2024/25

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, 2025.

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 2024/25, 92.26% 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.

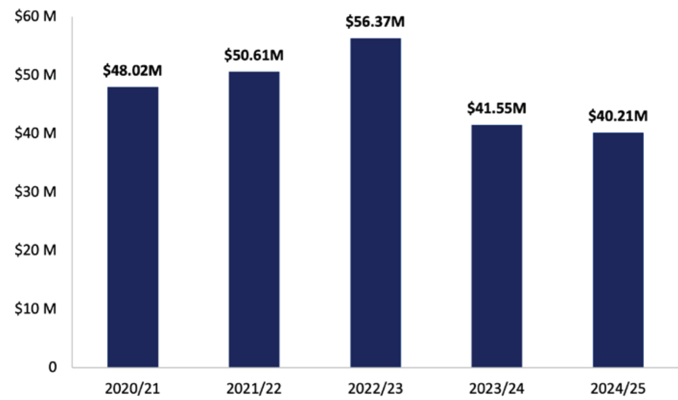
Capital Fund - The Capital Fund includes capital expenditures related to equipment and facility purchases and enhancements. The funding source of these purchases and enhancements determines to which capital fund the expenditures will be charged. Funding sources include MECC Bylaw Capital, MECC Restricted 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, 2025, the school district reported $40.21M in cash and equivalents.

CASH AND EQUIVALENTS ($ millions)



LIQUIDITY

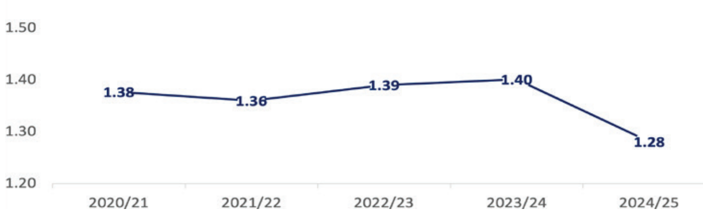
Liquidity, measured by the current ratio, is calculated as current assets divided by current liabilities. A ratio of 1 or higher indicates that the district has sufficient current assets to meet its current liabilities.

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, 2025, the district's current ratio of 1.28 reflects a healthy liquidity position, with adequate current assets to cover its short-term obligations.

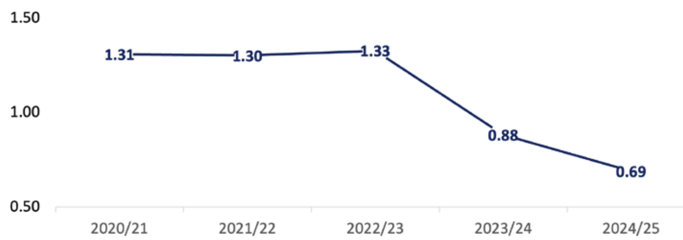
LIQUIDITY — CURRENT RATIO



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 in within three months of acquisition) by current liabilities. As of June 30, 2025, the cash asset ratio was 0.69, 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.

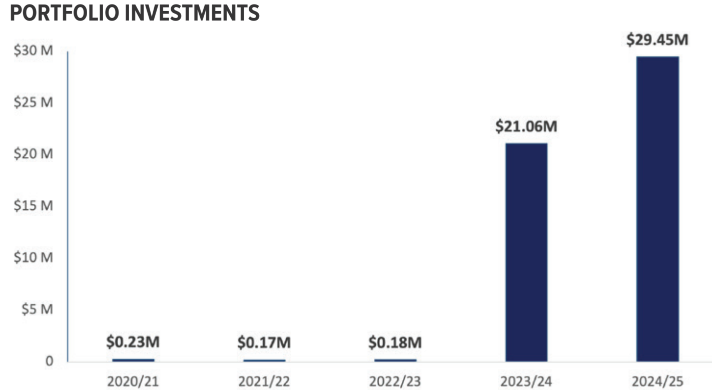
CASH ASSET RATIO



PORTFOLIO INVESTMENTS

The $29.45 million portfolio investments balance as of June 30, 2025, consists of $29.23M of term deposits purchased during 2024/25 that have not yet matured, and $0.22M 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, 2025.

