



SCHOOL DISTRICT 5
SOUTHEAST KOOTENAY

Financial Statement Discussion and Analysis

For the year ended June 30, 2026

School District No. 05 (Southeast Kootenay)

Financial Statement Discussion & Analysis

For the Year Ended June 30, 2026

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, 2026. 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 5,900 full-time equivalent (FTE) students. We provide transportation to over 2,400 students. The District employs approximately 1,600 staff, with 9 elected trustees on the Board of Education to guide and support district initiatives.

STUDENT DEMOGRAPHIC INFORMATION

Category	Student Count (Feb 2026)
Children Youth In Care	30
Diverse Abilities	1,033
English Language Learners (ELL)	108
French Immersion	635
Indigenous	1,193
International	48
Total of all Categories	3,047

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.

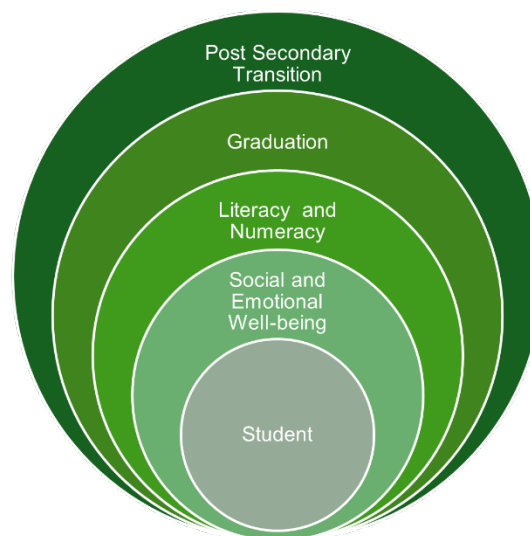
Board Mission: Our students will graduate with dignity, purpose and options.

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

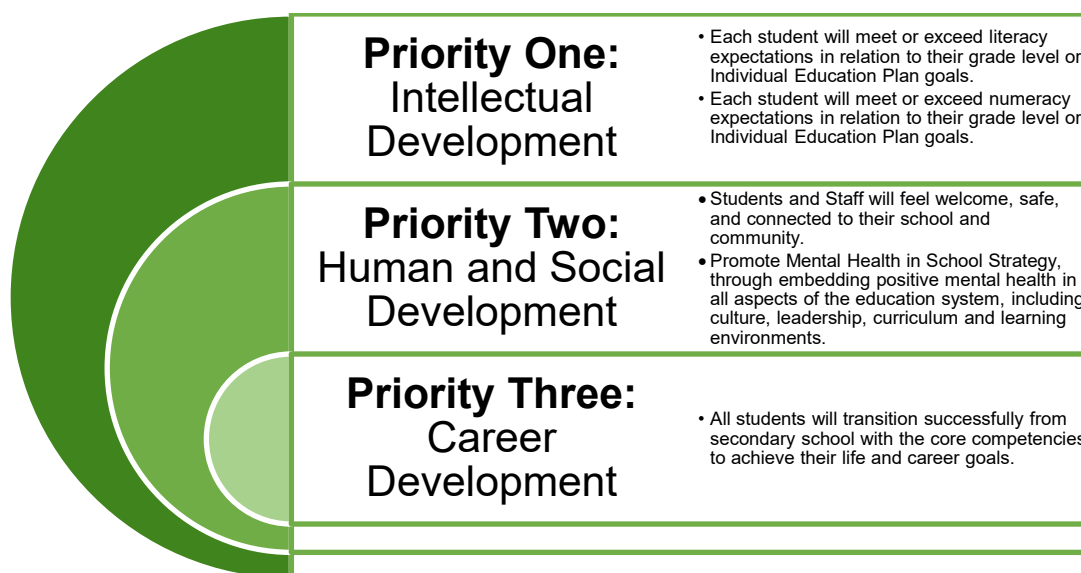


The District aims to cultivate an inclusive environment where every learner has pathways to graduation that honours individual strengths and abilities.

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.

