

Financial Statements: Discussion and Analysis

The following Financial Statement Discussion and Analysis should be read in conjunction with the audited financial statements and accompanying notes for School District No. 42 (Maple Ridge – Pitt Meadows) for the year ended June 30, 2026.

The purpose of the Financial Statement Discussion and Analysis is to highlight information and provide explanations that enhance the reader's understanding of the school district's financial statements and the factors that influenced the financial results presented in these statements.

While the preparation and presentation of the Financial Statement Discussion and Analysis is not a legislative requirement, the Financial Statement Discussion and Analysis is recommended by the Province of British Columbia's Ministry of Education and Child Care.

The preparation of the Financial Statement Discussion and Analysis is the responsibility of school district management.

ACCOUNTING POLICIES

The financial statements of School District No. 42 (Maple Ridge – Pitt Meadows) have been prepared in accordance with the Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

Significant accounting and reporting practices are summarized in Note 2 of the financial statements. These include the following:

- operating expenses are recorded in the year the good or service is received;
- operating grants are not restricted in use and are recorded as revenue when received or receivable;
- restricted contributions are recorded as deferred contributions until the funds are expended;
- contributions for capital projects are recorded as deferred capital contributions once they are invested in capital assets;
- capital assets and deferred capital contributions are amortized over the estimated useful life of the assets.

To meet reporting requirements, the following funds are utilized:

Operating Fund - The Operating Fund includes operating grants and other revenues used to fund instructional programs, school and district administration, facilities operations, maintenance, and transportation. In 2025/26, 92.56% of operating fund revenue came from the Ministry of Education and Child Care (MECC) and these grants are, for the most part, calculated on reported student enrolment.

Special Purpose Fund - The Special Purpose Fund is comprised of separate funds established to track revenue (and associated expenses) received from the MECC and other sources that have restrictions on how they may be spent. Pursuant to Sections 156(4) and (5) of the School Act, each special purpose fund must be accounted for in accordance with the terms of that special purpose fund.

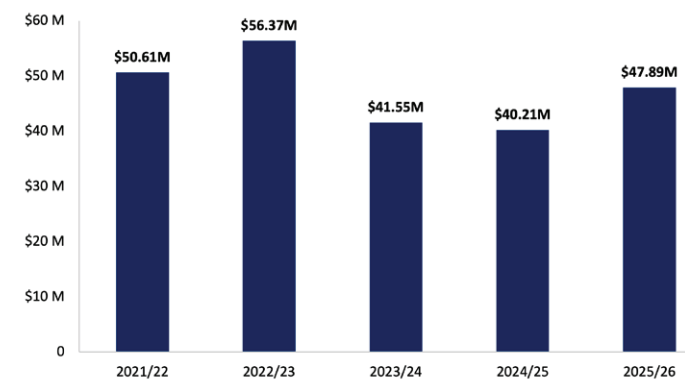
Capital Fund - The Capital Fund includes capital expenditures related to equipment and facility purchases and enhancements. The funding source of these purchases and enhancements determines to which capital fund the expenditures will be charged. Funding sources include MECC Bylaw Capital, MECC Restricted Capital, Other Provincially Restricted Capital, Land Capital, and Local Capital.

FINANCIAL ANALYSIS — ALL FUNDS

FIVE-YEAR TREND – STATEMENT OF FINANCIAL POSITION

Cash and cash equivalents, held to fund short-term liabilities, have fluctuated over the last five years in conjunction with changes in accounts receivable, prepaid expenses, accounts payable, unearned revenue, and deferred revenue. As of June 30, 2026, the school district reported \$47.89M in cash and equivalents.

CASH AND EQUIVALENTS (\$ millions)



LIQUIDITY

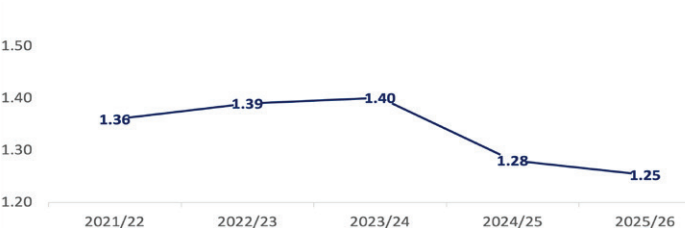
Liquidity, measured by the current ratio, is calculated as current assets divided by current liabilities. A ratio of 1 or higher indicates that the district has sufficient current assets to meet its current liabilities.

Current assets include cash, term deposits maturing within one year of acquisition, accounts receivable, and other assets that are expected to be converted into cash or used to settle liabilities within one fiscal year.

Current liabilities are financial obligations due within the same period, such as accounts payable, accrued liabilities, unearned revenue, and deferred revenue, as well as surplus balances anticipated to be spent within one year.

As of June 30, 2026, the district’s current ratio of 1.25 reflects a healthy liquidity position, with adequate current assets to cover its short-term obligations.