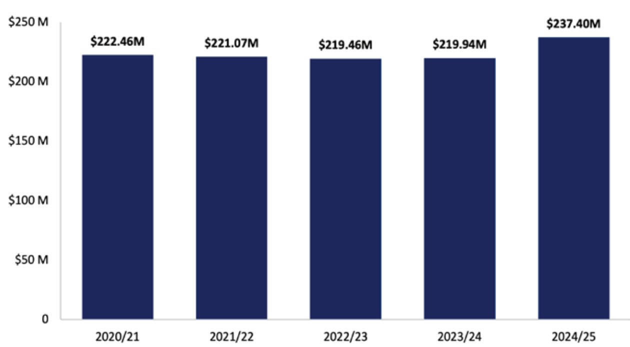
CASH AND INVESTMENTS ALLOCATED PURPOSES	
Net Working Capital Requirements	30,827,389
External restrictions (external contributions for a specific use)	
Deferred operating contributions – restricted for specific program delivery	10,755,688
Land capital – restricted for land purchases	3,518,149
Other provincial capital – restricted for specific capital projects	162,762
Long Term Liabilities - Employee Future Benefits	9,645,102
Accumulated remeasurement gain	38,365
MECC restricted capital	1,024
Local Capital restricted for specific purposes (page 8)	12,091,979
Operating Fund accumulated surplus restricted for specific purposes (page 6)	2,437,107
Unrestricted operating surplus	173,995
Total cash and investments	**$69,651,560**

CASH AND INVESTMENTS CONSIST OF	
Cash and cash equivalents	$40,205,098
Portfolio investment	29,446,462
Total cash and investments	**$69,651,560**

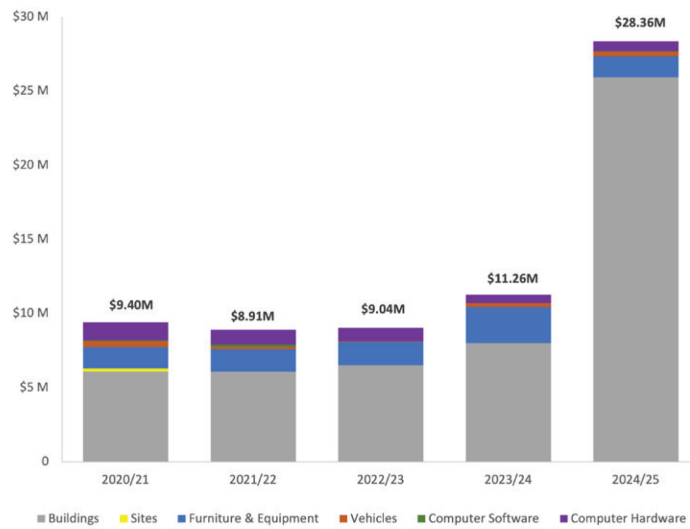
TANGIBLE CAPITAL ASSETS

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, 2025, is $237.40M.

TANGIBLE CAPITAL ASSETS



The following chart shows capital asset additions by type. Building additions are the most significant tangible capital asset addition in 2024/25 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

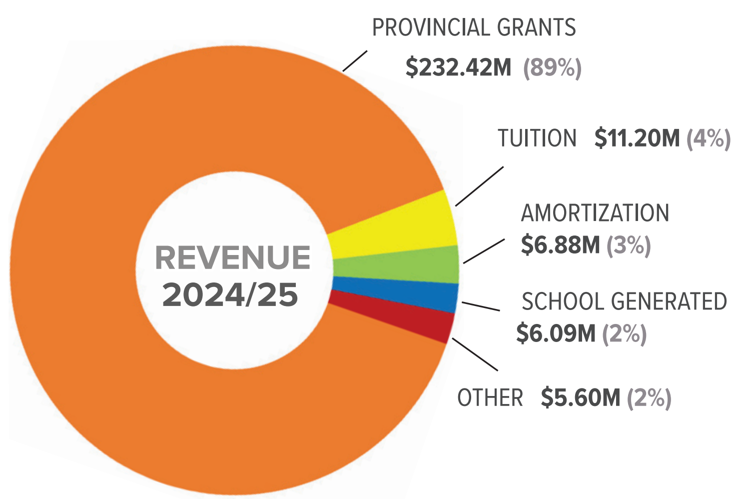
Total liabilities as of June 30, 2025, are $225.96M. Accounts payable and accrued liabilities increased by $10.88M from the prior year, primarily due to higher accrued salaries, capital project invoices, and accrued remedies under the Classroom Enhancement Fund.