Operating Fund 2026 Revenues: \$85.7 million	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.
Special Purpose Fund 2026 Revenues: \$16.5 million	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.
Capital Fund 2026 Capital Funding Received or Receivable: \$8.6 million 2026 Capital Assets Purchased: \$7.8 million	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. In short, capital fund revenues, expenses and annual deficit are not a meaningful indicator of annual financial performance.

FINANCIAL HIGHLIGHTS

Cost of living through heightened inflationary pressures continued to negatively impact students, families, staff and general District operations. The District received \$770,348 in Provincial Feeding Futures funding and \$185,000 through the National Food Grant both to help promote school food programs and address food insecurity. Also, the Classroom Enhancement Fund for staffing increased from \$10.1 million to \$10.5 million. The ongoing impact of the economic instability related 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, 2026, the District's revenue exceeded its expenses resulting in an annual surplus of \$2,763,826 (2025 – surplus of \$2,993,177). This was comprised of the combined financial results of the operating and capital funds as follows:

Annual Surplus (Deficit)	June 30, 2026	June 30, 2025
Operating Fund	\$ 2,106,605	\$ 3,000,962
Capital Fund	657,221	(7,785)
Combined	\$ 2,763,826	\$ 2,993,177

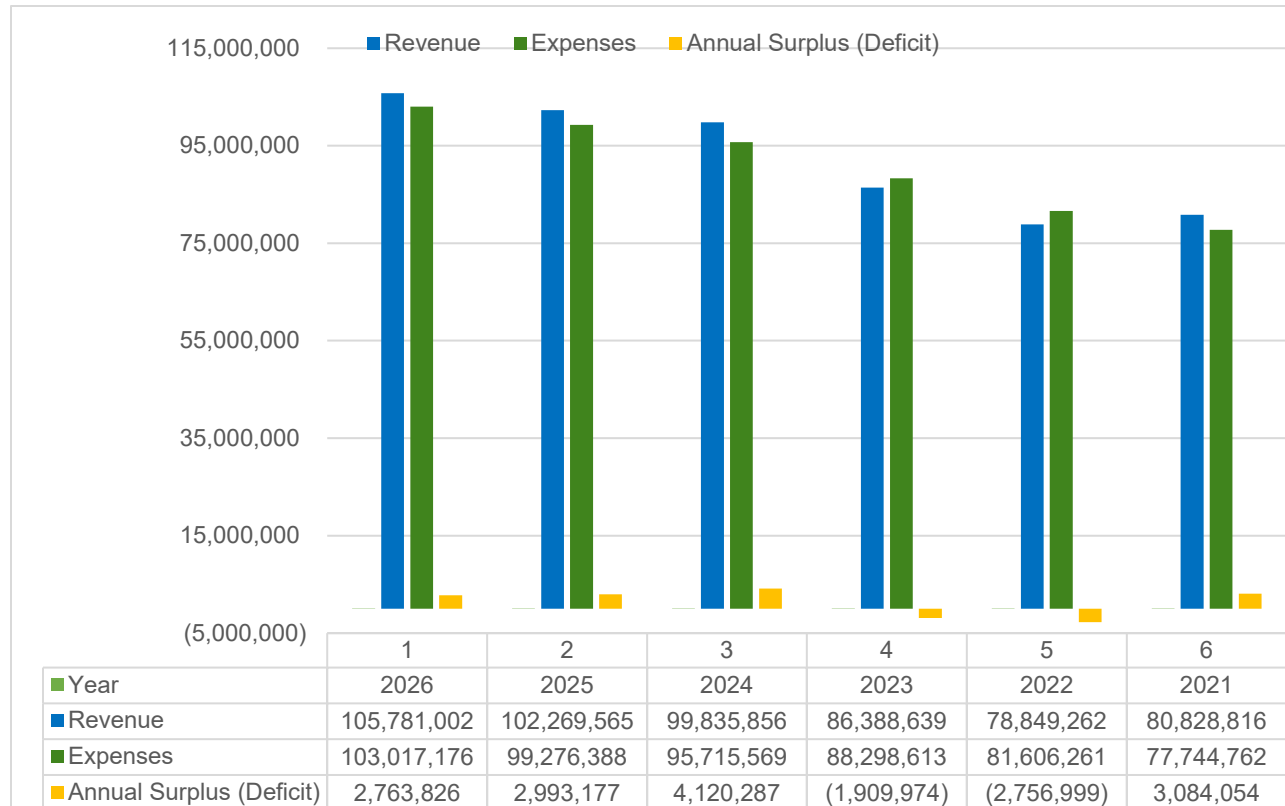
Financial Results for 2025-2026

Revenues	Operating	SPF	Capital	Total
Provincial Grants	\$83,653,994	\$13,417,098	\$ -	\$ 97,071,092
Other Revenue	1,342,655	3,027,969	-	4,370,624
Rentals and Leases	287,273	-	-	287,273
Investment Income	413,172	11,000	53,768	477,940
Amortization of Deferred Capital Revenue	-	-	3,574,073	3,574,073
Total Revenues	\$85,697,094	\$16,456,067	\$ 3,627,841	\$105,781,002
Expenses				
Instruction	68,178,641	15,970,075	-	84,148,716
District Administration	3,278,198	-	-	3,278,198
Operations and Maintenance	8,196,330	24,430	-	8,220,760
Transportation and Housing	2,573,748	-	-	2,573,748
Amortization of Tangible Capital Assets	-	-	4,676,149	4,676,149
Debt Services	-	-	119,605	119,605
Total Expenses	\$82,226,917	\$15,994,505	\$ 4,795,754	\$103,017,176
Surplus (Deficit)				
Net Transfers to/(from) other Funds	(1,363,572)	(461,562)	1,825,134	-
Total Surplus (Deficit) for the year	2,106,605	-	657,221	2,763,826
Surplus beginning of the year	9,116,562	-	20,491,832	29,608,394
Accumulated Surplus	\$11,223,167	\$ -	\$ 21,149,053	\$ 32,372,220

In 2025/26, the District continued to experience high utilities and fuel costs, supplies, and construction costs resulting in continued strain on District operations. Staffing vacancies have led to much of the surplus experienced in 2025/26.