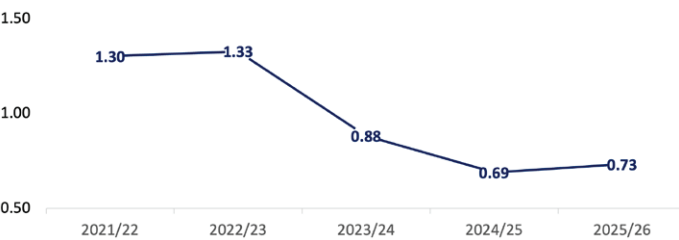
LIQUIDITY — CURRENT RATIO



CASH ASSET RATIO

The cash asset ratio is another measure of the district’s ability to meet its current obligations using its most liquid assets. It is calculated by dividing cash and cash equivalents (including term deposits maturing within three months of acquisition) by current liabilities. As of June 30, 2026, the cash asset ratio was 0.73, indicating a healthy cash position to meet short-term obligations. The district also maintains access to term deposits within its portfolio investments to supplement its cash reserves when needed.

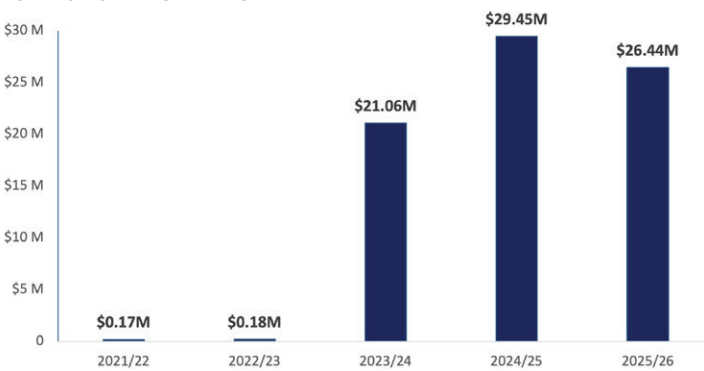
CASH ASSET RATIO



PORTFOLIO INVESTMENTS

The \$26.44 million portfolio investments balance as of June 30, 2026, consists of \$26.18M of term deposits purchased during 2025/26 that have not yet matured, and \$0.26M in long-term investment held for scholarships and bursaries.

PORTFOLIO INVESTMENTS



Since 2023/24, the district has held term deposits as part of its investment strategy to optimize income available to support operating expenses, while maintaining sufficient cash to meet current obligations as they come due.

CASH AND INVESTMENTS SUMMARY

The following is a detailed analysis of cash and investments as of June 30, 2026.

CASH AND INVESTMENTS ALLOCATED PURPOSES	
Net working capital requirements	31,813,986
External restrictions (external contributions for a specific use)	
Deferred operating contributions – restricted for specific program delivery	11,730,386
Land capital – restricted for land purchases	4,066,483
Other provincial capital – restricted for specific capital projects	451,311
Long term liabilities - Employee future benefits	9,865,161
Accumulated remeasurement gain	68,956
MECC restricted capital	1,024
Local capital restricted for specific purposes (page 8)	13,685,224
Operating Fund accumulated surplus restricted for specific purposes (page 6)	2,649,765
Total cash and investments	\$74,332,296

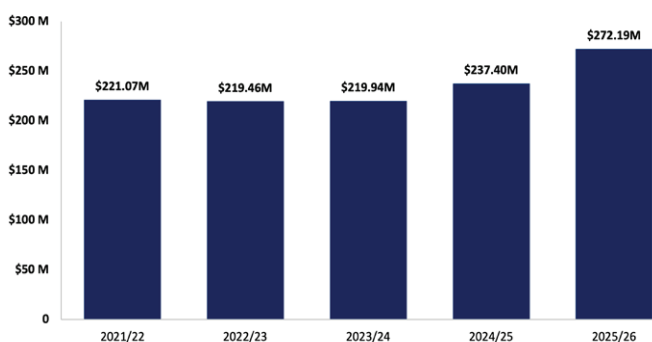
CASH AND INVESTMENTS CONSIST OF	
Cash and cash equivalents	\$47,888,514
Portfolio investment	26,443,782
Total cash and investments	\$74,332,296

While the district held \$74.33M in cash and investments at June 30, 2026, the majority of these funds are restricted for specific operating, capital, employee benefit or other purposes

