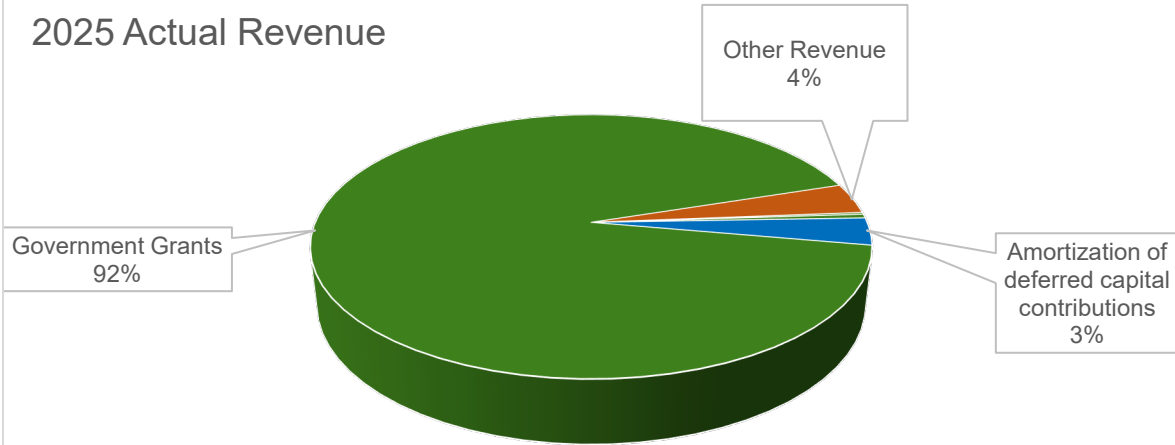
Analyzing the operating fund, the annual surplus of \$2,993,177 resulted due to overall revenues being higher than expected mainly because of the increase operating funding for actual student count, slight increase in Classroom Enhancement funding, extra National Food Program funding, new Professional Learning grant and increase in investment income for interest on overall larger balance in bank. Also, a conservative approach was taken to keep the expenses in check to help alleviate prior year deficits.