Other liabilities include unearned revenue collected for tuition and other fees (down $0.06M), deferred revenue for special purpose funds (up $0.38M), deferred capital revenue for capital projects (up $15.06M), employee future benefits (up $0.16M), and asset retirement obligations (no change).

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.

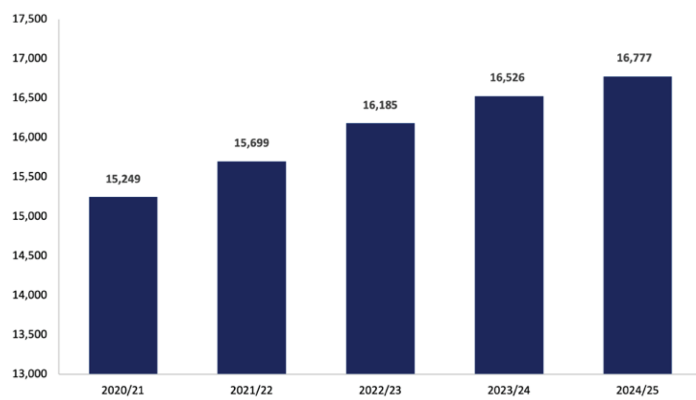


Tuition revenue is generated from non-resident students attending K-12 schools, as well as from students enrolled at Ridge Meadows College. Amortization of deferred capital contributions reflects the accounting recognition of provincial funding received for capital projects. School generated revenue 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

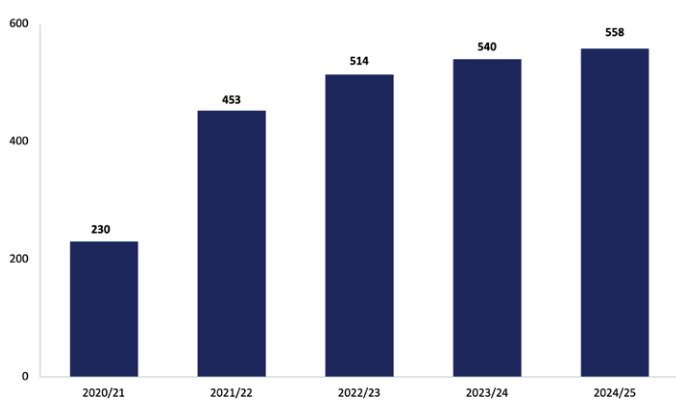
The most significant source of revenue for the district is MECC grants, followed by tuition from non-resident students. Both are directly correlated to the number of full-time equivalent (FTE) students enrolled in the district.

RESIDENT STUDENT ENROLMENT (FTE)



The enrolment history for non-resident students is presented in the following chart. Compared to 2020/21, non-resident student enrolment has increased by 328 FTE, largely due to the lifting of COVID-19 travel restrictions following 2020.

NON-RESIDENT STUDENT ENROLMENT (FTE)



As MECC-funded enrolment increases and school utilization reaches or exceeds 100% in schools across the district without sufficient MECC funding for new schools and additions, the space available for non-resident students is reduced, which limits the increase in non-resident student enrolment.