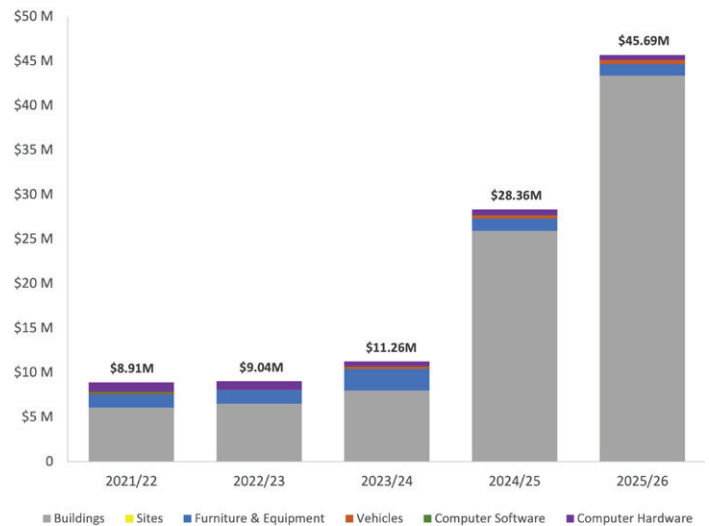
TANGIBLE CAPITAL ASSETS

In addition to current assets and current liabilities, the statement of financial position reports the total tangible capital assets of the district. The net book value, representing cost less accumulated amortization, of tangible capital assets as of June 30, 2026, is \$272.19M.

TANGIBLE CAPITAL ASSETS



The following chart shows capital asset additions by type. Building additions are the most significant tangible capital asset addition in 2025/26 and include work in progress on new school replacements and additions, including Eric Langton Elementary, Golden Ears Elementary, Blue Mountain Elementary, and Pitt Meadows Secondary.



Capital asset additions fluctuate from year to year based on the capital funding provided by the MECC, as well as board-approved projects funded from local capital.

LIABILITIES

Total liabilities as of June 30, 2026, are \$266.92M. Accounts payable and accrued liabilities increased by \$3.39M from the prior year, primarily due to accrued retroactive compensation for support staff and increased holdbacks related to capital projects.

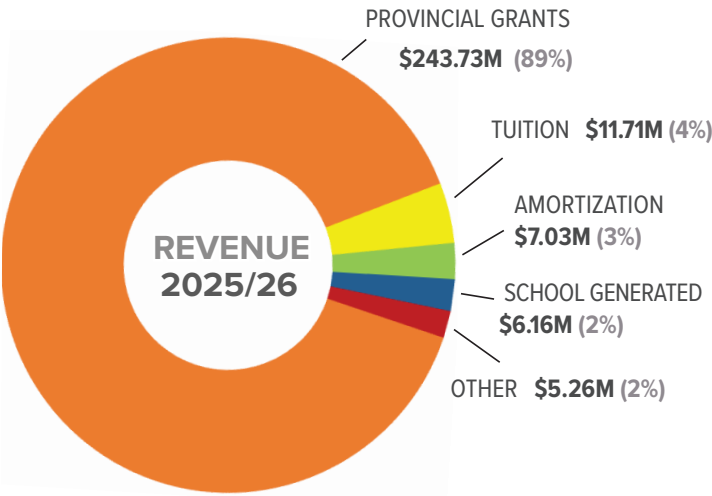
Other liabilities include unearned revenue collected for tuition and other fees (up \$0.89M), deferred revenue for special purpose funds (up \$0.09M), deferred capital revenue for capital projects (up \$36.59M), employee future benefits (up \$0.22M), and asset retirement obligations (down \$0.22M).

Deferred capital revenue represents capital funding received or committed for school construction and other capital projects that will be recognized as revenue over the useful life of the related assets.

FIVE-YEAR TREND – STATEMENT OF OPERATIONS

REVENUE

While the district receives revenue from various sources, the majority reported on the statement of operations (Statement 2) comes from the MECC. For presentation purposes, certain Statement 2 revenue categories have been combined into broader revenue groupings.

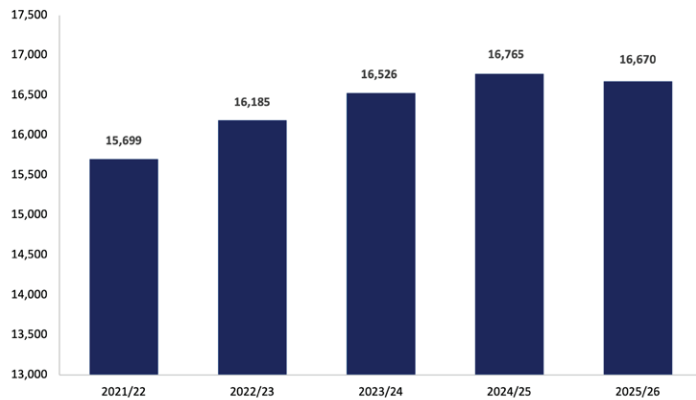


Tuition revenue is generated from non-resident students attending K-12 schools, as well as from students enrolled at Ridge Meadows College. Amortization of deferred capital contributions reflects the accounting recognition of provincial funding received for capital projects. School generated revenue includes funds raised through school-level activities such as fundraising, cafeteria and store sales, and other initiatives. Other revenue includes rental and investment income.