### Total Revenue, Expenses and Annual Surplus

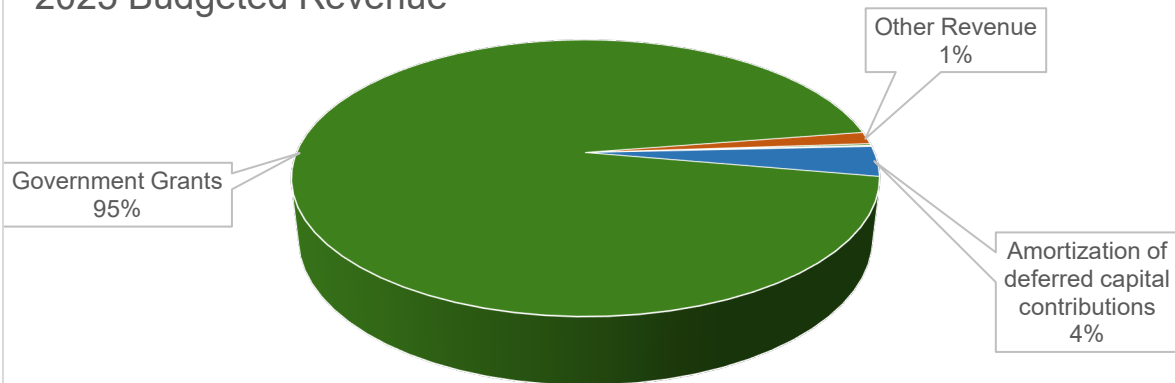


## Revenue Analysis

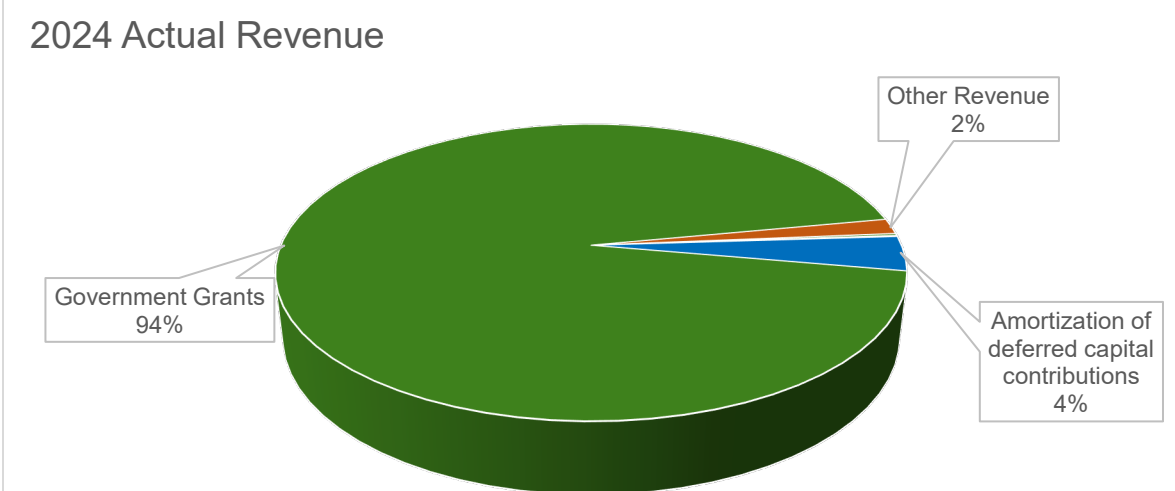
2025 Actual Revenue



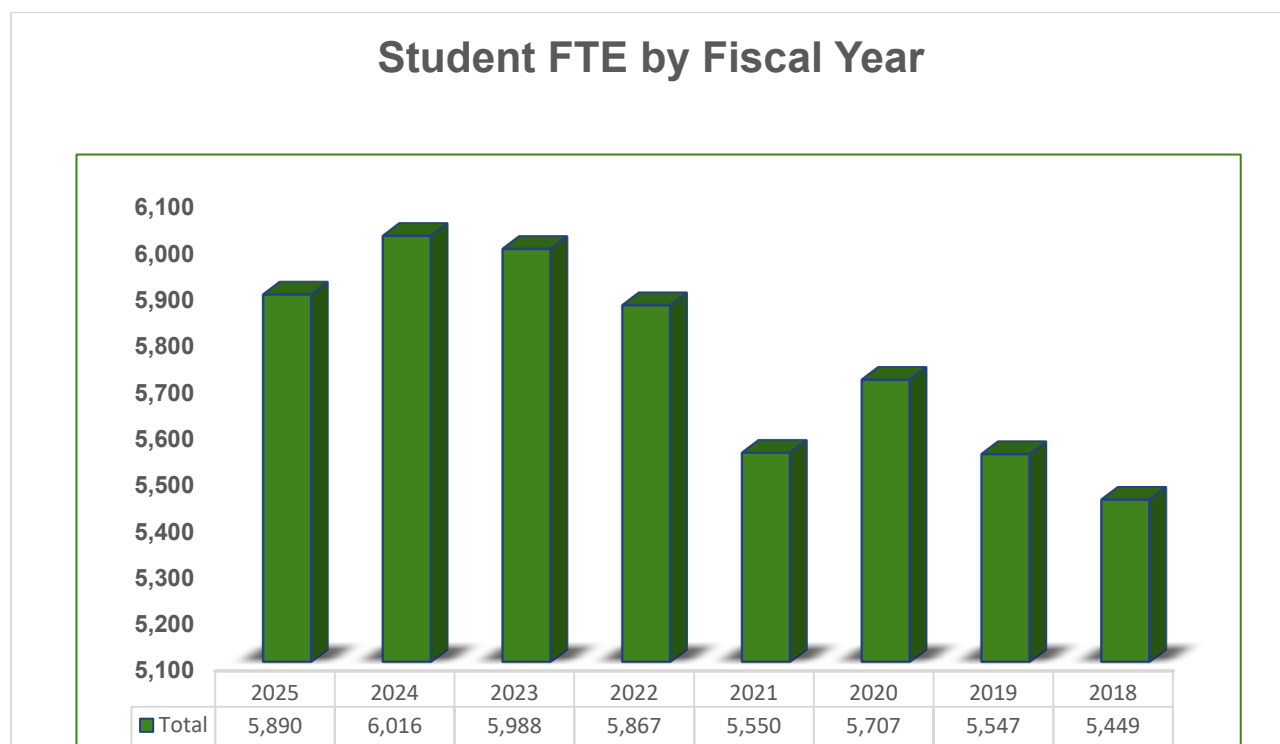
2025 Budgeted Revenue



2024 Actual Revenue



## Funded FTE Enrolment by Fiscal Year



## Capital Investment

During the year ended June 30, 2025, the District invested \$7.9 million (2024 - \$4.8 million) in capital additions that were funded by Provincial capital funding of \$5.3 million (2024 - \$4.4 million) and the operating fund of \$2.6 million (2024 - \$0.9 million). Capital additions during the year included the following projects:

| Project   | Invested in<br>2024/25 (in millions) | Completion Date |
|---|--------------------------------------|-----------------|
| <b>Mount Baker Secondary School</b><br>Dust Collection, Flooring & Plumbing | \$ 0.83                              | Ongoing         |
| <b>District Annual Maintenance</b><br>Various                               | \$ 1.50                              | Ongoing         |
| Bus Replacement Program   | \$ 0.70                              | Ongoing         |
| <b>Elkford Secondary School</b><br>HVAC Upgrades                            | \$ 0.45                              | Ongoing         |
| <b>Amy Woodland Elementary School</b><br>Replacement/Reno                   | \$ 0.50                              | Ongoing         |
| <b>Child Care Spaces in Schools</b>   | \$ 1.60                              | Ongoing         |
| <b>New Fernie School</b>  | \$ 1.40                              | Ongoing         |



## Significant Financial Events

- **School Capacity Constraints** –Isabella Dicken Elementary School (Fernie) continues to be well above operating capacity. Over the past 5 years, growth has been accommodated by installing portable classrooms and the site now houses 10 portable classrooms and completing a four-classroom expansion. The District is in the process of building a new elementary school to meet the long-term needs of the community, which have cost implications for both the capital fund and the operating fund.