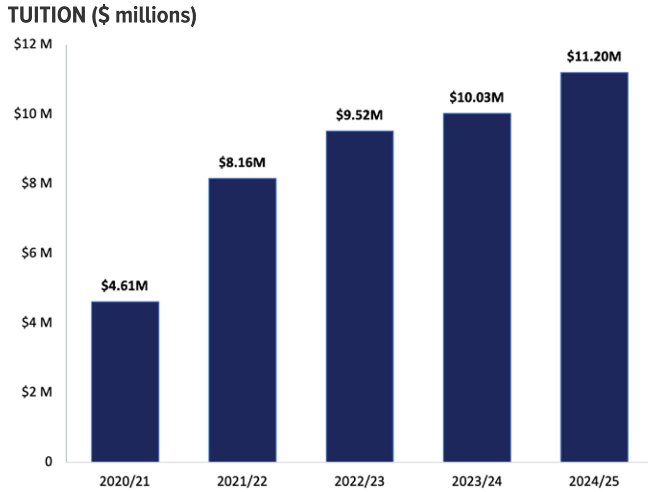
REVENUE BY TYPE

The following charts illustrate the five-year trend of revenues reported on the statement of operations. All locally generated revenue streams that were negatively impacted by COVID-19 restrictions have since recovered.

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

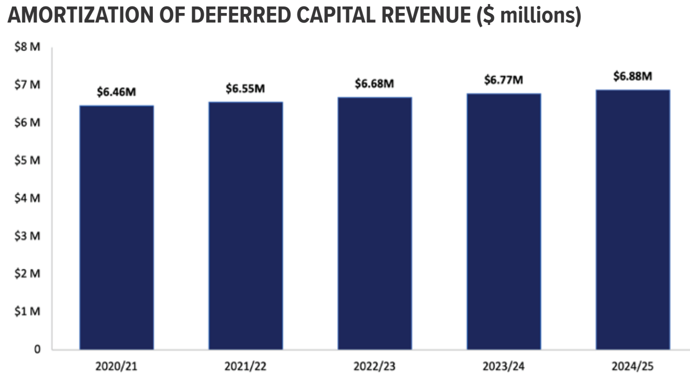
MECC grants continue to increase as funded enrolment increases; however, the MECC grant increases have not been sufficient to cover all cost increases such as inflation.

TUITION ($ millions)



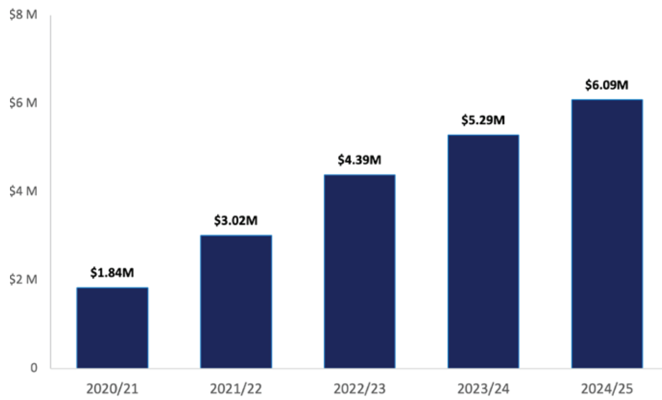
Tuition revenue increases as non-resident student enrolment increases.

AMORTIZATION OF DEFERRED CAPITAL REVENUE ($ millions)



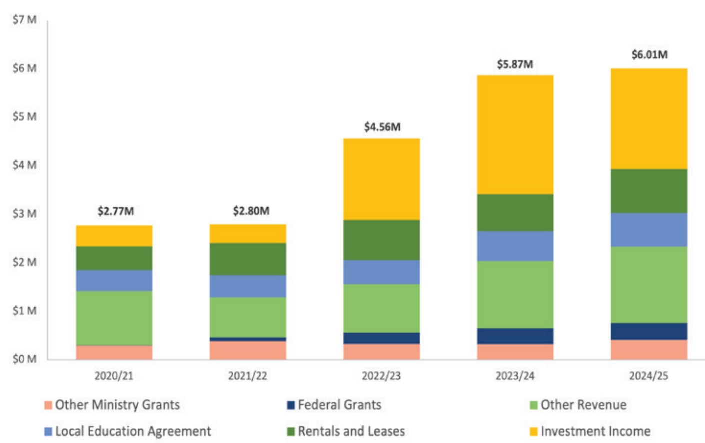
Amortization is a non-cash revenue item recognized in accordance with the Restricted Contributions Regulation 197/2011 issued by the Treasury Board.