CORRELATION BETWEEN STUDENT ENROLMENT AND REVENUE

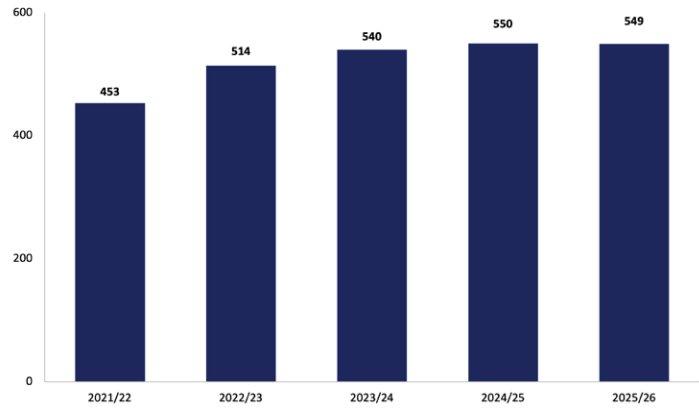
The most significant source of revenue for the district is MECC grants, followed by tuition from non-resident students. Both are significantly influenced by student enrolment, together with applicable funding and tuition rates.

RESIDENT STUDENT ENROLMENT (FTE)



The enrolment history for non-resident students is presented in the following chart.

NON-RESIDENT STUDENT ENROLMENT (FTE)

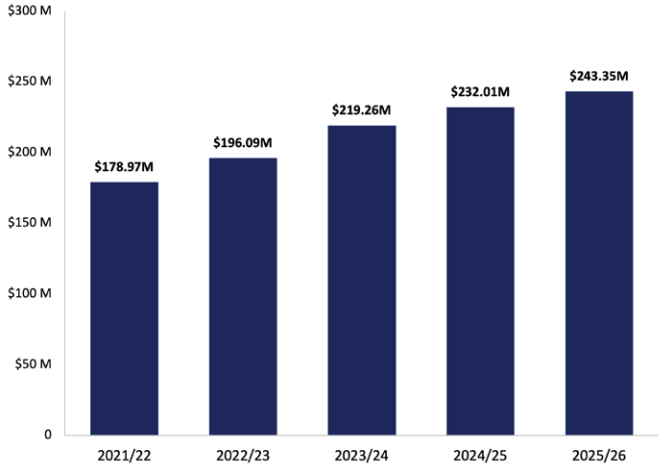


As MECC-funded enrolment increases and school utilization reaches or exceeds 100% in schools across the district, the space available for non-resident students becomes more limited. Without sufficient MECC funding for new schools and additions, opportunities to increase non-resident student enrolment may also be constrained.

REVENUE BY TYPE

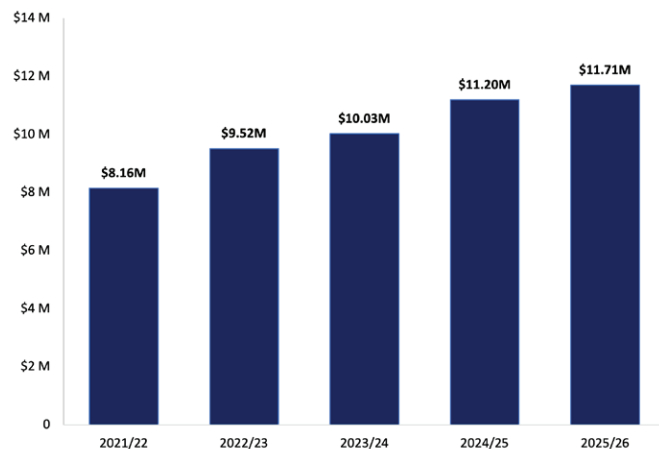
The following charts illustrate the five-year trend of revenues reported on the statement of operations.

MINISTRY OF EDUCATION AND CHILD CARE OPERATING GRANTS (\$ millions)



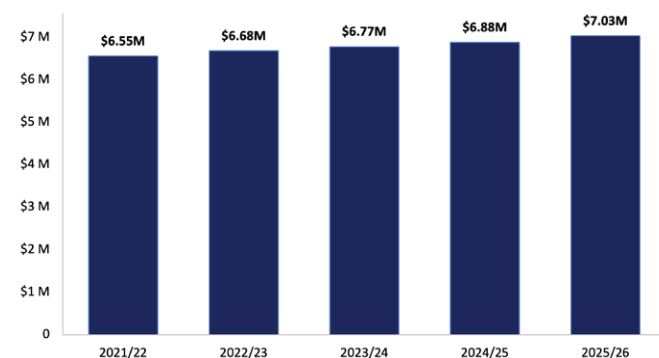
MECC operating grants have increased over the five-year period, reflecting changes in funded enrolment, funding rates and other grant adjustments; however, the MECC grant increases have not been sufficient to cover all cost increases such as inflation.

