MANAGEMENT DISCUSSION & ANALYSIS REPORT

FOR THE YEAR ENDED, JUNE 30, 2026

Surrey Schools
LEADERSHIP IN LEARNING

This Management Discussion and Analysis (MD&A) highlights the operating results of the School District No. 36 (Surrey) for the year ended June 30, 2026. This MD&A should be read in conjunction with the audited financial statements and related notes for the year ended June 30, 2026.

TABLE OF CONTENTS

SCHOOL DISTRICT OVERVIEW

Background

Surrey Schools (School District No. 36) is on the shared, unceded traditional territory of the q̓íc̓əy̓ (Katzie), SEMYOME (Semiahmoo), and q’ʷa:n’ƛ̓ən’ (Kwantlen) Nations.

As the largest school district in British Columbia, Surrey Schools meets the learning needs of over 80,000 students from kindergarten to grade 12 in the City of Surrey, the City of White Rock, and the rural area of Barnston Island, enrolled across 107 elementary schools, 21 secondary schools, 2 learning centres, and a variety of satellite programs, including an online distributed learning program. The District employs over 13,000 employees, including over 7,000 teachers.

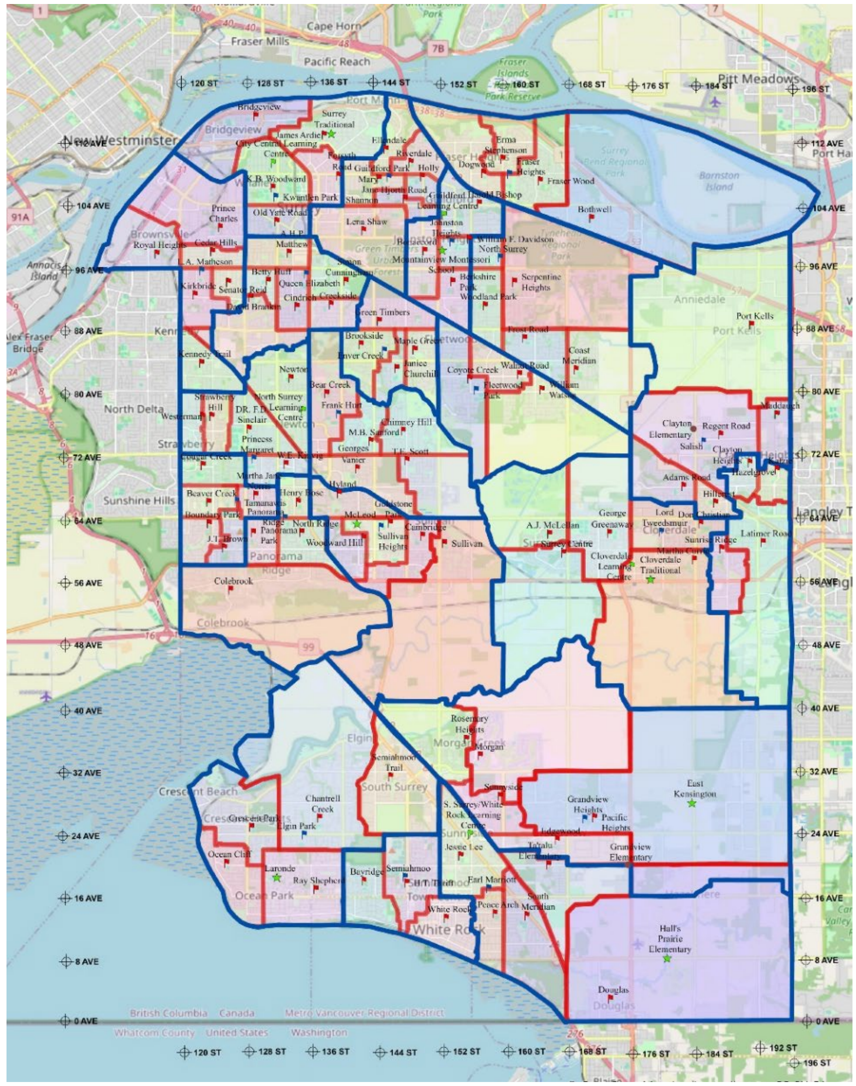

Figure 1

A rich mosaic of cultures is represented within the student population, with over half of our students speaking a language other than English at home. Of the more than 200 languages represented in our schools, the most prevalent at home are English, Punjabi, Mandarin, Hindi, Tagalog, and Arabic. There are also more than 2,800 students of indigenous ancestry (First Nations, Métis, and Inuit) enrolled in our District.

Board of Education

Surrey Schools (School District No. 36) Board of Education is comprised of elected trustees charged with the governance of the school district. They represent the school district in the communities of Surrey and White Rock. There are currently seven elected trustees.

The Board of Education provides strategic leadership and governance for the District, ensuring equitable and high-quality learning opportunities for all students. The Board establishes vision, policy, and priorities; oversees educational and organizational performance; and advocates for the resources needed to support student success.

The Board is committed to transparency, accountability, and the responsible stewardship of public funds in support of the District's educational mandate.

Board of Education 2022-2026
School District No. 36 (Surrey)

Back Row (Left To Right) : Terry Allen, Garry Thind, Gary Tymoschuk
Front Row (Left To Right) : Shawn Wilson, Laurie Larsen, Laurae McNally, Bob Holmes

Figure 2

GUIDING PRINCIPLES

The Board of Education budget decisions for the 2025-2026 fiscal year were focused on supporting the District's Vision and Guiding Principles as identified in the District's Learning by Design, Long-Range Facilities, and Education plans.

We realize our vision through the following guiding principles:

- ***Prioritize student learning and achievement.***
- ***Align resources to support the District's strategic plan and key operational priorities.***
- ***Uphold responsible stewardship and sound financial practices to ensure long-term fiscal sustainability.***
- ***Promote operational efficiency and service excellence.***
- ***Maintain budget processes that provide clear communication and accountability.***

STRATEGIC PLAN 2023 – 2028

OUR VISION: LEARNING BY DESIGN

> ***"We prepare our learners to think creatively and critically, communicate skillfully, and demonstrate care for self and others."***

The Board works in partnership with staff, students, parents, and the community to support the District's vision. The transformation of public education finds expression in the District's Vision called *Learning by Design* which is to prepare our learners to think creatively and critically, communicate skillfully, and demonstrate care for self and others. This comprehensive Vision not only encapsulates our core values and beliefs, with a strong emphasis on fostering effective learning and engagement but also underscores our unwavering commitment to the principles of truth and reconciliation.

The 2023 – 2028 Surrey Schools Strategic Plan has been prepared in alignment with the B.C Ministry of Education and Child Care's Framework for Enhancing Student Learning and outlines the steps that we are taking to fulfill the District's Vision.

Our strategic plan offers an insightful glimpse into each area of inquiry, complete with direct links to our Enhancing Student Learning Report. This report serves as a comprehensive resource which provides the evidence to inform and drive how our district vision becomes a reality.

To ensure accountability and transparency, we continually ask ourselves three fundamental questions:

1.) How are we doing?
2.) How do we know?
3.) How does our evidence inform and shape our practice?

The inquiry process is used both at the district level and by individual schools, channeled through their Student Learning Plans, to actualize our District's Vision. Each of our priority areas of inquiry is reinforced by a wealth of evidence, contextual understanding, and information.

2025-2026 FINANCIAL CONTEXT & SUMMARY

Fund Types

The District's financial statements are reported as a consolidation of three types of funds: Operating, Special Purpose, and Capital, described below. Using different fund types allows the District to clearly track and report on different types of organizational activities, such as day-to-today operations, managing specific initiatives, or building capital projects.

1.) **Operating Funds**
   a. Operating funds are used to support day-to-day District operational activities, e.g., instructional programs, schools, district administration, maintenance of facilities and transportation.
   b. A balanced operating fund budget is when operating expenditures equals revenues.

2.) **Special Purpose Funds (SPFs)**
   a. SPFs are funds provided by a funder/donor for the sole purpose of carrying out a specific function or initiative. Some examples include: the Feeding Futures program, scholarships, and specific Ministry funded initiatives such as the annual facility grant, classroom enhancement funds, etc.
   b. For SPFs, revenues should equal SPF related expenditures.

3.) **Capital Funds**
   a. Capital funds are provided by the Ministry for capital projects (e.g., construction of new schools or school expansions, land purchases) – generally speaking, capital assets have a useful life of greater than a single year.
   b. Capital funds can be transferred from the District's operating fund for capital purchases such as furniture, equipment, and machinery, not funded directly by the Ministry.
   c. Capital funds, however, cannot be transferred to the District's operating fund.
   d. For capital funds, revenues should exceed capital expenditures but variations in the capital fund's balance often arise due to the timing of revenue recognition. Any surplus or deficit in the capital fund does not have an impact on the District's operating fund but will be captured in the consolidated accumulated surplus/deficit balance.