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)



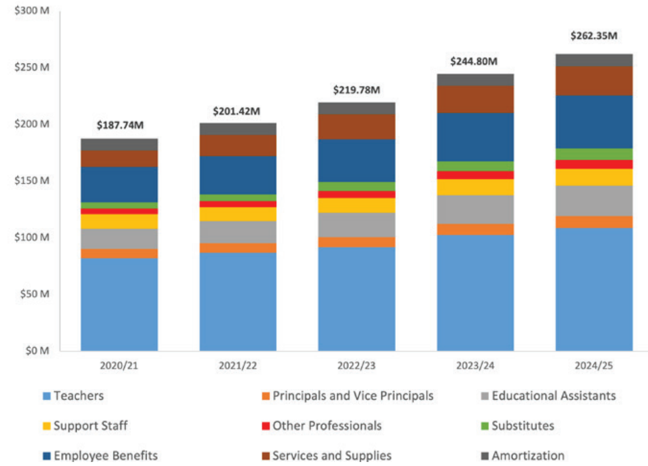
Investment income decreased from 2023/24 due to lower interest rates. Rental income increased, reflecting greater community use of facilities and higher rental rates. Other grants and revenue are project specific.

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.

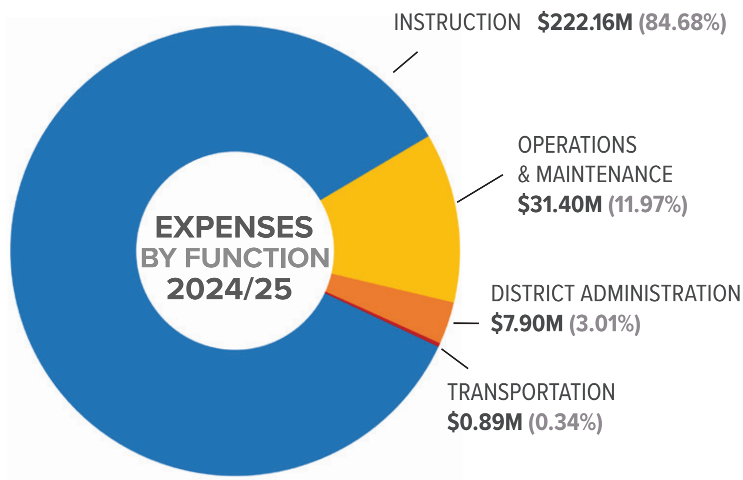
As shown in the following chart, the most significant expense on the statement of operations is teacher salaries, followed by employee benefits across all employee groups.

EXPENSES BY TYPE ($ millions)



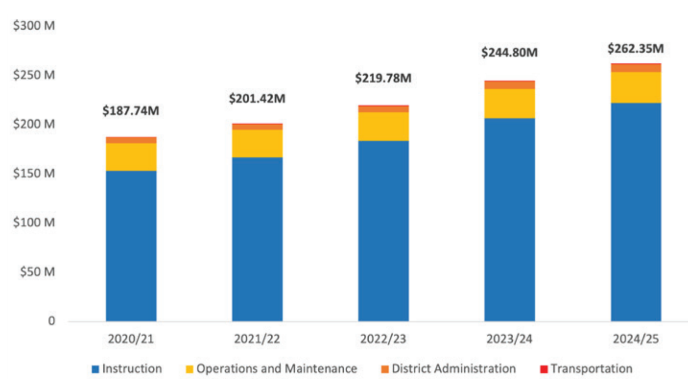
All salary sub-categories have increased due to rate adjustments. Teacher and educational assistants salaries represent the most significant portion of employee compensation and have risen further in response to increased student enrolment.

EXPENSES BY FUNCTION 2024/25



Expenses by function are categorized as instruction (84.68%), operations and maintenance (11.97%), district administration (3.01%), and transportation (0.34%).

EXPENSES BY FUNCTION — FIVE YEAR TREND



Since 2020/21, transportation has increased 75.13%, followed by instruction at 45.03%, district administration by 31.53% and operations and maintenance by 11.98%.