TUITION (\$ millions)



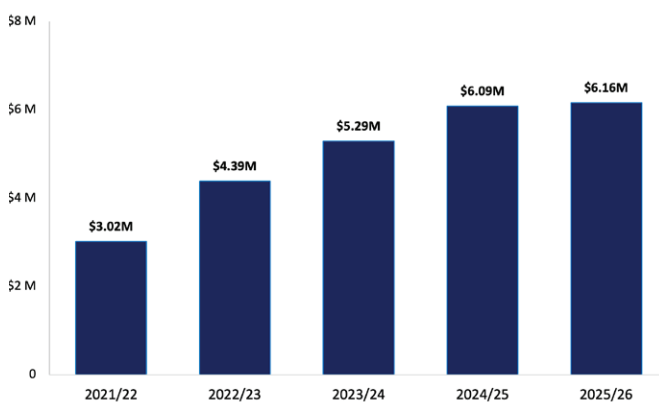
Tuition revenue increased despite relatively stable non-resident enrolment, reflecting changes in tuition rates and program activity.

AMORTIZATION OF DEFERRED CAPITAL REVENUE (\$ millions)



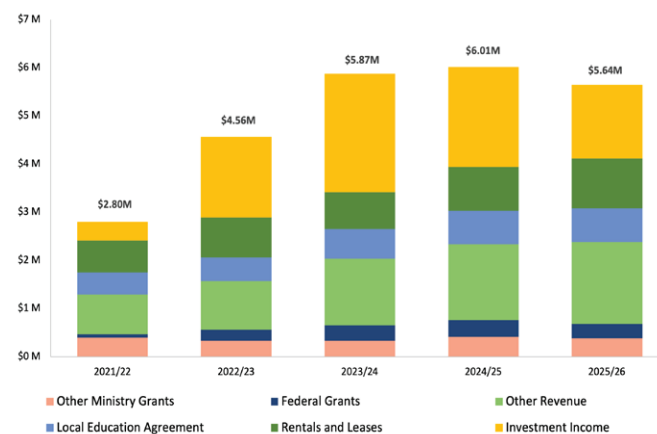
Amortization is a non-cash revenue item recognized in accordance with the Restricted Contributions Regulation 198/2011 issued by the Treasury Board.

SCHOOL GENERATED FUNDS (\$ millions)



School generated funds are raised at the school level through fundraising, cafeteria sales, school store sales, and various other activities.

OTHER REVENUE (\$ millions)



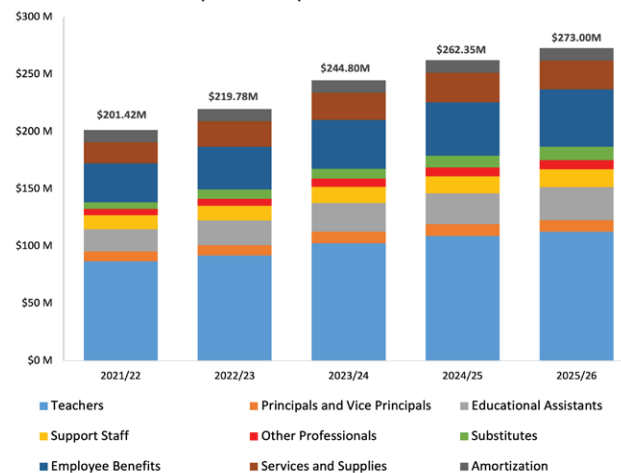
Investment income decreased from 2024/25 due to lower interest rates. Rental income increased, reflecting greater community use of facilities and higher rental rates. Other grants and revenue are project specific.

EXPENSES

Expenses are reported in two reporting structures: by object and by function. Expenses by object are categorized as salaries (with sub-categories by employee type), employee benefits, services and supplies, and amortization.

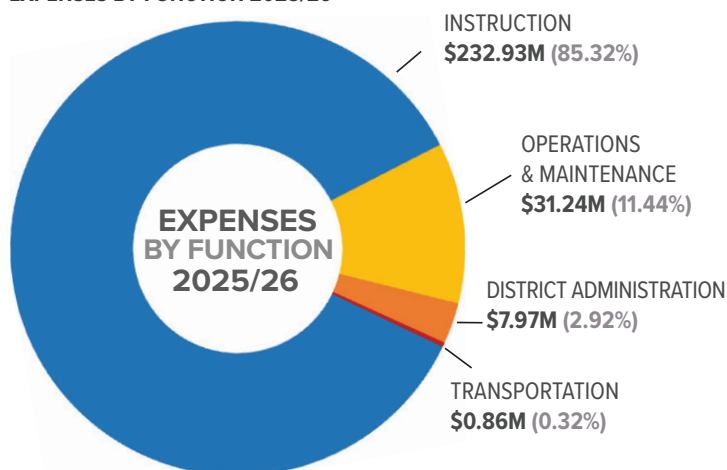
As shown in the following chart, the most significant expense on the statement of operations is teacher salaries, followed by employee benefits across all employee groups.