Current State

As at June 30, 2026, the District's Consolidated Statement of Operations depicts a total surplus of $22.6 million, broken down by fund as follows:

	OPERATING FUND	SPECIAL PURPOSE FUND	CAPITAL FUND	CONSOLIDATED
June 30, 2025, Accumulated Surplus Balance	$33,100,976	$805,015	$635,596,980	**$669,502,971**
2025-26 Net Surplus/(Deficit)	$12,464,591	$416,791	$9,768,640	**$22,650,022**
June 30, 2026, Accumulated Surplus Balance	**$45,565,567**	**$1,221,806**	**$645,365,620**	**$692,152,993**

Table 1

Accumulated Operating Surplus

The District is pleased to report an operating surplus of $12.5 million for 2025-26, marking a second consecutive year of positive financial operating results and underscoring the continued strengthening of its financial position. This sustained positive result demonstrates the District's commitment to long-term financial sustainability and prudent financial stewardship, particularly following a period of significant consecutive deficits that had previously eroded the accumulated operating surplus. The progress achieved over the past two fiscal years represents a deliberate and disciplined effort to restore financial balance and rebuild reserves.

The accumulated operating fund balance has improved to approximately 4.7% of total operating revenues, of which 1.8% remains unrestricted, aligning the District with the Ministry of Education's Accumulated Operating Surplus Policy and leading budget practices. This provides the District with an important level of financial flexibility and resiliency to support ongoing operations and mitigate risks.

Despite these positive results, the District continues to operate in a dynamic environment where several cost pressures persist. Rising operational expenses, increasingly diverse and evolving student needs, shifting student enrolment trends, and ongoing requirements to maintain and enhance physical and technological infrastructure continue to place demands on available resources. These factors require careful prioritization and sustained fiscal discipline to ensure that quality educational service levels are maintained.

In addition, the District must remain prepared for unforeseen or unexpected events that may result in significant unplanned expenditures. Maintaining the achieved level of an accumulated operating surplus is essential to respond effectively to future budget pressures while protecting the gains made toward financial stability, without compromising the delivery of educational or operational services.

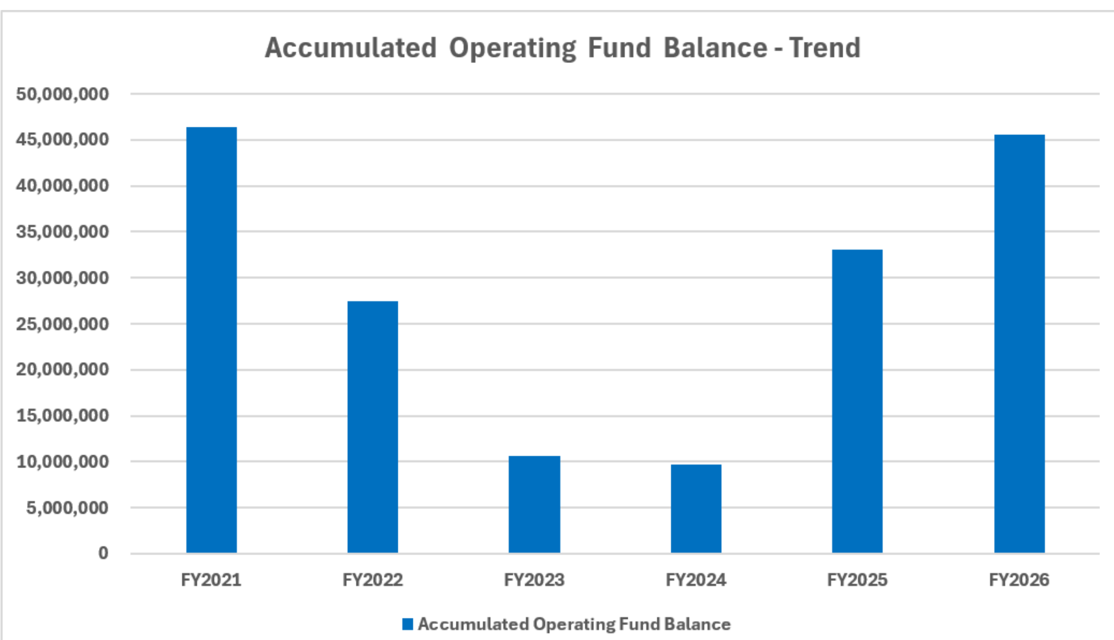

Figure 3

The following discussion outlines key areas of persistent budget pressures:

Student Enrolment

For the 2025-26 fiscal year, the District experienced a decline in student enrolment, marking a notable shift following more than two decades of sustained growth. Enrolment decreased by approximately 1,200 full-time equivalent (FTE) students, representing a decline of ~1.5% year over year.

This change reflects broader demographic and external factors affecting the District and the region. Key drivers include evolving federal immigration policies, a reduction in temporary foreign worker inflows, and changing migration patterns, with some families relocating to other regions due to affordability pressures and cost of living considerations. These factors have contributed to both a decline in domestic enrolment growth and a softening in international student enrolment.

As provincial operating funding is largely based on student enrolment, this decline has had a direct financial impact on the District, resulting in reduced funding relative to expectations. Even modest changes in enrolment can significantly influence available resources, underscoring the sensitivity of the funding model to demographic shifts.

Future student enrolment projections indicate the potential for continued modest declines in the near term. Accordingly, the District will continue to closely monitor enrolment trends and proactively adjust its planning and resource allocation strategies to ensure operating expenditures remain aligned with revenues, while maintaining services levels and supporting positive educational outcomes.

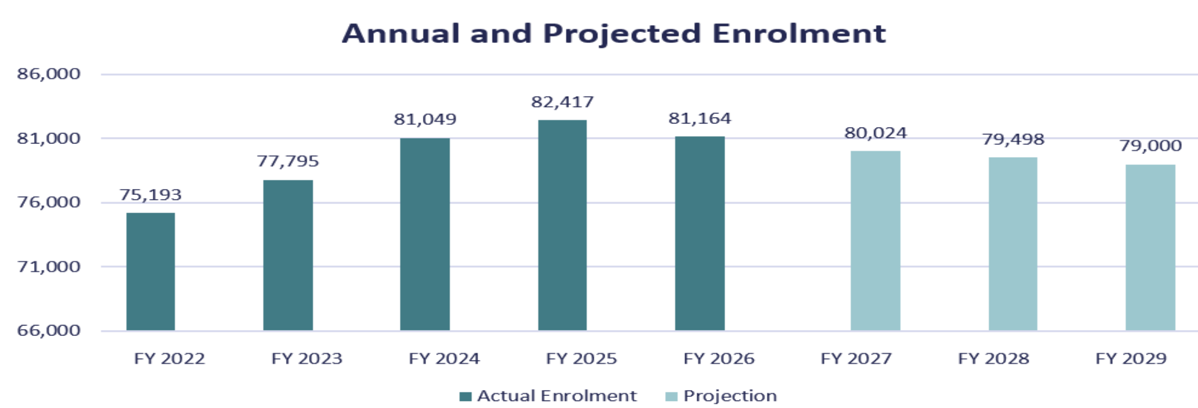

Figure 4

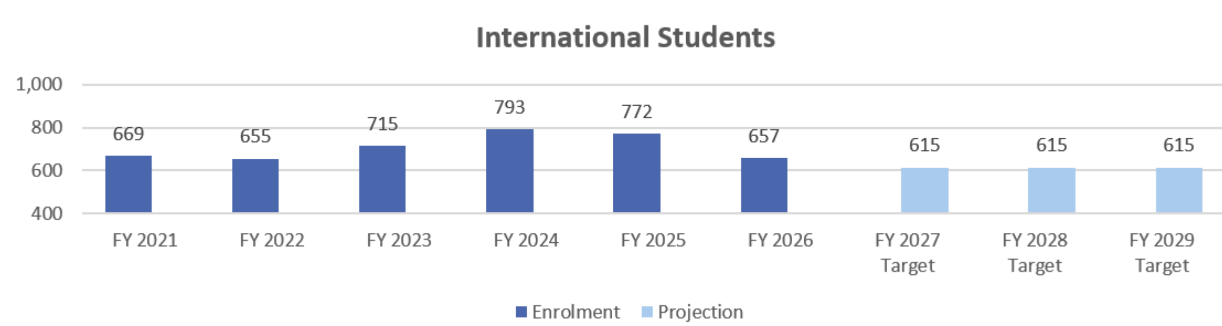

Figure 5

Organizational Capacity

While the District experienced a decline in enrolment for fiscal 2025-26 and is projecting a similar trend for next year, the historical growth trajectory remains significant. Between 2021 and 2026, enrolment increased from approximately 73,000 to 80,000 full time equivalent students – an overall increase of 7,000 students over five years. This represents an average annual growth of approximately 1,400 students, equivalent to the capacity of one secondary school each year.

Although recent enrolment patterns indicate a temporary shift from the rapid growth experienced in previous years, the District continues to face a capital infrastructure gap, as capital funding and school construction have not kept pace with the historical cumulative enrolment over the past five years. This is evident from the continued pattern of ministerial capital funding approvals averaging less than 10% of the requested amounts. As a result, The District proactively implemented alternative educational strategies such as extended day programs at specific schools and the introduction of modular classrooms, both of which offer adaptable, cost-effective solutions to maximize available learning spaces.