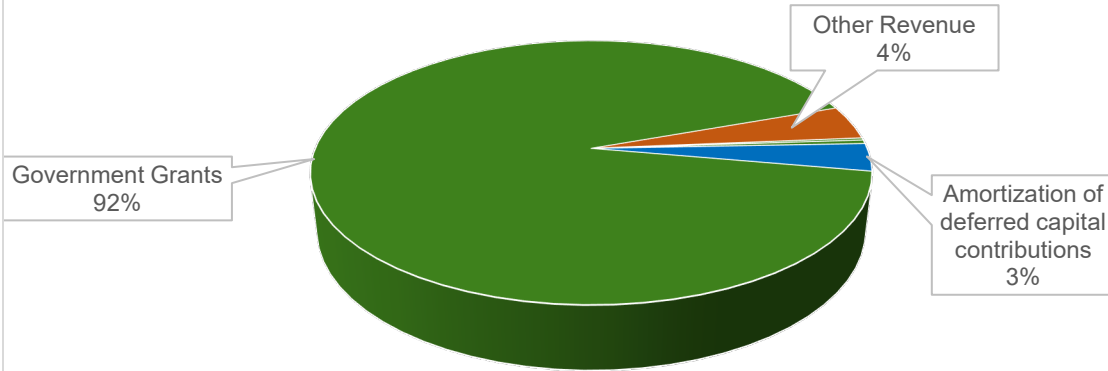


Total Revenue, Expenses and Annual Surplus

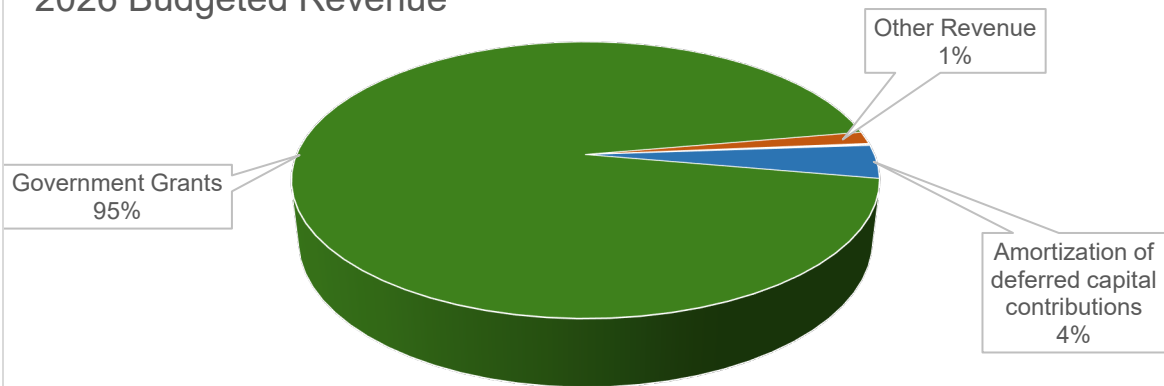


Revenue Analysis

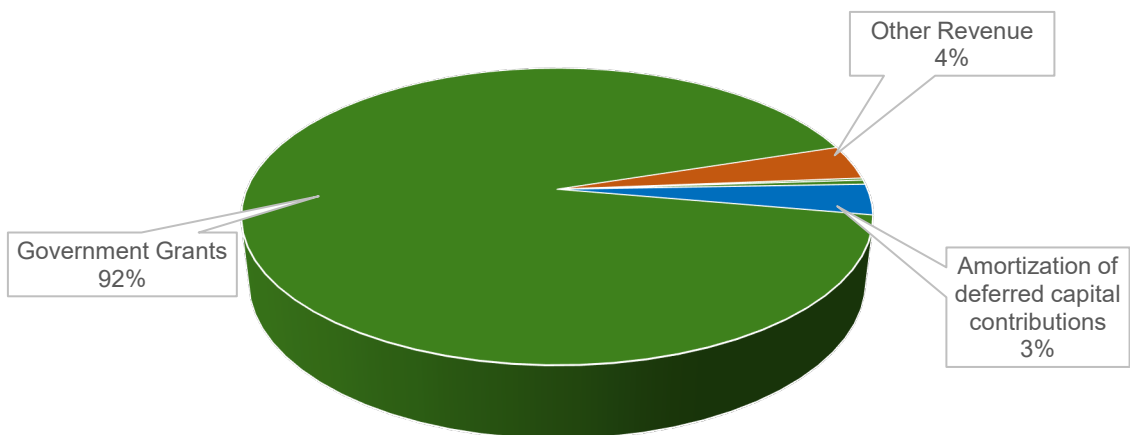
2026 Actual Revenue



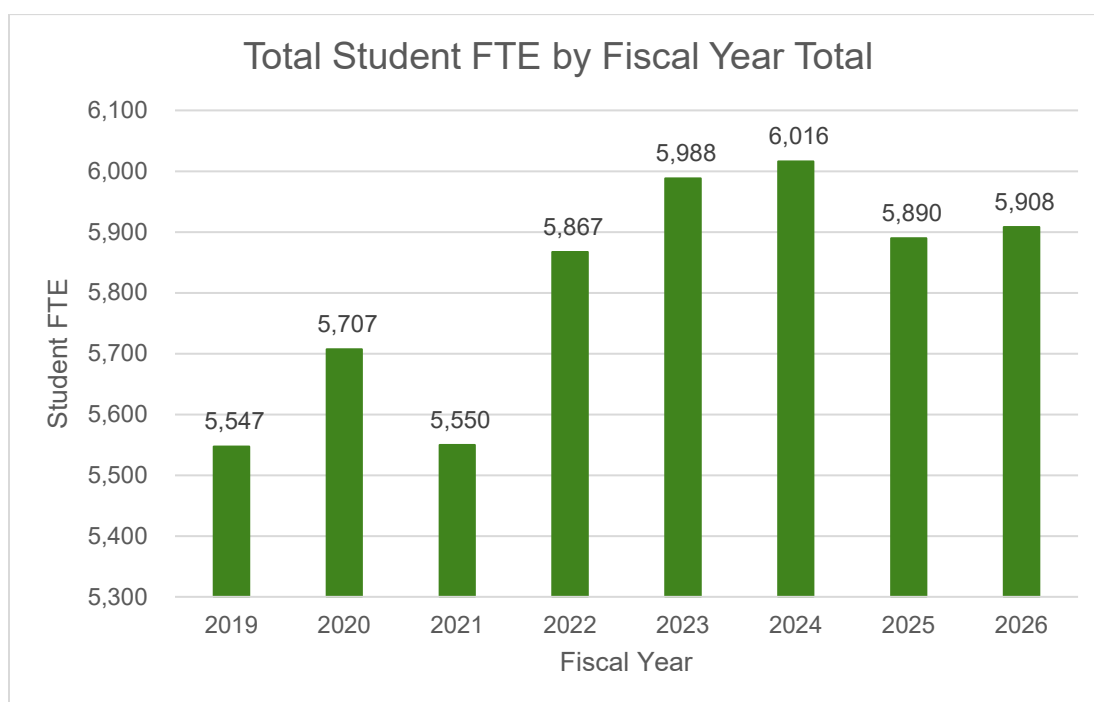
2026 Budgeted Revenue



2025 Actual Revenue



Funded FTE Enrolment by Fiscal Year



Capital Investment

During the year ended June 30, 2026, the District invested approximately \$8.6 million (2025 - \$7.9 million) in capital additions that were funded by Provincial capital funding of \$4.3 million (2025 - \$5.3 million) and the operating fund of \$4.3 million (2025 - \$2.6 million). Capital additions during the year included the following projects:

Project	Invested in 2025/26 (in millions)	Completion Date
Mount Baker Secondary School Dust Collection, Flooring and Plumbing	\$ 0.5	Spring 2026
District Annual Maintenance Various	\$ 1.8	Various Projects
Bus Replacement Program	\$ 0.3	Fall 2025
Elkford Secondary School HVAC Upgrades	\$ 0.1	Ongoing
Rocky Mountain Elementary School Playground Equipment	\$ 0.3	Fall 2025
District Core Facilities EV Upgrades	\$ 0.5	Summer 2026
Child Care Spaces in Schools	\$ 2.2	Various Projects
New Fernie School	\$ 0.7	Ongoing

Significant Financial Events

- **School Capacity Constraints** – Isabella Dicken Elementary School (Fernie) continues to be 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 completed a four-classroom expansion in 2023. 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) or Business Case. The District anticipates clear direction on this project during the 2026/27 fiscal year.