- **School Building Plan for Amy Woodland School** – The District is continuing to advance plans for the future of Amy Woodland Elementary School following the fire on June 30, 2024. The Ministry of Education and Child Care and the Ministry of Infrastructure have supported this major capital project, which means that the District is able to commence work on the Project Definition Report (PDR). This PDR is anticipated to be completed within the next 12 – 15 months.



## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT

In this section, actual results are compared to the prior year and budget (where applicable) in more detail. For the statement of operations, the analysis is performed for each of the three funds.

### Statement of Financial Position (All Funds)

The table below includes explanations for significant variances in the statement of financial position relative to the prior year.

|  | 2025          | 2024          | Analysis of Variance   |
|--|---------------|---------------|--|
| Cash                                     | \$ 21,706,648 | \$ 18,212,873 | Increase pertains to surplus from the operations, restricted for future capital expenses. Also, at year end, child care space funding has not been utilized in full. Projects are still in progress. |
| Accounts Receivable - Other              | \$ 1,352,681  | \$ 1,035,258  | Increase mainly for increase in benefit surplus receivable of \$165,000 and insurance proceeds receivable of over \$100,000 related to Amy Woodland Elementary School fire.                          |
| Accounts Payable and Accrued Liabilities | \$ 8,106,114  | \$ 8,422,459  | Decrease related to decrease in Deferred Salary Leave Plan (DSLPL) liability due to payouts of approximately \$400,000 requested during the year.  |
| Deferred Revenue                         | \$ 2,607,547  | \$ 2,237,712  | New funding for Professional Learning Grant of \$225,839 and National Food program grant of \$123,333 not fully utilized as of June 30, 2025   |
| Deferred Capital Revenue                 | \$ 72,960,901 | \$ 68,226,689 | Grants and contributions of \$8,147,348 less the amortization of capital revenue of \$3,413,136  |
| Tangible Capital Assets                  | \$ 92,850,476 | \$ 89,252,664 | Capital Asset additions of \$7,904,139 including capital lease additions of \$670,689, less amortization expense of \$4,306,327  |