OPERATING FUND ANALYSIS

OPERATING FUND REVENUE

Operating fund revenue overall is $0.62M higher than budget. Key variances include:

- The MECC's operating grant is $0.04M lower, reflecting a $0.27M increase from the combined enrolment count in February and May 2025, offset by a $0.31M reduction due to an overstatement of September 2024 enrolment
- MECC labour settlement funding is $0.17M higher due to a teacher professional development allocation in April 2025
- Funding for graduated adults is $0.14M higher
- Investment income is $0.37M higher

OPERATING FUND EXPENSES

Operating fund expenses overall are $5.58M lower than budget. Key variances include:

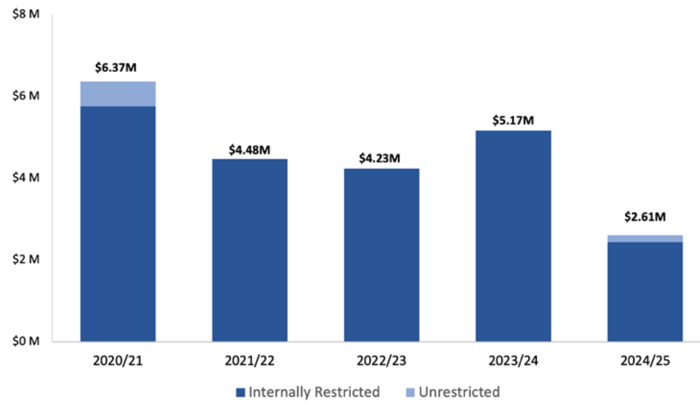
- Teacher salaries are $1.66M lower, due to vacancies ($0.84M), lower average salary ($0.31M), teacher release time costs transferred to the Classroom Enhancement Fund ($0.32M), and leaves ($0.19M)
- Educational assistant salaries are $0.82M lower, due to vacancies and leaves
- Support staff salaries are $0.68M lower, also due to vacancies and leaves
- Other professional and principal/vice principal salaries are $0.19M lower, due to vacancies
- Substitute salaries are $0.14M lower, reflecting lower than anticipated costs for departmental training ($0.36M), Employment Standards Act sick leave ($0.03M), and casual salaries ($0.68M), offset by higher than anticipated costs for teacher contractual replacements ($0.93M)
- Employee benefits are $0.82M lower, consistent with the above salary variances
- Services and supplies are $1.27M lower due to unspent budget allocations in services ($0.33M), professional development and travel ($0.19M), insurance ($0.04M), supplies ($0.65M), utilities ($0.03M), and other ($0.03M)

END OF YEAR OPERATING SURPLUS

As of June 30, 2025, the restricted operating surplus is $2.44M, representing budget allocation commitments for specific operating purposes. The unrestricted operating surplus is $0.17M, resulting in a total operating surplus of $2.61M as reported on the schedule of operating operations (Schedule 2).

As shown in the following chart, the operating surplus has declined significantly compared to 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 2024/25 are summarized in the following table, and is further detailed in Note 16 of the financial statements.

OPERATING FUND ACCUMULATED SURPLUS	
Operating surplus restricted for specific purposes	
Indigenous education council (targeted funding)	$59,066
School budget balances	533,199
Contractual professional development	293,180
Financial provisions	100,000
Multi-year grants and projects in progress	514,102
Purchase order commitments	158,715
Support for school growth plans	333,466
Support for operational plans	388,313
Facilities renovations and new classroom setup	57,066
Total restricted operating surplus	**$2,437,107**
Total unrestricted operating surplus	**173,995**
Total operating surplus	**$2,611,102**

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 2025/26 Preliminary Budget available on the school district website.

USE OF AVAILABLE OPERATING SURPLUS

Available operating surplus of $3.71M 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 – $0.58M
- facilities equipment and vehicle capital plan – $0.91M
- new temporary classrooms – $0.84M
- IT capital plan – $0.77M
- other facilities renewal – $0.38M
- child care capital – $0.23M