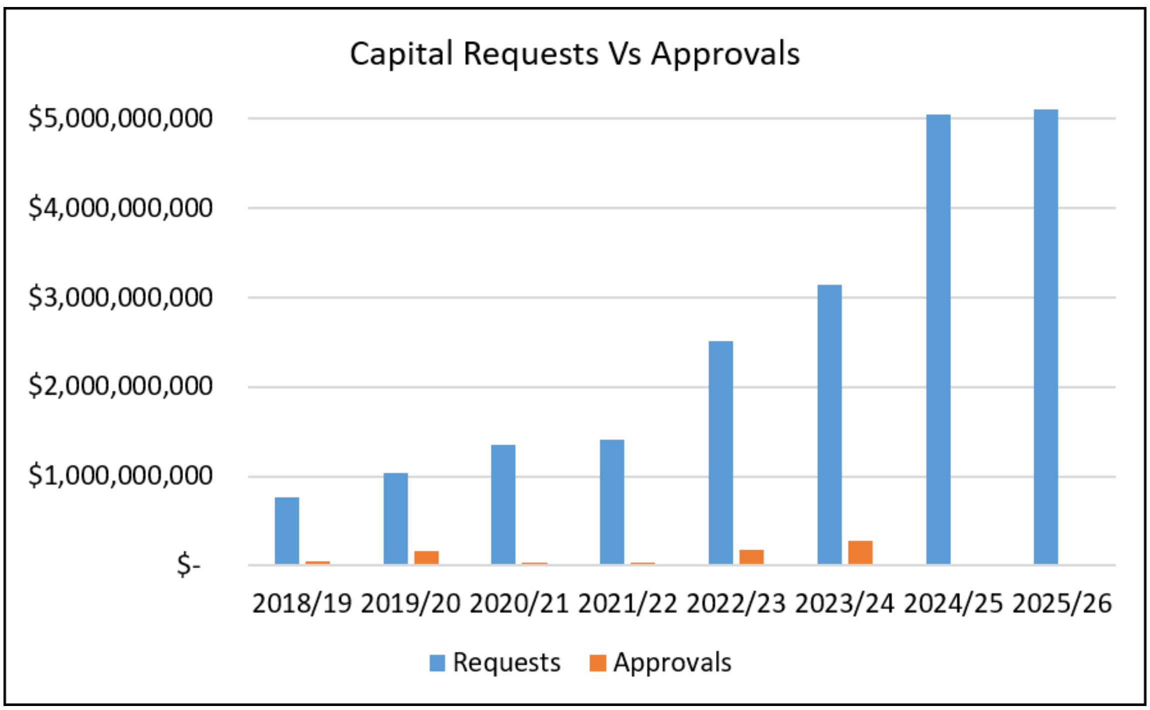

Figure 6

Labour Related Budget Pressures

In 2025-2026, the District employed over 13,000 people. This includes over 7,500 full time equivalent positions, ranging from instructional and classroom support to school buildings and grounds maintenance. Labour costs represent the largest operating expense for the District, consuming approximately 90% of operating revenues. Teachers make up a significant portion of the labour force and total operating expenses, accounting for 54.0% of our budgeted full-time equivalent labour force. A complete breakdown of the District's 2025-26 budgeted operating labour force is outlined below.

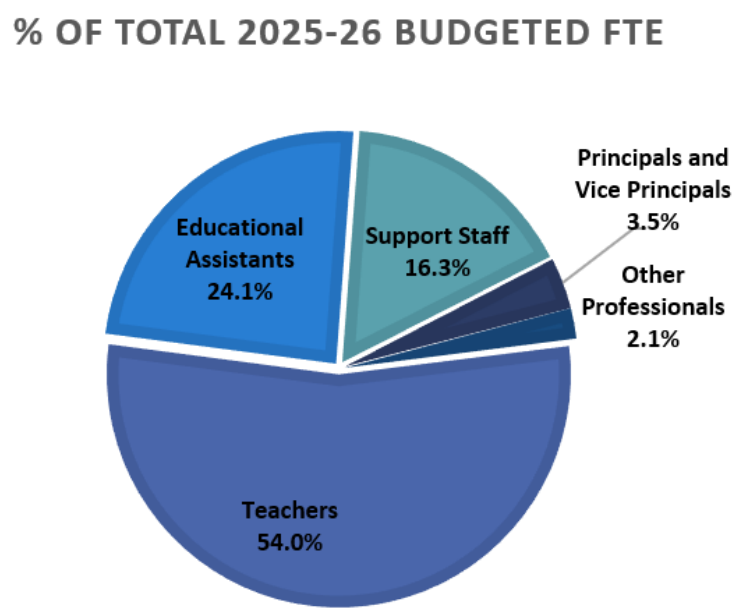

Figure 7

Substitutes

Substitute staffing costs remain an ongoing financial challenge for the District. Although the pace of growth has slowed in recent years, expenditures have increased from approximately $19.8 million in 2021 to $41.7 million in 2026, representing a five-year increase of 111%. This reflects the continued impact of changing employee leave patterns that emerged during and following the global pandemic, together with the District's operational requirement to employ replacement staff for short-term and long-term absences and to support staffing needs arising from vacancies. Despite the recent stabilization in growth rates, the overall cost remains substantial and continues to be absorbed within the District's operating budget.

The District has undertaken intiatives to help manage the growth in substitute staffing costs, and as these practices become further established across the District, regular reviews will be conducted to assess their effectiveness.

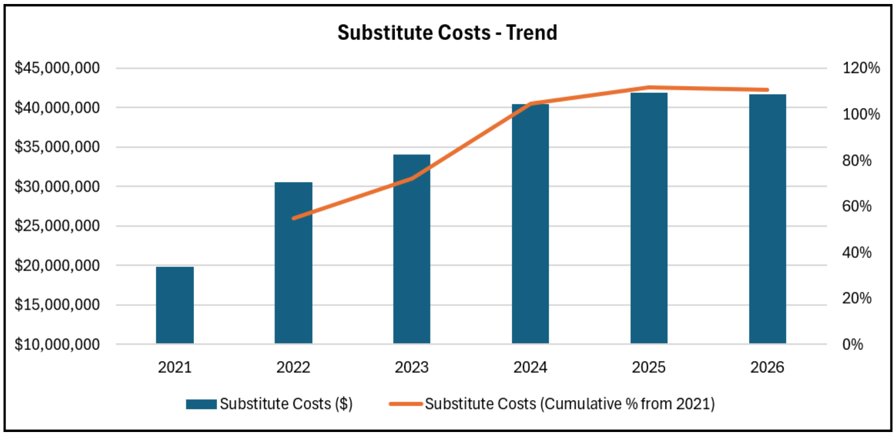

Figure 8

Special Education

The number of students with special needs continues to rise, with enrollment projected to reach approximately 6,600 by 2029. Under the current service delivery model, the District allocated approximately $42.5 million from its operating budget – over and above the targeted special education funding provided by the Ministry. This additional investment represents 31.7% of the total Ministry allocation for special education to the Surrey School District.

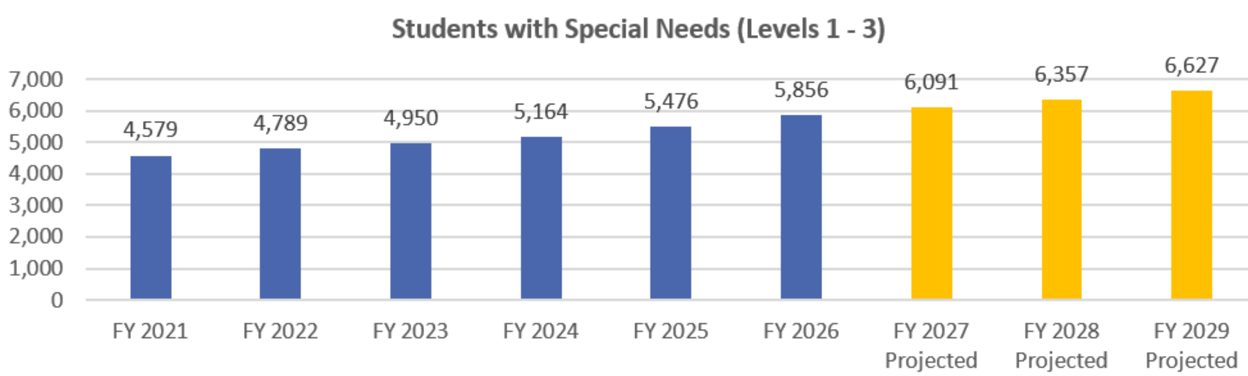

Figure 9

Labour Force

Labour costs represent more than 90% of the District's operating expenditures and therefore remain the primary driver of the District's financial position. As a result, the District's budget methodology focuses on aligning staffing resources with its strategic vision and priortity practices, while allocating resources on a risk-based approach to support both educational services and operational requirements. The following outlines the District's allocation of budgeted full-time equivalent labour, subsequent to the September student snap shot, by employee category, over the past 6 years.