### Statement of Operations

|                             | <b>Annual Budget<br/>2024/25</b> | <b>Actual<br/>2024/25</b> | <b>Actual<br/>2023/24</b> |
|-----------------------------|----------------------------------|---------------------------|---------------------------|
| Revenues                    | \$ 97,896,369                    | \$102,269,565             | \$ 99,835,856             |
| Expenses and fund transfers | 97,725,690                       | 99,276,388                | 95,715,569                |
| Annual Operating Surplus    | 170,679                          | 2,993,177                 | 4,120,287                 |
| Opening Accumulated Surplus | 26,615,217                       | 26,615,217                | 22,494,930                |
| Closing Accumulated Surplus | \$ 26,785,896                    | \$ 29,608,394             | \$ 26,615,217             |

### Operating Fund Revenues

A high-level summary of operating fund revenues is presented below, and explanations of significant variances follows. A more detailed presentation of operating revenues is presented in schedule 2A following the notes to the financial statements.

|                    | <b>Annual<br/>Budget<br/>2024/25</b> | <b>Actual<br/>2024/25</b> | <b>Annual<br/>Budget<br/>2023/24</b> | <b>Actual<br/>2023/24</b> |
|--------------------|--------------------------------------|---------------------------|--------------------------------------|---------------------------|
| Grant Revenue      | \$ 80,545,944                        | \$ 81,482,556             | \$ 77,174,057                        | \$ 80,120,278             |
| Other Revenue      | 722,424                              | 1,143,023                 | 809,395                              | 1,029,650                 |
| Rentals and Leases | 200,000                              | 235,903                   | 200,000                              | 202,596                   |
| Investment Income  | 80,000                               | 418,988                   | 80,000                               | 256,781                   |
| Total Revenues     | \$ 81,548,368                        | \$ 83,280,470             | \$ 78,263,452                        | \$ 81,609,305             |

### Grant Revenues

Grant revenues in 2024/25 were \$1.4 million greater than 2023/24 revenues and \$0.9 million greater than the 2024/25 budget primarily due to inflationary increases to funding rates.

### Other Income

Increase from budget is mainly related to increase in funding from miscellaneous resources. Funding from international students higher than budget.

### Investment Income

Actual investment income in 2024/25 exceeded budget as investment income budget is conservative due to the fluidity in the interest rates. Investment income increased from prior year actual mainly due to the increase in overall balance in bank, even though the interest rates decreased during the year.

### Operating Fund Expenses

Expenses in the financial statements are presented both by object (category of expense) and by function (program). Operating fund expenses are presented below by function with explanations of significant variances following. A more detailed presentation of operating expenses is presented in schedules 2B and 2C following the notes to the financial statements.

### Analysis of Variances by Function

| <b>Operating Fund Expenditure by Function</b> | <b>Annual Budget 2024/25</b> | <b>Actual 2024/25</b> | <b>Annual Budget 2023/24</b> | <b>Actual 2023/24</b> |
|---|------------------------------|-----------------------|------------------------------|-----------------------|
| Instruction                                   | \$ 66,809,085                | \$ 65,349,563         | \$ 64,277,823                | \$ 63,621,225         |
| District Administration                       | 3,053,835                    | 3,189,047             | 2,742,949                    | 2,983,669             |
| Operations and Maintenance                    | 8,506,515                    | 7,932,712             | 8,012,786                    | 7,932,712             |
| Transportation                                | 2,396,289                    | 2,383,398             | 2,390,282                    | 2,490,310             |
| Fund transfer                                 | 592,952                      | 850,985               | 839,612                      | 903,757               |
| Total   | \$ 81,548,368                | \$ 80,279,508         | \$ 78,263,452                | \$ 77,931,673         |

**Instruction** – Instruction expense is lower relative to budget. This is mainly due to the salary costs in operating being offset by changes in CEF funding, decrease in Teachers Teaching on Call expenditures, and a wage increase of 3%.

**District Administration** – District administration expense is higher than both the budget and the prior year actual mainly due to higher than budgeted costs related to increased legal fees. Also, during the year some positions in administration were taken out of union support staff and made as exempt staff with increased salaries. In addition, a couple of the district management staff retired and new personnel were hired with new contracts during the year. Also, there was an overall increase of 3% in wages & benefits.