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.

	2026	2025	Analysis of Variance
Cash	\$ 21,859,449	\$ 21,706,648	Balance is similar to prior year as most of the excess funds were invested in GIC.
Accounts Receivable - Other	\$ 1,676,352	\$ 1,352,681	Increase mainly for increase in benefit surplus receivable of \$320,567.
Investments	\$ 5,017,534	\$ -	During the year District invested in a fixed one-year GIC.
Accounts Payable and Accrued Liabilities	\$ 7,914,851	\$ 8,106,114	Decrease related to decrease miscellaneous payables at \$110,000 compared to \$315,000 in 2025.
Deferred Revenue	\$ 2,589,015	\$ 2,607,547	Deferred revenue is comparable to prior year with a slight decrease mainly related to decrease in school generated funds.
Deferred Capital Revenue	\$ 77,945,803	\$ 72,960,901	Grants and contributions of \$8,588,975 less the amortization of capital revenue of \$3,574,073.
Tangible Capital Assets	\$ 96,825,078	\$ 92,850,476	Capital Asset additions of \$8,650,751 including capital lease additions of \$1,306,189, less amortization expense of \$4,676,149

Statement of Operations

	Annual Budget 2025/26	Actual 2025/26	Actual 2024/2025
Revenues	\$ 97,617,146	\$105,781,002	\$102,269,565
Expenses and fund transfers	96,850,874	103,017,176	99,276,388
Annual Operating Surplus	766,272	2,763,826	2,993,177
Opening Accumulated Surplus	29,608,394	29,608,394	26,615,217
Closing Accumulated Surplus	\$ 30,374,666	\$ 32,372,220	\$ 29,608,394

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.