Budgeted FTE	FY 2021	FY 2022	FY 2023	FY2024	FY2025	FY2026
Teachers	4,064	4,117	4,203	4,296	4,228	4,159
Educational Assistants	1,852	1,844	1,918	1,898	1,901	1,857
Support Staff	1,307	1,216	1,224	1,231	1,243	1,254
Principals and Vice Principals	260	261	264	270	272	272
Other Professionals	114	116	120	136	149	158
Total FTE	**7,597**	**7,554**	**7,729**	**7,831**	**7,792**	**7,700**

Table 2

Aging Infrastructure

The District continues to experiece significant pressures on both its physical and technological infrastructure as it responds to the needs of a large and growing educational system. While enrolment trends have shifted to a decline in the short term, years of sustained growth have increased demands on school facilities, building systems, technology infrastructure, and other core assets required to support educational delivery.

While the District has made significant progress in restoring its financial stability, substantial infrastructure and technology renewal requirements continue to place pressure on its accumulated operating surplus. Available annual funding is often insufficient to address the full scope of these long-term needs, requiring the District to carefully prioritize existing resource allocations. Ongoing renewal of facilities, equipment, and technology systems is critical to maintain safe and effective learning environments, supporting educational service delivery, and ensuring operational continuity. Failure or delays in addressing these requirements lead to higher costs in the future years. The following areas remain key concerns:

Outdated Enterprise Resource Planning (ERP) System

The District's legacy ERP system has continued to present operational challenges due to its age and limited functionality. The system's constraints have impacted process efficiency, data integration, and access to timely information required to support effective decision-making across the organization. Recognizing these limitations, the District has commenced implementation of a modern ERP solution that is intended to enhance operational efficiency, improve data accessibility, and better support the District's evolving educational and administrative needs. Until the conversion is complete, the District must manage the risks and resource demand associated with maintaining the existing system.

Aging Technological Infrastructure

The District's technological infrastructure requires ongoing investment to maintain security resilience, support network modernization, manage technology lifecycles, and replace legacy communication systems. As the District's reliance on digital systems continues to grow across educational and operational environments, maintaining secure, reliable, and scalable technology platforms is critical to supporting student learning, educational service delivery, operational continuity, administrative effectiveness.

Many of the District's technology assets, including network infrastructure, end-user devices, and supporting IT platforms, require regular renewal and modernization to meet evolving District operations and security standards. Delays in replacing aging or unsupported technology can increase the risk of educational & operational service disruptions, equitable acces to digital tools and resources to schools, system performance limitations, and security issues.

Aging Physical Infrastructure

Ongoing investment pressures remain as the District works to maintain and renew its aging facilities, fleet, equipment, and other critical assets. While enrolment has declined in the current year and is projected to decline modestly in the short term, the impacts of several years of sustained growth continue to place demands on existing infrastructure and contribute to ongoing renewal requirements.

Although the District's financial position has improved, there is currently no dedicated asset refresh funding model embedded within the annual budget process to systematically replace and renew assets over their lifecycle. In addition, for fiscal 2025-26, the District received approximately $16.5 million in annual capital funding for building infrastructure maintenance and upgrades; however, this represents only a small portion of the approximately $1.6 billion replacement value of its facilities.

As a result, available funding must be carefully prioritized, using a risk-based approach, toward the most critical health, safety, educational, and operational needs. These decisions are further complicated by enrolment uncertainty, as future decline in enrolment could reduce future operating grants and place additional pressures on the District's ability to fund infrastructure renewals and maintain existing educational service levels.

Inflationary Impact

The District's primary source of revenue, Ministry of Education and Childcare operating grants, is largely driven by student enrolment and funded compensation increases for its employee groups. Funding does not generally include adjustments for inflationary pressures affecting goods, services, utilities, contracted services, or other non-salary operating costs. As a result, the District's purchasing power gradually erodes over time as expenditure growth attributable to inflation outpaces available funding, creating ongoing budgetary pressures and reducing the resources available to support programs, services, and infrastructure renewal.

Forward Looking

Student Success and Capacity Planning

During the year, the District advanced various initiatives aimed at supporting both student success and the effective use of existing resources. Hybrid learning opportunities were introduced for Grade 10 to 12 students, providing a flexible learning model that combines in-person and online instruction while helping students develop important skills such as digital literacy, collaboration, critical thinking, and self-directed learning that are increasingly valued in post-secondary education and the modern workforce.

The District also implemented extended day schedules at selected sites in response to capacity pressures at several secondary schools. This approach optimizes the use of existing facilities by increasing student capacity while maintaining access to educational programs, services, and learning resources. Together, these initiatives reflect the District's commitment to innovative learning opportunities and responsible management of infrastructure while supporting positive student outcomes.

Through advocacy for new schools and practical capacity solutions, the Board remains committed to providing safe, supportive, and high – quality learning environments for all students.

New Enterprise Resource Planning System (ERP)

Implementation of the District's new Enterprise Resource Planning (ERP) system continued to progress during the year. Working closely with its implementation consultants, the District has focused on system design, configuration, and foundational build activities to support future operational requirements.

As the project advances, engagement with staff across various departments will increase to support process validation, knowledge transfer, and organizational readiness. The upcoming fiscal year will focus on comprehensive system testing and continued staff involvement to help ensure a successful implementation.

Once operational, the ERP system will improve process efficiency, enhance data integrity, and provide more timely information to support decision-making across the District.

Budget Methodology

The District's approach to budget development is driven by its budget guiding principles that place student learning and achievement at the center of all resource allocation decisions. Financial resources will be strategically aligned with the District's strategic plan, operational priorities, and service delivery requirements while maintaining a strong commitment to responsible stewardship and long-term fiscal sustainability. Through a focus on operational efficiency, service excellence, transparency, and accountability, the District seeks to ensure that available resources are deployed effectively to support positive outcomes for students and the broader school community.

A key focus of the District's financial planning remains the achievement and maintenance of a structurally balanced budget. This approach requires ongoing alignment between operating expenditures and operating revenues, ensuring that recurring costs are supported by recurring funding sources. By maintaining this discipline, the District is better positioned to navigate changes in funding, enrolment, and operational demands while preserving long-term financial sustainability.

Accumulated Operating Surplus

During fiscal 2026, the District further strengthened its operating surplus level in accordance with Ministry guidance regarding adequate reserve balances and recognized budgeting best practices. This represents significant progress in enhancing the District's financial resilience and ability to prepare for future challenges and opportunities.

This level of an accumulated operating surplus allows the District greater flexibility to manage future enrolment fluctuations, including anticipated enrolment declines that may place pressure on future operating grants. The surplus balance will provide a financial buffer that supports thoughtful transition planning and helps mitigate the impacts of changing student populations without disrupting educational programs and services.

In addition, the District will strategically leverage its accumulated operating surplus to address priority reinvestment needs across the organization. This includes renewing aging technology infrastructure, classroom furniture, and fleet vehicles ensuring students, educators, and staff have access to modern tools and equipment that support learning, teaching, and efficient operations. These investments represent a meaningful reinvestment of resources directly into classrooms and learning environments while ensuring safe and effective operations.

This balanced approach reflects the District's commitment to responsible financial stewardship, maintaining adequate reserves, protecting against future uncertainty, and reinvesting strategically in students, schools, and District infrastructure to support long-term educational success.

Labour Relations and Collective Bargaining

The collective agreements for both the Surrey Teachers' Association (STA) and the Canadian Union of Public Employees (CUPE) expired in June 2025. Throughout the bargaining process, the District has remained committed to fostering positive and collaborative relationships with its union partners in support of student success and organizational effectiveness.

During fiscal 2025-26, the District and the STA successfully concluded negotiations and ratified a renewed local agreement in March 2026, reflecting a shared commitment to supporting students, educators, and schools. With respect to CUPE, parties have established an initial bargaining framework and continue to engage in constructive discussions. Negotiations are expected to continue into the next fiscal year as both parties work collaboratively toward a ratified agreement.

The District remains committed to maintaining strong labour relations founded on mutual respect, open communication, and a shared focus on achieving positive outcomes for students, staff, and the broader school community.

BUDGET AND FINANCIAL PLANNING CYCLE

The Board's vision and goals and strategic priorities drive budget decisions and operational plans. The Board's Finance Committee began its deliberations in November 2024 and held several meetings in subsequent months focused on preparing and presenting the 2025-2026 budget to the Board of Education for approval at the May 14, 2025, Regular Public Board Meeting.

The expected student enrolment was submitted to the Ministry of Education and Childcare in mid-February 2025 for the upcoming year. The operating grant funding was based on these enrolment projections and announced by the Ministry of Education and Childcare in March of 2025. Student enrolment projections were used to estimate staffing and resource requirements.