EXPENSES BY TYPE (\$ millions)



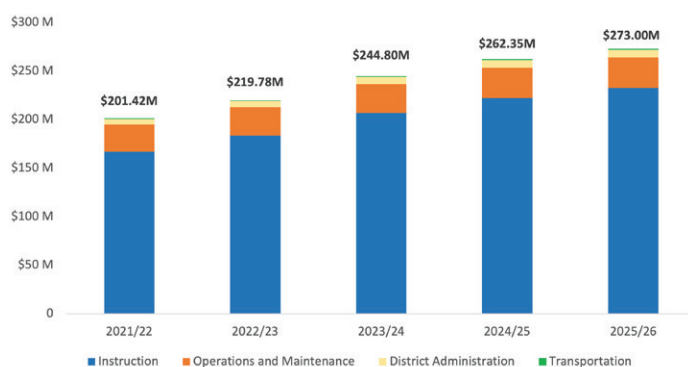
All salary sub-categories have increased due to rate adjustments. Teacher and educational assistant salaries represent the most significant portion of employee compensation and have risen further in response to increased student enrolment.

EXPENSES BY FUNCTION 2025/26



Expenses by function are categorized as instruction (85.32%), operations and maintenance (11.44%), district administration (2.92%), and transportation (0.32%).

EXPENSES BY FUNCTION — FIVE-YEAR TREND



Since 2021/22, total expenses have increased by \$71.58M (36%). Increases during this period by function are: instruction \$65.94M (39%), operations and maintenance \$3.38M (12%), district administration \$2.00M (34%), and transportation \$0.26M (43%).

OPERATING FUND ANALYSIS

OPERATING FUND REVENUE

Operating fund revenue overall is \$5.70M higher than budget. Key variances include:

- The MECC's operating grant is \$0.35M higher, reflecting an increase from the combined enrolment count in February and May 2026.
- MECC labour settlement funding is \$5.11M higher due to collective agreement general wage increases (GWI).

OPERATING FUND EXPENSES

Operating fund expenses overall are \$1.60M higher than budget. Key variances include:

- Teacher salaries are \$1.36M higher due to collective agreement GWI (\$2.67M), offset by vacancies (\$0.70M), lower average salary (\$0.35M), and leaves (\$0.26M).

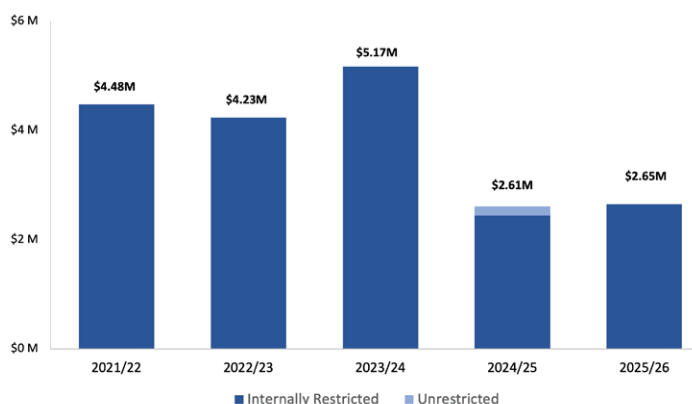
- Educational assistant salaries are \$0.46M higher due to collective agreement GWI (\$0.80M), offset by vacancies and leaves (\$0.34M).
- Support staff salaries are on budget overall with the collective agreement GWI (\$0.45M) fully offset by vacancies and leaves (\$0.45M).
- Other professional and principal/vice principal salaries are \$0.02M lower due to vacancies.
- Substitute salaries are \$0.99M higher, reflecting collective agreement GWI (\$0.23M) and higher-than-anticipated costs for teacher contractual replacements (\$1.32M), partially offset by lower-than-anticipated costs for departmental training (\$0.31M) and casual salaries (\$0.25M).
- Employee benefits are \$0.89M higher, consistent with the above GWI.
- Services and supplies are \$2.08M lower due to unspent budget allocations in services (\$0.33M), professional development and travel (\$0.50M), insurance (\$0.14M), supplies (\$1.08M), and other (\$0.03M).

END OF YEAR OPERATING SURPLUS

As of June 30, 2026, the restricted operating surplus is \$2.65M, representing budget allocation commitments for specific operating purposes.

As shown in the following chart, the operating surplus in 2024/25 and 2025/26 is significantly lower than prior years, reflecting three key factors: the ongoing trend of MECC funding being insufficient to fully address operating cost pressures, a reduced reliance on using the most recent year's surplus to fund the following year's operating expenses, and continued budget transfers to local capital to support capital expenditures and maintain a contingency reserve. These shifts reflect the district's commitment to financial sustainability.

OPERATING SURPLUS (\$ millions)



Details of the end-of-year restricted surplus for 2025/26 are summarized in the following table, and further detailed in Note 16 of the financial statements.

OPERATING FUND ACCUMULATED SURPLUS

Operating surplus restricted for specific purposes

Indigenous education council (targeted funding)	\$118,809
Indigenous education (targeted funding)	160,284
Integrated child and youth grant	96,293
Early career mentorship grant	330,813
School budget balances	465,957
Contracted professional development	278,436
Financial contingencies	100,000
Purchase order commitments	52,543
Program and staffing initiatives	768,197
Technology and systems	200,282
Facilities and space planning	78,150
Total operating internally restricted	\$2,649,765

In accordance with Policy 4204 Accumulated Surplus, the board may set aside a portion of the operating surplus for items that are linked to multi-year strategic objectives and future operational needs. Restrictions are made only for defined operational needs with defined timelines, including services or purchases that are directly related to the board's strategic plan, operational needs and enhanced educational outcomes for students.