	Annual Budget 2025/26	Actual 2025/26	Annual Budget 2024/25	Actual 2024/25
Grant Revenue	\$ 79,825,619	\$ 83,653,994	\$ 80,545,944	\$ 81,482,556
Other Revenue	731,886	1,342,655	722,424	1,143,023
Rentals and Leases	100,000	287,273	200,000	235,903
Investment Income	80,000	413,172	80,000	418,988
Total Revenues	\$ 80,737,505	\$ 85,697,094	\$ 81,548,368	\$ 83,280,470

Grant Revenues

Grant revenues in 2025/26 were \$2.2 million greater than 2024/25 revenues and \$4 million greater than the 2025/26 budget primarily due to higher student enrolment than budgeted, labour settlement funding of \$1.7 million, \$0.2 million grant for electric vehicle infrastructure upgrades from other provincial government, and Indigenous Education Council funding of \$0.08 million.

Other Income

Increase from budget and from prior year is mainly related to increase in funding from miscellaneous sources. Funding from First Nations and international students higher due to higher student enrolment.

Investment Income

Actual investment income in 2025/26 exceeded budget as investment income budget is conservative due to the fluidity in the interest rates. Investment income similar to prior year even though the interest rates decreased during the year, because of the overall increase in bank balance and the investment in a fixed GIC towards the end of 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

Operating Fund Expenditure by Function	Annual Budget 2025/26	Actual 2025/26	Annual Budget 2024/25	Actual 2024/25
Instruction	\$ 65,184,256	\$ 68,178,641	\$ 66,809,085	\$ 65,349,563
District Administration	3,174,356	3,278,198	3,053,835	3,189,047
Operations and Maintenance	8,832,353	8,196,330	8,696,207	8,506,515
Transportation	2,344,519	2,573,748	2,396,289	2,383,398
Fund transfer	1,202,021	1,363,572	592,952	850,985
Total	\$ 80,737,505	\$ 83,590,489	\$ 81,548,368	\$ 80,279,508

Instruction – Instruction expense is higher relative to both budget and prior year. This is mainly due to a teachers wage increase of 3% and retro pay costs plus increase in benefits costs. District also saw an increase in teachers teaching on call (TTOC) salaries during the year.

District Administration – District administration expense is slightly higher than both the budget and the prior year actual mainly due to higher than budgeted costs related to increased legal fees. There was an overall increase in wages and benefits as a result of performance-based salary increases for non-unionized employees.

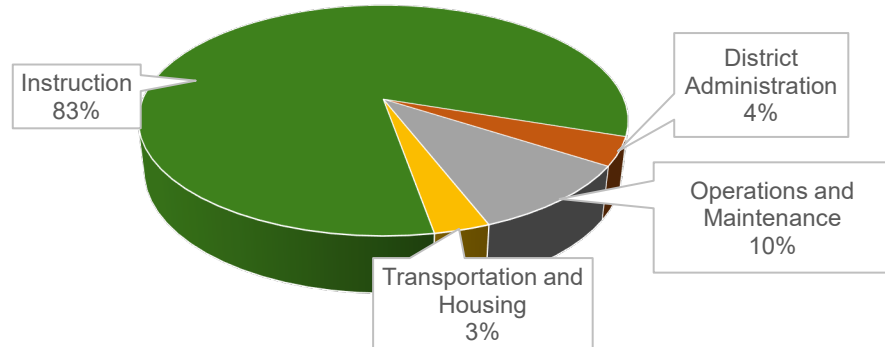
Operations and Maintenance and Fund Transfer – Fund transfers primarily represent operations and maintenance expenditures that meet the criteria for capitalization. Decrease in operations and maintenance expenses compared to the budget are due to an unfilled clerical position. Decrease from prior year is mainly from unfilled positions in support staff, and lower snow cleaning costs due to a warmer winter.

Transportation – The transportation expense is higher than current year budget and slightly higher than the prior year. This increase is mainly attributed to increase in wages and benefits.