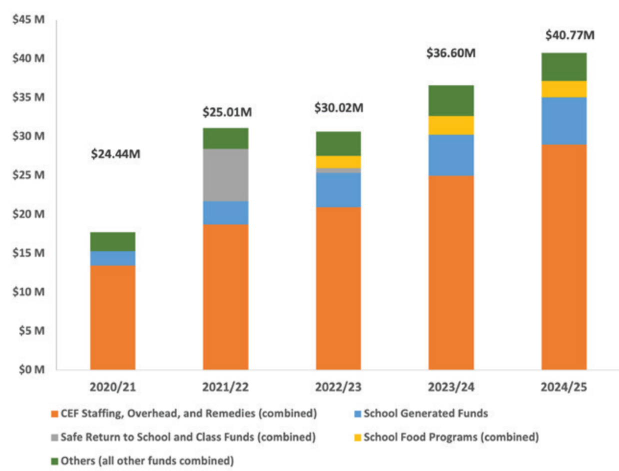
The remaining unrestricted operating surplus of $0.17M as of June 30, 2025 represents a $0.40M expense transfer to the Classroom Enhancement Fund for teacher release time salary and benefits (approved by the MECC in June 2025), less the $0.23M transfer to local capital for child care capital.

SPECIAL PURPOSE FUNDS ANALYSIS

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

During 2024/25, the district received $41.15M in special purpose fund contributions and spent $40.77M (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 $237.40M at June 30, 2025 (see Schedule 4A), comprising:

- Sites – $41.55M
- Buildings – $184.03M
- Furniture, equipment, vehicles, computer software, and hardware – $11.82M

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

During 2024/25 the district recognized $21.44M in MECC grants for bylaw capital projects (see Schedule 4D).

CAPITAL PROJECTS IN PROGRESS

As of June 30, 2025, the following capital building projects remain in progress with accumulated costs totaling $24.29M (see Schedule 4B):

- Eric Langton Elementary seismic replacement and expansion – $21.26M
- Golden Ears Elementary addition – $1.12M
- Blue Mountain Elementary addition – $0.62M
- Pitt Meadows Secondary seismic replacement – $0.74M
- Harry Hooge Elementary seismic upgrade and addition project definition report – $0.35M
- HVAC upgrades at various schools – $0.15M
- Annual Facility Grant funded projects – $0.05M

COMPLETED CAPITAL PROJECTS

During 2024/25, the following capital building projects were completed with accumulated costs totaling $5.74M (see Schedule 4A):

- New temporary classrooms at elementary schools – $1.41M
- Roofing upgrades at various schools – $1.54M
- HVAC upgrades at Edith McDermott Elementary – $1.00M
- Minor HVAC upgrades at various sites – $0.93M
- Pavement projects at various sites – $0.12M
- Other minor projects – $0.74M

The MECC Restricted Capital Fund has been fully utilized to support the Eric Langton Elementary seismic replacement and expansion project and the Pitt Meadows Secondary seismic replacement project (see Schedule 4D).

The Other Provincial Capital Fund totals $0.16M as of June 30, 2025 (see Schedule 4D). This balance represents accumulated interest allocated to the fund in prior years and is restricted for child care capital projects.

The Land Capital Restricted Fund, which includes school site acquisition charges, received $0.43M of contributions and interest during 2024/25. The fund ended the year with a balance of $3.52M (see Schedule 4D).

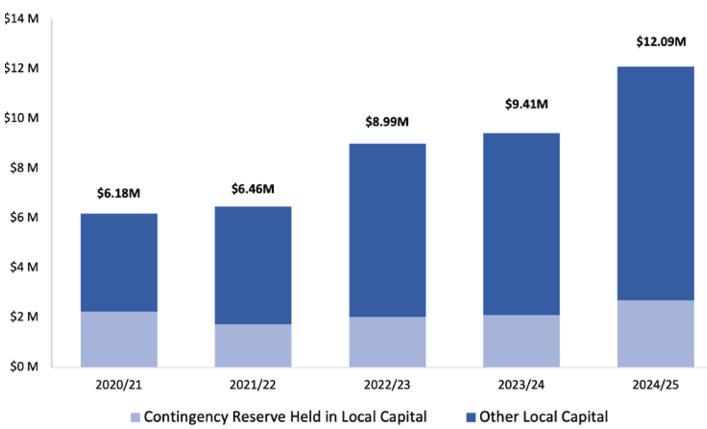
LOCAL CAPITAL

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, 2025, the board has designated $12.09M in local capital for future use, as outlined in the following table. This amount includes a contingency reserve of $2.69M.