Specific uses of appropriated surplus have been approved by the board as part of the approved [2026/27 Preliminary Budget](#) available on the school district website.

USE OF AVAILABLE OPERATING SURPLUS

Available operating surplus of \$1.83M was approved by the board for year-end transfer to local capital to support the capital budget. This allocation supports the following initiatives:

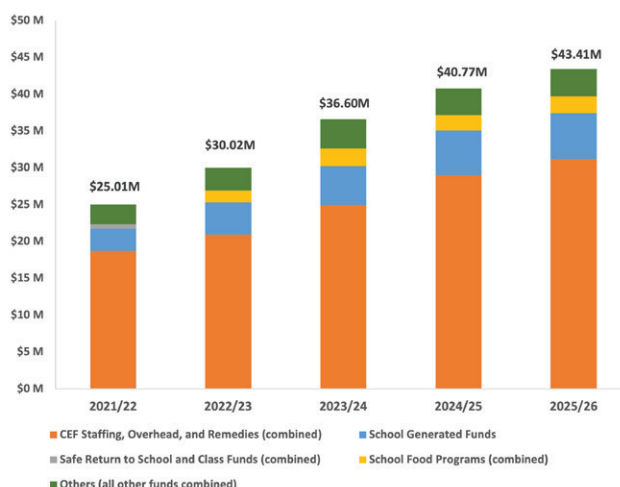
- contingency reserve – \$0.54M
- temporary classrooms – \$0.65M
- IT capital plan – \$0.32M
- facilities equipment and vehicle capital plan – \$0.16M
- non-school facilities renewal – \$0.16M

SPECIAL PURPOSE FUNDS ANALYSIS

Special purpose funds include contributions from the MECC and other sources, designated for specific purposes.

During 2025/26, the district received \$43.50M in special purpose fund contributions and spent \$43.41M (see Schedule 3A).

SPECIAL PURPOSE FUNDS ANALYSIS (\$ millions)



Special purpose fund expenses are contingent on the amount of revenue received for delivering specific services or programs. The chart above illustrates how these expenses have changed over the past five years. The most notable increase relates to the continued increase of CEF teacher staffing costs, driven by the restored teachers' collective agreement language.

CAPITAL FUND ANALYSIS

The net book value of capital assets is \$272.19M at June 30, 2026 (see Schedule 4A), comprising:

- Sites – \$41.55M
- Buildings – \$219.35M
- Furniture, equipment, vehicles, computer software, and hardware – \$11.29M

These net book values represent the historical cost less accumulated amortization and do not reflect current market value.

During 2025/26, the district recognized \$40.68M in MECC funding for bylaw capital projects (see Schedule 4D).

CAPITAL PROJECTS IN PROGRESS

As of June 30, 2026, the following capital building projects remain in progress with accumulated costs totaling \$61.43M (see Schedule 4B):

- Eric Langton Elementary seismic replacement and expansion – \$41.08M
- Golden Ears Elementary addition – \$8.90M
- Blue Mountain Elementary addition – \$5.52M
- Pitt Meadows Secondary replacement – \$4.60M
- Harry Hooe Elementary seismic upgrade – \$0.37M
- Temporary classroom set ups – \$0.48M
- Annual Facility Grant funded projects – \$0.25M
- Other various projects – \$0.23M

COMPLETED CAPITAL PROJECTS

During 2025/26, the following capital building projects were completed with accumulated costs totaling \$6.47M (see Schedule 4A):

- Flooring upgrades at various schools – \$0.61M
- Roofing upgrades at various schools – \$1.52M
- HVAC upgrade at Edith McDermott Elementary – \$0.37M
- HVAC upgrade at Highland Park Elementary - \$0.67M
- HVAC upgrade at Thomas Haney Secondary - \$0.51M
- HVAC upgrade at Golden Ears Elementary - \$0.51M
- Minor HVAC upgrades at various sites – \$0.91M
- Pavement projects at various sites – \$0.15M
- Window replacements at various sites - \$0.24M
- Plumbing at various sites - \$0.18M
- Other minor projects – \$0.80M

The Other Provincial Capital Fund totals \$0.45M as of June 30, 2026 (see Schedule 4D). This balance represents accumulated interest allocated to the fund in prior years, which is restricted to child care capital projects (\$0.16M), and funds received from the Ministry for the Eric Langton Elementary seismic replacement and expansion project child care space, which have not been spent yet (\$0.29M).

The Land Capital Restricted Fund, which includes school site acquisition charges, received \$0.55M of contributions and interest during 2025/26. The fund ended the year with a balance of \$4.07M (see Schedule 4D).