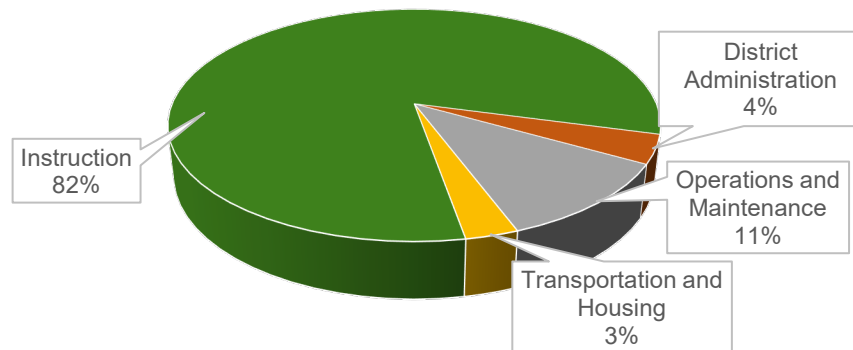


Operating Expenses Analysis

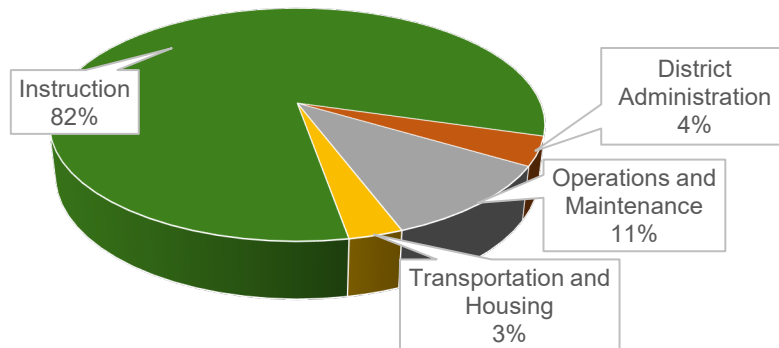
2026 Actual Expenses



2026 Budgeted Expenses



2025 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:

	June 2026	June 2025	Change
Total Accumulated Surplus (per financial statements)	\$ 11,223,167	\$ 9,116,562	\$ 2,106,605
School Initiatives (multi-year funding)	2,565,822	2,008,431	557,391
District Initiatives (multi-year funding)	4,629,152	3,842,556	786,596
Total Internally Restricted	7,194,974	5,850,987	1,343,988
Contingency Reserve (Unappropriated Surplus)	\$ 4,028,193	\$ 3,265,575	\$ 762,618

Statement of Operations by Fund – Special Purpose Fund

	Annual Budget 2025/26	Actual 2025/26	Annual Budget 2024/25	Actual 2024/25
Provincial Grants	\$ 12,389,852	\$ 13,417,098	\$ 12,207,524	\$ 12,856,435
Other Revenues	675,000	3,038,969	675,000	2,674,281
Expenditures	(12,802,231)	(15,994,505)	(12,619,903)	(15,462,308)
Fund transfers	(262,621)	(461,562)	(262,621)	(68,408)
Annual Surplus (Deficit)	\$ -	\$ -	\$ -	\$ -

Actual provincial grants are higher than budgeted mainly because of slight increase in funding for Classroom Enhancement Fund and \$0.18 million in National Food Funding to assist with school food programs.

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

	Annual Budget 2025/26	Actual 2025/26	Annual Budget 2024/25	Actual 2024/25
Revenues	\$ 3,814,789	\$ 3,627,841	\$ 3,465,477	\$ 3,458,379
Expenses	(4,513,159)	(4,795,754)	(4,150,371)	(4,385,557)
Fund Transfers (capital assets purchased in other funds)	1,464,642	1,825,134	855,573	919,393
Change in Accumulated Surplus	766,272	657,221	170,679	(7,785)
Opening Accumulated Surplus		20,491,832		20,499,617
Closing Accumulated Surplus		\$21,149,053		\$20,491,832

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 more than budget as there were more expenditures that met the criteria for capitalization as an asset.

During the year ended June 30, 2026, the District invested \$8.6 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, 2026, 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 and Child Care Restricted Capital
Balance at June 30, 2026	\$ 2,031,987	\$ 1,364,602
Committed for future investment	2,031,987	1,364,602
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 or 250-426-4201.