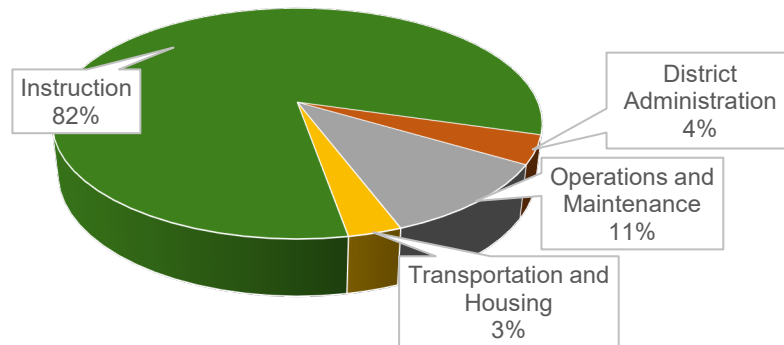
**Operations and Maintenance and Fund Transfer** – Fund transfers primarily represent operations and maintenance expenditures that meet the criteria for capitalization. Decrease in operations and maintenance expenses compared to the budget are due to an unfilled clerical position. Increase in prior year is mainly from overall increase in wages and benefits, increased software, insurance, and utilities costs

**Transportation** – The transportation expense is lower than current year budget and slightly lower than the prior year. This decrease is mainly attributed to lower prices for fuel.

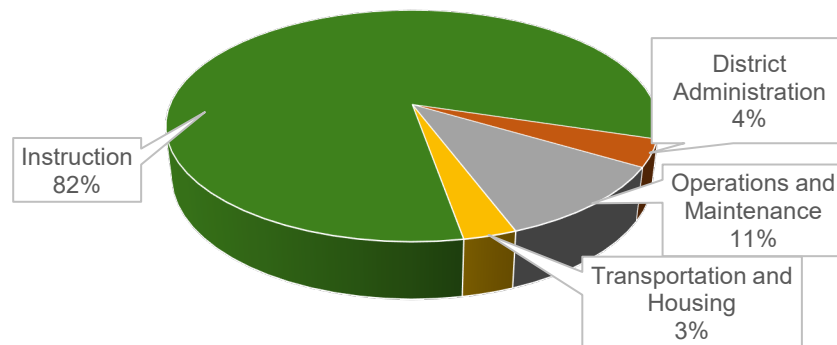


## Operating Expenses Analysis

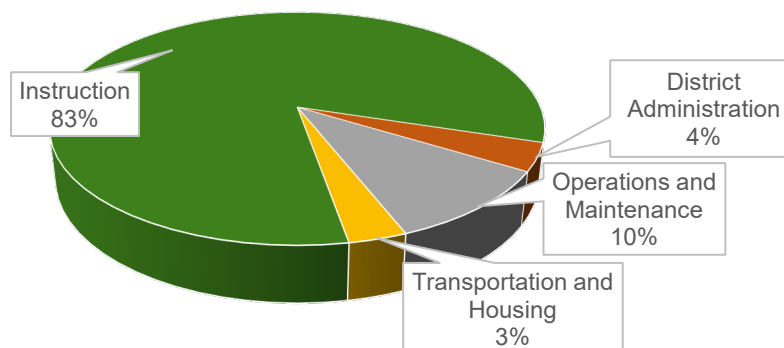
### 2025 Actual Expenses



### 2025 Budgeted Expenses



### 2024 Actual Expenses



### **Accumulated Operating Surplus**

Understanding the components of accumulated operating surplus is necessary for understanding how much of the balance relates to multi-year funding of programs (surplus carryforwards) and how much of the balance is available to reduce financial risk associated with unforeseen expenditures or to fund additional expenditures in the future. The components of closing accumulated surplus are presented in the table below:

|  | <b>June 2025</b> | <b>June 2024</b> | <b>Change</b> |
|--|------------------|------------------|---------------|
| Total Accumulated Surplus (per financial statements) | \$ 9,116,562     | \$ 6,115,600     | \$ 3,000,962  |
| School Initiatives (multi-year funding)              | (2,008,431)      | (1,673,125)      | 335,306       |
| District Initiatives (multi-year funding)            | (3,711,669)      | (1,237,988)      | 2,473,682     |
| Total Internally Restricted                          | (5,720,100)      | (2,911,113)      | 2,808,988     |
| Contingency Reserve (Unappropriated Surplus)         | \$ 3,396,462     | \$ 3,204,487     | \$ 191,975    |