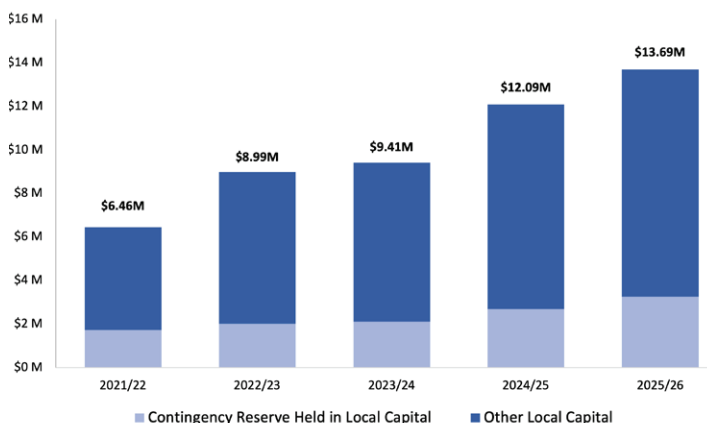
LOCAL CAPITAL

The board's Local Capital Fund consists of prior years' available operating surpluses that were transferred to local capital with board approval, along with proceeds from the disposal of land.

Capital asset additions funded through local capital are recorded in the Local Capital Fund.

The following chart illustrates the trend of total year end local capital appropriations over the past five years.

LOCAL CAPITAL FUND (\$ millions)



As of June 30, 2026, the board has internally restricted \$13.69M in local capital for future use, as outlined in the following table. This amount includes a contingency reserve of \$3.26M.

LOCAL CAPITAL RESTRICTED FOR SPECIFIC PURPOSES	
Information technology capital plan	\$3,460,372
Facilities equipment and vehicles capital plan	866,543
Child care capital	701,098
Emergency preparedness	9,719
Boardroom enhancements	8,494
Strategic facilities plan implementation	
Temporary classrooms	1,956,829
Capital planning	237,096
Sustainability upgrades	827,193
Non-school facilities renewal	1,659,512
Capital cost share	700,000
Contingency reserve held in local capital	3,258,368
Total local capital restricted for specific purposes	\$13,685,224

CONTINGENCY RESERVE

The board of education is responsible for ensuring the school district is protected financially from extraordinary circumstances that would negatively impact school district operations and the education of students. To discharge this responsibility, the board maintains a contingency reserve of at least 1% and not exceeding 3% of operating expenses to mitigate any negative impact such circumstances might cause. This contingency reserve is funded from available operating surplus and may be used for operating and/or capital expenses under certain circumstances outlined in Policy 4204 Accumulated Surplus.

As of June 30, 2026, the contingency reserve held in local capital totals \$3.26M, representing 1.50% of 2026/27 budget operating expenses.

RISKS AND UNCERTAINTIES

ENROLMENT AND FUNDING

The majority of the school district's revenue is derived from Ministry of Education and Child Care operating grants, which are largely driven by student enrolment. Changes in enrolment trends, student demographics, government policy, or provincial funding formulas may significantly affect future revenues. International student enrolment and tuition revenue are also subject to changes in immigration policies, global economic conditions, and market demand.

LABOUR COST

Salaries and benefits represent the largest component of the school district's expenses. Future increases in employee compensation, benefit costs, statutory payroll charges, and employee health benefit utilization may increase expenses beyond current projections. Recruitment and retention challenges and broader labour market pressures may also increase operating costs or affect service delivery.

INFLATION AND COST ESCALATION RISK

The school district continues to experience inflationary pressures affecting utilities, supplies, contracted services, technology, insurance, transportation, and facility maintenance costs. While inflation has moderated from recent peaks, future economic conditions, energy prices, tariffs, supply chain disruptions, and market conditions may result in expenditure growth exceeding funding increases. Sustained inflationary pressures could reduce the school district's financial flexibility and increase the need to draw upon reserves or implement expenditure reductions.

CAPITAL AND INFRASTRUCTURE

The school district manages a large portfolio of educational facilities and continues to undertake major capital projects. Construction cost escalation, supply chain disruptions, project delays, and ongoing infrastructure renewal requirements may increase future capital funding needs. In addition, certain capital priorities such as technology, equipment replacement, and temporary classrooms are not fully funded through provincial capital programs and may require funding from local capital.

Current funding levels may not fully address all asset renewal requirements, increasing the risk of deferred maintenance and deterioration in facility condition.

Replacement cycles for IT hardware, facilities equipment, and vehicles are dependent on the availability and board appropriation of operating surplus to fund the multi-year capital plans. Any significant equipment failures during 2026/27 may require use of the contingency reserve or reprioritization of other local capital funding.

FINANCIAL SUSTAINABILITY

The board maintains reserves, including a contingency reserve, to manage unforeseen events and financial volatility. However, future increases in enrolment-related pressures, unfunded cost increases, capital requirements, cybersecurity incidents, technology disruptions, or emergency events could affect the school district's long-term financial sustainability.

Overall, management believes the school district remains financially sound, with sufficient liquidity and reserves to meet current obligations while continuing to monitor and respond to emerging risks and uncertainties.