Typically, the Ministry of Education and Childcare announces the amended operating grant to be allotted to school districts in December which is based on the actual September confirmed funded student enrolment for the applicable fiscal year, and a quarter two forecast is then prepared by the District. For fiscal 2026, this quarter two forecast was adopted by the Board on February 11, 2026, as the "Amended Annual Budget" which is a ministerial reporting requirement that serves as a forecasting tool of District operations toward the fiscal year end.

Moving forward, the District's future budget development processes will strive to align annual expenditures to annual revenues. This approach supports a stable accumulated operating surplus balance and ensures flexibility to respond to emerging needs without compromising educational or operational priorities.

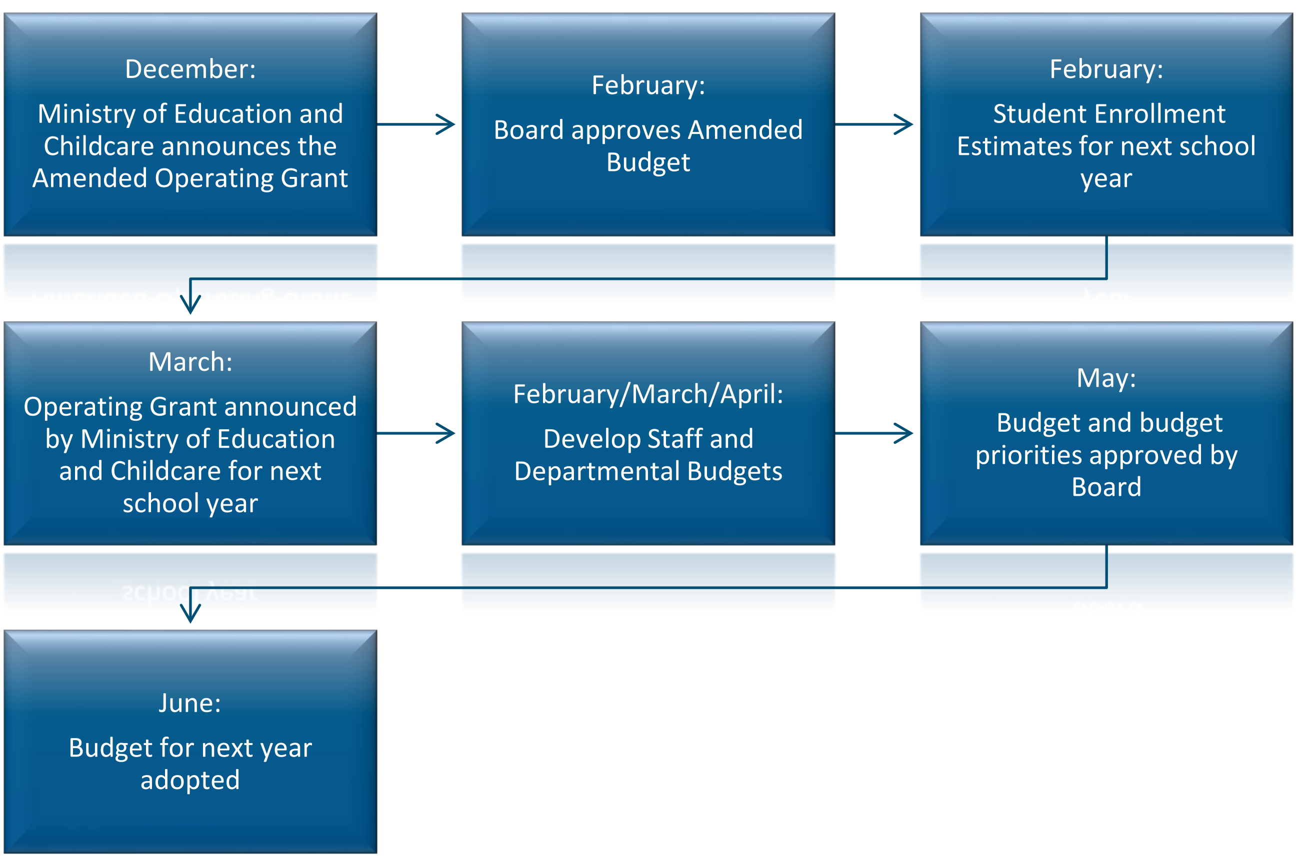

Figure 10

FINANCIAL STATEMENT OVERVIEW

The District's financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulation 198/2011 issued by the Province of British Columbia Treasury Board. This Section requires that financial statements be prepared in accordance with Canadian public sector accounting standards with some exceptions as reported in Note 2 of the financial statements. These exceptions refer to the accounting treatment of recognizing deferred revenue and deferred capital revenue of government transfers for the acquisition of capital assets into revenue on the same basis as the related amortization expense. Whereas Canadian public sector accounting standards (PSAS) would require such transfers be recognized as revenue at the time of acquisition of capital assets. The financial difference on the Statement of Financial Position and Statement of Operations are noted in the table below.

	As Presented	Adjustments	PSAS
Statement of Financial Position - Statement 1			
Total Financial Assets	$232,110,926		$232,110,926
Total Liabilities	1,180,036,154	(964,250,430)	215,785,724
Net Financial Assets (Net Debt)	($947,925,228)	$964,250,430	$16,325,202
Total Non-Financial Assets	1,640,384,274		1,640,384,274
Accumulated Surplus (Deficit)	$692,459,045	$964,250,430	$1,656,709,475
Statement of Operations - Statement 2			
Accumulated Surplus (Deficit) from Operations, beginning of year	$669,502,971	$904,456,634	$1,573,959,605
Surplus (Deficit) for the year	22,650,022	59,793,796	82,443,818
Accumulated Surplus (Deficit) from Operations, end of year	$692,152,994	$964,250,430	$1,656,403,424

Table 3

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position presents the financial position of the school district by reporting the amounts of assets, liabilities, net assets, and accumulated surplus as of June 30th of each year.

The following table provides a comparative analysis of the District's Net Financial position for the fiscal years ending June 30, 2026, and June 2025. The variances are explained below:

	June 30, 2026	June 30, 2025	Variance	% Change
Financial Assets				
Cash and Cash Equivalents	$180,646,040	$149,649,397	$30,996,643	20.71%
Accounts Receivable:				
Due from Province - Ministry of Education	18,157,972	16,774,555	1,383,417	8.25%
Due from Province - Other	1,282,689	764,792	517,897	67.72%
Due from First Nations	169,139	132,666	36,473	27.49%
Other	10,523,313	9,284,487	1,238,826	13.34%
Portfolio Investments	21,331,773	31,961,567	(10,629,794)	(33.26%)
Total Financial Assets	**$232,110,926**	**$208,567,464**	**$23,543,462**	**11.29%**
Liabilities				
Accounts Payable and Accrued Liabilities:				
Due to Province - Ministry of Education				
Other	$21,655,214	$17,619,236	$4,035,978	22.91%
Unearned Revenue	10,216,416	10,819,140	(602,724)	(5.57%)
Deferred Revenue	12,788,649	14,763,039	(1,974,390)	(13.37%)
Deferred Capital Revenue	971,798,191	907,417,498	64,380,693	7.09%
Employee Future Benefits	11,330,060	11,220,662	109,398	0.97%
Other Current Liabilities	108,778,613	98,390,081	10,388,532	10.56%
Asset Retirement Obligation	43,469,011	56,964,447	(13,495,436)	(23.69%)
Total Liabilities	**$1,180,036,154**	**$1,117,194,103**	**$62,842,052**	**5.62%**
Net Financial Assets (Debt)	**($947,925,228)**	**($908,626,639)**	**($39,298,590)**	**4.33%**
Non-Financial Assets				
Tangible Capital Assets	$1,635,959,464	$1,575,078,028	$60,881,436	3.87%
Restricted Assets (Endowments)	1,227,603	805,015	422,588	52.49%
Prepaid Expenses	3,197,207	2,668,025	529,182	19.83%
Total Non-Financial Assets	**$1,640,384,274**	**$1,578,551,068**	**$61,833,206**	**3.92%**
Accumulated Surplus (Deficit)	**$692,459,046**	**$669,924,420**	**$22,534,616**	**3.36%**

Table 4

Cash & Investments Summary

Cash and investments as of June 30, 2026, are summarized as follows:

Cash Position	June 30, 2026	June 30, 2025	Variance
Bank Deposits	$180,646,040	$149,649,397	$30,996,643
Total Cash and cash equivalents	**$180,646,040**	**$149,649,397**	**$30,996,643**
Investments	$21,331,773	$31,961,567	(10,629,794)
Total Cash & Invesment Assets	**$201,977,813**	**$181,610,964**	**$20,366,849**

Table 5

As at June 30, 2026, the District's cash reserves were held in both the Operating bank account and individual school bank accounts. The reported increase of $30.9 million in cash and cash equivalents primarily reflects the decrease in capital acquisitions in fiscal 2025-26 compared to fiscal 2024-25.

The reduction in investments is attributable to the maturity of approximately $10.6 million in Guaranteed Investment Certificates (GICs) in the beginning of fiscal 2025-26.