LOCAL CAPITAL RESTRICTED FOR SPECIFIC PURPOSES	
Information technology capital plan	$2,909,084
Facilities equipment and vehicles capital plan	919,721
Child care capital	394,807
Emergency preparedness	10,730
Virtual boardroom	9,284
Strategic facilities plan implementation	
New temporary classrooms	1,795,857
Capital planning	301,583
Sustainability upgrades	864,081
Other facilities renewal	1,498,675
Capital cost share - Eric Langton Elementary	700,000
Contingency reserve held in local capital	2,688,157
Total local capital restricted for specific purposes	**$12,091,979**

CONTINGENCY RESERVE

The Board of Education is responsible for ensuring the district is protected financially from extraordinary circumstances which 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% of operating expenses 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 expenditures under certain circumstances outlined in board policy 4204 Accumulated Surplus.

As of June 30, 2025, the contingency reserve held in local capital totals $2.69M, representing 1.25% of 2025/26 budget operating expenses. In addition, the district holds an unrestricted surplus in the Operating Fund of $0.17M.

RISKS AND UNCERTAINTIES

IMPLEMENTATION OF RESTORED COLLECTIVE AGREEMENT LANGUAGE

On November 10, 2016, the Supreme Court of Canada (SCC) issued its decision in the longstanding litigation between the British Columbia Teachers' Federation (BCTF) and the Government of British Columbia regarding the deletion of certain collective agreement provisions.

In response, a Memorandum of Agreement was signed on January 11, 2017, by the Ministry of Education, the BC Public Schools Employers' Association (BCPSEA) and the BCTF, pursuant to Letter of Understanding (LoU) No. 17: Education Fund and Impact of the Court Cases – Priority Measures. This agreement was ratified on March 10, 2017, as part of the 2013-2019 BCPSEA–BCTF Provincial Collective Agreement, fully resolving all matters related to the SCC decision.

Since 2017, School District No. 42 has implemented the terms of the MoA annually, including for the 2024/25 fiscal year.

For 2025/26, the MECC has approved preliminary classroom enhancement funding of $24.51M to support the continued implementation. This includes:

- Teacher salaries and benefits – $23.68M
- Related overhead costs – $0.83M

However, this funding is not expected to cover all associated costs. For example, remedy costs—which could exceed $4M—are not included in the preliminary funding allocation. This presents a significant financial risk to the district.

To address this, the district will continue stringent oversight and analysis to understand, communicate, and mitigate the financial risks associated with the ongoing implementation of the MoA.

ENROLMENT AND STAFFING GROWTH

With the implementation of the MoA resulting in smaller class sizes, a greater number of teacher FTEs must be added than would have previously been required. As student enrolment continues to grows, additional classroom space will also need to be created. This growth presents a financial risk, as the district must provide these additional resources within the constraints of the current MECC funding envelope.

CAPITAL PROJECTS

Due to their magnitude, capital projects have the potential to significantly impact the district's financial position. While there is no centralized process for assessing the risk of the entire capital program, individual project risk assessments are conducted on an ongoing basis. Project agreements with the MECC include contingencies to help mitigate financial risk.

Smaller projects consider contingency planning within their overall budgets and are managed internally. Additionally, the contingency reserve held in local capital of $2.69M is available to mitigate risks associated with capital projects.

OTHER ASSETS

Current budget allocations are insufficient to fully support the procurement, maintenance, and timely replacement of the district's tangible capital assets. As a result, deferred maintenance continues to grow, and the facility condition index continues to deteriorate.

IT hardware, facilities equipment, and vehicles may not be refreshed regularly, depending on the availability and appropriation of operating surplus to fund the multi-year capital plans for these assets. Any major equipment failures during 2025/26 will need to be funded from the contingency reserve held in local capital.

TARIFFS

Recent U.S. tariffs are expected to increase the cost of goods and materials, impacting expenses in areas such as construction, facility maintenance, technology, and classroom supplies. As procurement and capital projects become more expensive, the district may face additional budget pressures, potentially requiring the reallocation of funds or delays in planned upgrades and initiatives. Over the long-term, this may strain operational flexibility and limit investments in educational improvements.