### **Statement of Operations by Fund – Special Purpose Fund**

|                          | <b>Annual Budget<br/>2024/25</b> | <b>Actual<br/>2024/25</b> | <b>Annual Budget<br/>2023/24</b> | <b>Actual<br/>2023/24</b> |
|--------------------------|----------------------------------|---------------------------|----------------------------------|---------------------------|
| Provincial Grants        | \$ 12,207,524                    | \$ 12,856,435             | \$ 5,816,829                     | \$ 12,544,261             |
| Other Revenues           | 675,000                          | 2,674,281                 | 670,000                          | 2,305,498                 |
| Expenditures             | (12,619,903)                     | (15,462,308)              | (6,224,208)                      | (14,719,659)              |
| Fund transfers           | (262,621)                        | (68,408)                  | (262,621)                        | (130,100)                 |
| Annual Surplus (Deficit) | \$ -                             | \$ -                      | \$ -                             | \$ -                      |

Actual provincial grants are higher than budgeted mainly because of slight increase in funding for Classroom Enhancement Fund and \$0.12 million in National Food Funding to assist with school food program as well as \$0.25 million for Professional Learning Grant.

Detailed information on the special purpose fund is presented in schedules 3 and 3A following the notes to the financial statements.



## **Statement of Operations by Fund – Capital Fund**

|  | <b>Annual<br/>Budget<br/>2024/25</b> | <b>Actual<br/>2024/25</b> | <b>Annual<br/>Budget<br/>2023/24</b> | <b>Actual<br/>2023/24</b> |
|--|--------------------------------------|---------------------------|--------------------------------------|---------------------------|
| Revenues   | \$ 3,465,477                         | \$ 3,458,379              | \$ 3,328,467                         | \$ 3,376,792              |
| Expenses   | (4,150,371)                          | (4,385,557)               | (3,991,029)                          | (3,967,994)               |
| Fund Transfers (capital assets purchased in other funds) | 855,573                              | 919,393                   | 1,102,233                            | 1,033,857                 |
| Change in Accumulated Surplus                            | 170,679                              | (7,785)                   | 436,671                              | 442,655                   |
| Opening Accumulated Surplus                              |                                      | 20,499,617                |                                      | 20,056,962                |
| Closing Accumulated Surplus                              |                                      | \$20,491,832              |                                      | \$20,499,617              |

It is expected that revenues and expenses in the capital fund will be predictable and consistent as they reflect the recognition of capital funding (as revenue) and the usage of capital assets over their life (as amortization expense).

Fund transfers from the operating fund and special purpose fund were less than budget as there were less expenditures that met the criteria for capitalization as an asset.

During the year ended June 30, 2025, the district invested \$7.9 million in capital additions. Further details are presented in the Financial Highlights section.

Within the capital fund the following two balances are important as they represent funds available for future capital investment:

- Local Capital Reserve – this balance forms part of the accumulated surplus in the capital fund and represents funds available for investment in capital assets at the discretion of the Board.
- Ministry of Education and Child Care Restricted Capital – this balance forms part of the deferred capital revenue balance in the capital fund and represents funds available for investment in capital assets at the discretion of the Ministry of Education and Child Care. These funds are generated primarily from capital project savings and proceeds of disposition of assets that are allocated to the Minister of Education and Child Care pursuant to the *School Act*.

The table below presents the June 30, 2025 closing balances in Local Capital and Ministry of Education and Child Care Restricted Capital and what portion of the balances remains uncommitted for future capital investment.

|                                 | Local Capital | Ministry of Education<br>and Child Care<br>Restricted Capital |
|---------------------------------|---------------|---|
| Balance at June 30, 2025        | \$ 1,433,545  | \$ 203,807  |
| Committed for future investment | 1,433,545     | 203,807   |
| Uncommitted Balance             | \$ -          | \$ -  |

Detailed information on the capital fund is presented in schedules 4 to 4D following the notes to the financial statements.

## CONTACT INFORMATION

This financial report is designed to provide the District's rightsholders and community partners with a general overview of the finances for School District No. 5 (Southeast Kootenay) and to demonstrate the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, please contact the Office of the Secretary Treasurer at [nick.taylor@sd5.bc.ca](mailto:nick.taylor@sd5.bc.ca) or 250-426-4201.