The District anticipates settling current liabilities early in the new fiscal year, totaling approximately $130 million, comprising $21.6 million in accounts payable and $108.7 million in other current liabilities.

Accounts Receivable

Accounts Receivable is made up of three categories: Due from Province-Ministry of Education and Childcare, Due from First Nations and Other. The year-over-year increase in the Due from Province – Ministry of Education and Childcare and Due from Province – Other relates primarily to the timing of funding received from the province for funded capital projects, the classroom enhancement remedies program, and childcare capital projects. The amounts that are receivable from Other are predominantly attributable to the timing of Goods and Services Tax (GST) rebates from the Federal Government, approved insurance related reimbursements, as well as School Site Acquisition Charges due from the City of White Rock and Surrey.

Accounts Payable and Accrued Liabilities

The year-over-year increase in accounts payable and accrued liabilities of $4.0 million is primarily due to the timing of payments pertaining to existing capital projects and other invoice payments.

Unearned Revenues

Unearned Revenues includes tuition fees received for courses to be delivered in future periods and receipt of proceeds for services or products to be delivered in a future period. The decrease of $0.6 million in Unearned Revenues from the previous year ($10.2 million at June 30, 2026, vs $10.8 million at June 30, 2025) is due to decrease in deposits for 2026-2027 International Student fees, as overall projected international enrollment is anticipated to decline in the next fiscal year and decrease in summer school enrolment.

Unearned Revenue	June 30, 2025	Increase to Unearned Revenue	Revenue Recognized in the Period	June 30, 2026
Tuition Fees	$10,271,401	$11,470,075	($12,037,666)	$9,703,810
Rental/Lease of Facilities	547,739	6,092,037	(6,127,170)	512,606
Total Unearned Revenue	**$10,819,140**	**$17,562,112**	**($18,164,836)**	**$10,216,416**

Table 6

Deferred Revenues

Deferred Revenues represent special purpose fund balances, including unspent school generated funds. These amounts will be recognized as revenue and spent in future years as the expenses are incurred. The year-over-year change represents a decrease of approximately $1.9 million, due to increased spending of District special purpose funds in 2025-26, e.g., Feeding Futures & National School Food Program, relative to receipt of new funding.

Deferred Revenues	June 30, 2025	Increase to Unearned Revenue	Revenue Recognized in the Period	June 30, 2026
Provincial Grants - Ministry of Education	$5,870,151	$117,641,852	($120,923,333)	$2,588,670
Provincial Grants - Other	630,751	716,232	(710,728)	636,255
Federal Grants	16,128	50,000	(50,027)	16,101
Other Revenue	8,227,384	21,709,235	(20,432,069)	9,504,550
Investment Income	18,625	55,540	(31,092)	43,073
Total Deferred Revenues	**$14,763,039**	**$140,172,859**	**($142,147,249)**	**$12,788,649**

Table 7

Deferred Capital Revenues

These revenues relate to funds received in support of capital projects. The change in the Deferred Capital Revenue account is shown in the table below:

Deferred Capital Revenues	June 30, 2026	June 30, 2025	Change
Deferred Capital Revenue – Opening Balance	$907,417,498	$873,624,656	$33,792,842
Additions – Funding Received in respect of Capital Projects	104,624,696	117,073,262	(12,448,566)
Current year transfers to revenue (site purchases) and amortization of Deferred Capital Revenue	(40,244,003)	(83,280,420)	43,036,417
Closing Deferred Capital Revenue Balance	**$971,798,191**	**$907,417,498**	**$64,380,693**

Table 8

The closing Deferred Capital Revenue balance includes Work in Progress. The Work in Progress amount as of June 30, 2026, was $95,708,549 (June 30, 2025: $71,303,206).

Employee Future Benefits

This liability measures the estimated future costs to the district to provide employee benefits such as retirement allowances, sick pay, and death benefits.

Other Current Liabilities

Other Current Liabilities include Salaries and Benefits Payable, Accrued Vacation Payable and Teachers deferring a portion of their payroll to be paid over the July and August period. The increase of $10.4 million over the previous year is primarily attributable to (1) Support staff labour settlement costs anticipated to be paid out in the new fiscal year, (2) teachers deferring portion of their payroll over July & August, (3) an increase in classroom enhancement related remedy minutes in 2026 vs. 2025, and (4) teacher lost preparation time increase year-over-year, – all of which are accrued at a higher rate than prior year due to collective agreement related wage increases in 2025-2026.

Asset Retirement Obligation

Asset retirement obligations ("ARO") are defined as costs expected to be incurred because of the retirement or disposal of a tangible capital asset ("TCA"). The implementation of this accounting standard stipulates that a liability must be recognized on the statement of financial position when a legal obligation to incur retirement costs in the future exists. In fiscal 2025-26, the District's ARO was reduced to $43.5 million, primarily due to a $27.0 million decrease resulting from the remeasurement of the ARO liability, reflecting updated cost estimates based on enhance estimation processes. This decrease was partially offset by approximately $13.0 million in ARO accretion expense, which represents the increase in the liability attributable to the passage of time. As a result, the District's ARO balance declined by approximately $13.5 million during the year.

Tangible Capital Assets and Amortization Expense

The District has an active Capital Project Office and has many active school construction projects. These projects include the construction of new or replacement buildings, upgrades to existing buildings and seismic upgrades. The funds spent on buildings, furniture and equipment, vehicles, and computer hardware are capitalized as Tangible Capital Assets. The costs of these assets are recognized over their respective expected useful lives through recording of an Amortization Expense. Furniture and equipment, vehicles, and computer hardware are deemed to be disposed of at the end of their useful life.

The District's Tangible Capital Asset balances are recorded in the schedule below:

	Land/Sites	Building	Furniture and Equipment	Vehicles	Computer Hardware	Work in Progress (WIP)	2026 Total
Cost							
Beginning of year	$493,355,512	$1,721,419,689	$85,177,796	$10,989,119	$14,534,195	$76,554,726	**$2,402,031,037**
Additions	71,149	25,375,515	7,911,877	1,424,890	1,383,655	78,080,825	**114,247,911**
Disposals	-	-	-	-	-	-	-
Deemed Disposals	-	-	(4,354,263)	(1,186,524)	(4,181,592)	-	**(9,722,379)**
Grandview building, ARC & Accum Amort	-	-	-	-	-	-	-
ARO Building Adjustment	-	(27,098,281)	-	-	-	-	**(27,098,281)**
Transfer from / (to) WIP	-	55,653,502	-	-	-	(55,653,502)	-
Cost, end of year	**$493,426,661**	**$1,775,350,425**	**$88,735,410**	**$11,227,485**	**$11,736,258**	**$98,982,049**	**$2,479,458,288**
Accumulated Amortization							
Beginning Balance	-	$775,482,738	$37,683,604	$6,175,097	$7,611,570	-	**$826,953,009**
Amortization	-	40,932,942	8,695,660	1,110,831	2,627,044	-	**53,366,476**
Disposals	-	-	-	-	-	-	-
Deemed Disposals	-	-	(4,354,263)	(1,186,524)	(4,181,592)	-	**(9,722,379)**
Grandview building, ARC & Accum Amort	-	-	-	-	-	-	-
ARO Accumulated Amortization Adjustment	-	(27,098,281)	-	-	-	-	**(27,098,281)**
Accumulated Amortization - Closing	**$0**	**$789,317,399**	**$42,025,001**	**$6,099,402**	**$6,057,022**	**$0**	**$843,498,824**
Tangible Capital Assets - Net Book Value	$493,426,661	$986,033,026	$46,710,409	$5,128,083	$5,679,236	$98,982,049	$1,635,959,464

Table 9

Prepaid Expenses

Prepaid expenses include materials and supplies held in Central Stores for use within the District, systems/license renewals, and prepayments of other operational services. The year-over-year increase of $0.5 million is due to various software vendor pre-paid deposit made for subscriptions to take effect in fiscal 2026-27.

Accumulated Fund Balance (Reserves)

Board Policy 19 – Accumulated Operating Surplus: Operating Fund Balance, outlines the objective of maintaining a reasonable operating fund balance, in accordance with the Ministry of Education and Childcare's financial health best practices for school districts model. Every entity requires some level of fund balance for cashflow purposes and to respond to unknown/emergent events. The amount that an operating fund balance can be retained is dependent on each district's unique set of circumstances.

For the fiscal year end of June 30, 2026, the net increase to the operating fund balance for the year was $12.5 million, resulting in an ending total accumulated operating fund balance of $45.6 million.

With an accumulated operating surplus of 4.7%, compared to approximately 1% a few years ago, the District is in a stronger position to address current and emerging financial challenges. The growth in the surplus has enhanced the District's capacity to respond to financial risks and invest strategically in priority areas. However, the District continues to face significant pressures, including declining enrolment, increasing costs associated with aging technology and furniture assets, unfunded growth in replacement costs, and ongoing inflationary impacts on operations. These factors are expected to continue influencing the District's financial outlook and reinforce the importance of maintaining a prudent level of reserves to support long-term financial stability.

	Operating Fund	Special Purpose Fund	Capital Fund	June 30, 2026	June 30, 2025
Accumulated Fund Balance (Deficit), beginning of year	**$33,100,976**	**$805,015**	**$635,596,980**	**$669,502,971**	**$601,462,099**
Changes for the year:					
Surplus (Deficit) for the year	18,078,026	3,628,902	943,094	22,650,022	68,040,872
Interfund transfers:					
Tangible Capital Assets Purchased	(2,725,484)	(3,212,111)	5,937,595	-	-
Local Capital	(2,887,951)		2,887,951	-	-
Net Surplus (Deficit) for the year	**$12,464,591**	**$416,791**	**$9,768,640**	**$22,650,022**	**$68,040,872**
Accumulated Fund Balance (Deficit), end of year	**$45,565,567**	**$1,221,806**	**$645,365,620**	**$692,152,993**	**$669,502,971**

Table 10

The accumulated capital fund balance represents the total of "Investment in Capital Assets and Local Capital funds" from Schedule 4 of the supporting schedules to the financial statements. Details of Local Capital can be found in the Statement of Operations: Capital fund of this report.

Allocation of Accumulated Operating Fund Balance

Recommendations to the Board were provided to support the following internal restrictions upon Accumulated Operating Fund Balance. Of the $45.6 million in the Accumulated Operating Fund Balance, $27.7 million has been restricted for the purposes outlined below.

Accumulated Operating Fund Balance Detail	Amount
Unrestricted Fund Balance	$17,823,850
Addressing Outdated Enterprise Resource Planning System	12,200,000
IT Infrastructure	7,000,000
Enrolment Stabilization	6,500,000
Net School Operating Balance	1,376,308
Indigenous Learners Targeted Funds	280,856
Indigenous Education Council Targeted Funds	152,500
Early Career Mentorship	140,624
Education Assistance Training Funds	91,429
Accumulated Operating Fund Balance, June 30, 2026	**$45,565,567**

Table 11

STATEMENT OF OPERATIONS - CONSOLIDATED

The Statement of Operations summarizes an entity's revenues, expenses, and surplus (deficit) over the entire reporting period. The District's Statement of Operations is reported as a consolidation of the three funds: Operating, Special Purpose, and Capital. Each fund is reviewed separately.

	2026 Budget	2026 Actual	Variance to Budget	2025 Actual	Variance to 2025
Revenue:					
Provincial Grants - Ministry of Education	$1,051,819,162	$1,077,430,250	$25,611,088	$1,088,940,757	($11,510,507)
Provincial Grants - Other	791,135	1,069,648	278,513	$1,185,921	($116,273)
Municipal Grants Spent on Sites	-	12,448	12,448	$61,167	($48,719)
Federal Grants	4,173,343	5,674,829	1,501,486	$8,251,429	($2,576,600)
Tuition	13,633,450	12,037,666	(1,595,784)	$14,031,114	($1,993,448)
Other Revenue	23,709,476	24,205,713	496,237	$27,843,171	($3,637,458)
Rentals And Leases	4,710,844	6,127,170	1,416,326	$5,727,376	$399,794
Investment Income	2,986,307	3,401,869	415,562	$4,943,945	($1,542,077)
Gain (Loss) on Revaluation of ARO Liability	-	27,098,281	27,098,281	$63,458	$27,034,823
Amortization of Deferred Capital Revenues	39,929,497	38,899,637	(1,029,860)	$36,951,174	$1,948,463
Amortization of Deferred Capital Contributions-Other Prov.	-	1,273,217	1,273,217	$1,120,022	$153,195
Total Revenue	**$1,141,753,214**	**$1,197,230,728**	**$55,477,514**	**$1,189,119,535**	**$8,111,193**
Expense:					
Instruction	$964,493,530	$974,244,342	$9,750,812	$946,747,549	$27,496,793
District Administration	26,488,653	32,161,686	5,673,033	25,444,336	6,717,350
Operations & Maintenance	150,754,042	164,158,605	13,404,563	144,455,206	19,703,399
Transportation and Housing	5,289,152	4,432,864	(856,288)	4,436,587	(3,723)
Total Expense	**$1,147,025,377**	**$1,174,997,497**	**$27,972,120**	**$1,121,083,678**	**$53,913,819**
Surplus (Deficit) for the year	**($5,272,163)**	**$22,233,231**	**$27,505,394**	**$68,035,857**	**($45,802,626)**
Endowment Contributions	-	416,791	416,791	5,015	411,776
Surplus (Deficit) for the year	**($5,272,163)**	**$22,650,022**	**$27,922,184**	**$68,040,872**	**($45,390,850)**

Table 12

STATEMENT OF OPERATIONS: OPERATING FUND

This statement reflects the day-to-day operations of the district. The following schedule compares the results for the period ending June 30, 2026, to the budget for the year and the prior year actual results.

	2026 Budget	2026 Actual	Variance to Budget	2025 Actual	Variance to 2025
Revenues:					
Provincial Grants - Ministry of Education	$941,910,627	$956,448,216	$14,537,589	$933,045,393	$23,402,823
Provincial Grants - Other	369,600	358,920	(10,680)	373,780	(14,860)
Federal Grants	4,135,843	5,624,802	1,488,959	4,397,711	1,227,091
Tuition	13,633,450	12,037,666	(1,595,784)	14,031,114	(1,993,448)
Other Revenue	3,007,836	3,714,407	706,571	5,689,334	(1,974,926)
Rentals And Leases	4,617,769	6,016,390	1,398,621	5,618,825	397,565
Investment Income	2,687,307	2,970,664	283,357	4,405,055	(1,434,391)
Total Revenue	**$970,362,432**	**$987,171,065**	**$16,808,633**	**$967,561,212**	**$19,609,853**
Expenses:					
Salaries					
Teachers	$441,212,736	$440,131,937	($1,080,799)	$430,610,692	$9,521,245
Principals and Vice-Principals	42,757,641	43,061,725	304,084	41,350,605	1,711,121
Educational Assistants	88,645,350	90,550,864	1,905,514	89,467,172	1,083,692
Support Staff	74,605,980	74,922,116	316,136	71,150,320	3,771,796
Other Professionals	20,050,199	19,784,507	(265,692)	18,079,324	1,705,183
Substitutes	41,845,829	41,710,127	(135,702)	41,885,576	(175,449)
Total Salaries	**$709,117,735**	**$710,161,276**	**$1,043,540**	**$692,543,689**	**$17,617,587**
Employee Benefits	186,741,055	187,297,942	556,887	176,570,072	10,727,870
Total Salaries And Benefits	**$895,858,790**	**$897,459,218**	**$1,600,428**	**$869,113,761**	**$28,345,457**
Services and Supplies:					
Services	$20,886,495	$26,960,744	$6,074,249	$21,147,599	$5,813,145
Student Transportation	3,624,256	3,182,390	(441,866)	3,289,122	(106,732)
Professional Development and Travel	3,722,055	2,980,086	(741,969)	3,003,185	(23,099)
Rentals and Leases	804,816	736,284	(68,532)	932,981	(196,697)
Dues and Fees	1,495,696	1,505,979	10,283	1,453,220	52,759
Insurance	2,412,993	2,346,761	(66,232)	2,119,953	226,807
Supplies	23,649,913	22,125,991	(1,523,922)	22,043,432	82,559
Utilities	12,534,563	11,795,586	(738,977)	12,248,302	(452,716)
Total Services and Supplies	**$69,130,787**	**$71,633,821**	**$2,503,034**	**$66,237,794**	**$5,396,026**
Total Operating Expense	**$964,989,577**	**$969,093,039**	**$4,103,461**	**$935,351,555**	**$33,741,483**
Surplus (Deficit) for the year	**$5,372,855**	**$18,078,026**	**$12,705,172**	**$32,209,657**	**($14,131,631)**
Net Transfers to (from) other funds					
Capital Assets Purchased	(2,283,118)	(2,725,484)	(442,366)	(5,097,110)	2,371,626
Local Capital	(3,089,737)	(2,887,951)	201,786	(3,729,881)	841,930
Net Transfers to (from) other funds	**($5,372,855)**	**($5,613,435)**	**($240,580)**	**($8,826,991)**	**$3,213,556**
Total Operating Surplus (Deficit), for the year	$0	$12,464,591	$12,464,591	$23,382,666	($10,918,075)

Table 13

Overview:

For the fiscal year 2025–2026, the District's operations resulted in a surplus of $12.5 million. This has enabled the District to continue the rebuild of its accumulated operating surplus from $9.7 million (1% of operating revenues) in 2023-24 to $45.6 million (4.7% of operating revenues, of which 1.8% is unrestricted) at the end of 2025-26, aligning with budget best practices and Board Policy 4010.1: Target Operating Surplus. This policy is consistent with the Ministry of Education and Child Care's financial health guidelines for school districts, emphasizing the importance of maintaining an adequate accumulated surplus to support long-term financial sustainability.

The year-end results demonstrate the positive impact of prudent financial management and budget oversight. Continued fiscal discipline and strategic decision-making remain essential to maintaining the District's long-term financial sustainability in the face of declining enrolment trends and ongoing investments required to maintain and renew aging infrastructure.

Revenues:

The District receives 96.92% of its operating revenues from the Provincial Government with 3.08% received through tuition fees, other revenues, and some federal grants.

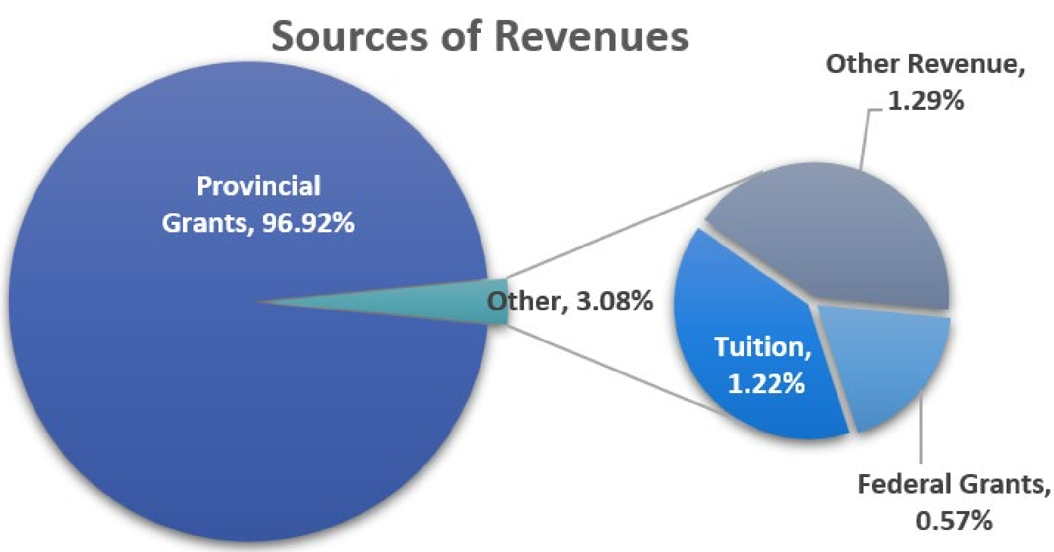

Figure 11

Analysis of Major Changes in Operating Revenue:

Revenue	Actual to Budget Comparison	2026 to 2025 Comparison
Provincial Grants (MOE and Other)	Operating grant revenue was above budget for 2025-26, mainly due to funding for labour settlement agreements pertaining to teachers and general wage increases for Principals/Vice Principals & Exempt staff, offset by lower enrolment funding driven by a decrease in actual school aged student enrolment vs. budgeted.	Year-over year increase results primarily from annual wage settlement increases per collective agreements & general wage increases for Principals/Vice Principals and Exempt staff.
Federal Grants	Grant funding increase due to amendments in existing federally funded Settlement Workers in Schools program.	Increased due to additional federal funds for Settlement Workers in Schools program.
Tuition Revenue	Tuition revenue fell short of budget expectations due to decreased actual international enrolment resulting from changes in federal immigration policy and temporary foreign worker permits.	Decrease due to less international student enrolment in 2025-26 relative to the prior year.

Other Revenue	Revenue exceeded budget mainly due to greater than anticipated revenues generated from school teaching kitchen, Bell Centre activity, and District wide recycling initiatives.	Decreased due to one-time Microsoft reimbursement not applicable in 2025-26, coupled with the timing of Certificate of Recognition program incentive payments via WorkSafe BC (i.e., received 2024 & 2025 incentive in fiscal 2024-2025).
Rentals and Leases	Revenue exceeded budget due to greater than anticipated rental activity at District facilities, coupled with market adjusted rates.	Increased from prior year due to rental rate increases, coupled with an increase in the number of events booked vs. prior year.
Investment Income	Slight increase reflects a smaller-than-expected decline in interest rates, together with higher cash balances due to reduced capital spending, resulting in greater returns on invested funds.	Decreased from prior year due decreases in rates, coupled with maturing of GIC in early 2025-26.

Table 14

Expenses:

Salaries Expenses

As a percentage of operating revenues, labour costs amounted to 90.91% versus 89.83% in the prior year.

As shown in the chart below, the bulk of the salaries paid by the District is for Teachers, followed by Educational Assistants, and then Support Staff.

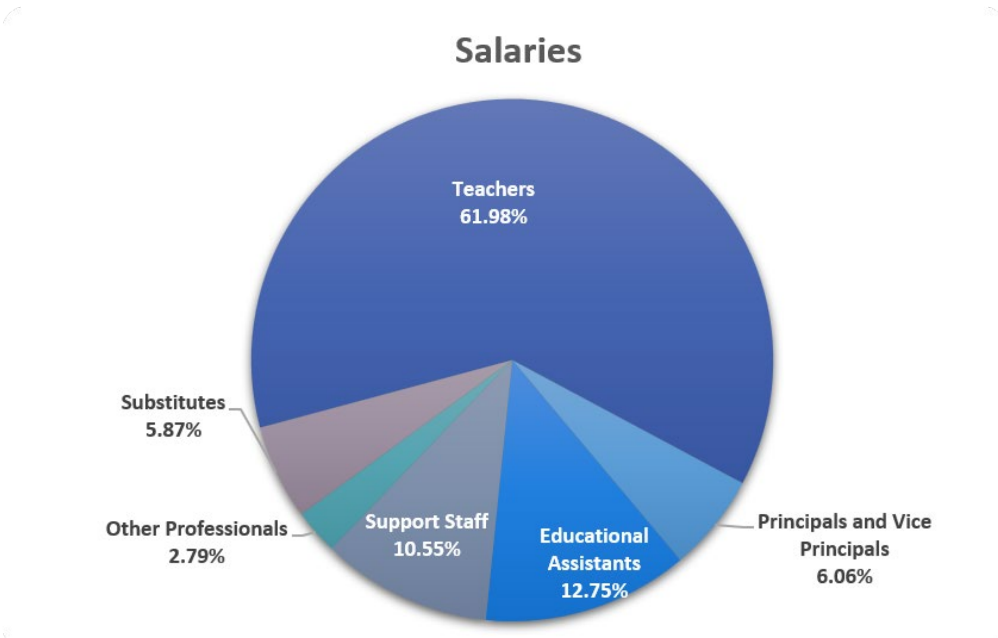

Figure 12

Labour Expense - Variance Analysis Explanations

Labour Expense	Actual to Budget Comparison	2026 to 2025 Comparison
Teachers	Teacher salaries were under budget by approximately $1.0 million due to (1) lower-than-expected September student enrolments, which reduced overall teacher FTEs (~$6M), (2) additional savings resulted from the increased use of Teachers Teaching on Call (TTOCs) and Administrator teaching time to cover position vacancies and long-term leaves (~$7M), offset by labour settle cost increase driven by a newly ratified collective agreement (~$12M).	The increase is primarily attributable to negotiated labour settlement increases and grid movement; offset by staffing adjustments due to enrolment decreases and strategic redeployment of teaching resources to support classroom-based instruction.
Principals & Vice Principals	Principal expenses were approximately $0.3 million over budget, mainly due to high-than-anticipated paid leave costs and additional staffing resources required to support operational priorities.	The increase of ~$1.7 million from the prior year is primarily attributable to the annual wage lift.
Educational Assistants	Educational Assistants salary expenses were approximately $1.9 million over budget, primarily due to (1) anticipated general wage increase of 3%, (2) additional positions added in the year, offset by (3) higher-than-expected WorkSafe BC recoveries offsetting overall salaries, and (4) lower-than-anticipated use of regular EA hours, due to employee leaves and/or absences; in such cases, substitute coverage is typically utilized and coded separately, resulting in reduced costs within the regular EA cost category.	The $1.1 million increase from the prior year is from attributable to wage increases from the collective agreement, offset by less in positions year over year.
Support Staff	Support Staff salaries were over budget by $0.3 million due to 3% anticipated general wage increase, offset by greater than anticipated unfilled positions, coupled with greater than anticipated WCB recoveries & wage recoveries on externally funded projects.	The increase of $3.7 million is mainly attributable to the wage increases from the collective agreement (3%) and the addition of positions to support the District's ERP initiative, externally funded programs, and student-focused programs
Other Professionals	The under budget of $0.2 million was predominantly driven by lower-than-anticipated general wage increases in 2025-26.	The increase of $1.7 million over the previous year is primarily due to wage increases and additional temporary positions associated with the District's ERP modernization endeavor.
Substitutes	In line with budget expectations.	No significant variance from prior year.

Employee Benefits	Changes in benefits are a function of the salary fluctuations noted above. Overall, the change is in line with budget expectations.	The increase of $10.7 million over the previous year is mainly attributed to increased salary expenses, increase in claims experienced & premium rates.

Table 154

Services and Supplies

As shown previously, the bulk of the District's operating budget is used to cover Salary and Benefit costs with 6.85% to support Services & Supplies. The chart below shows the allocation of Services & Supplies:

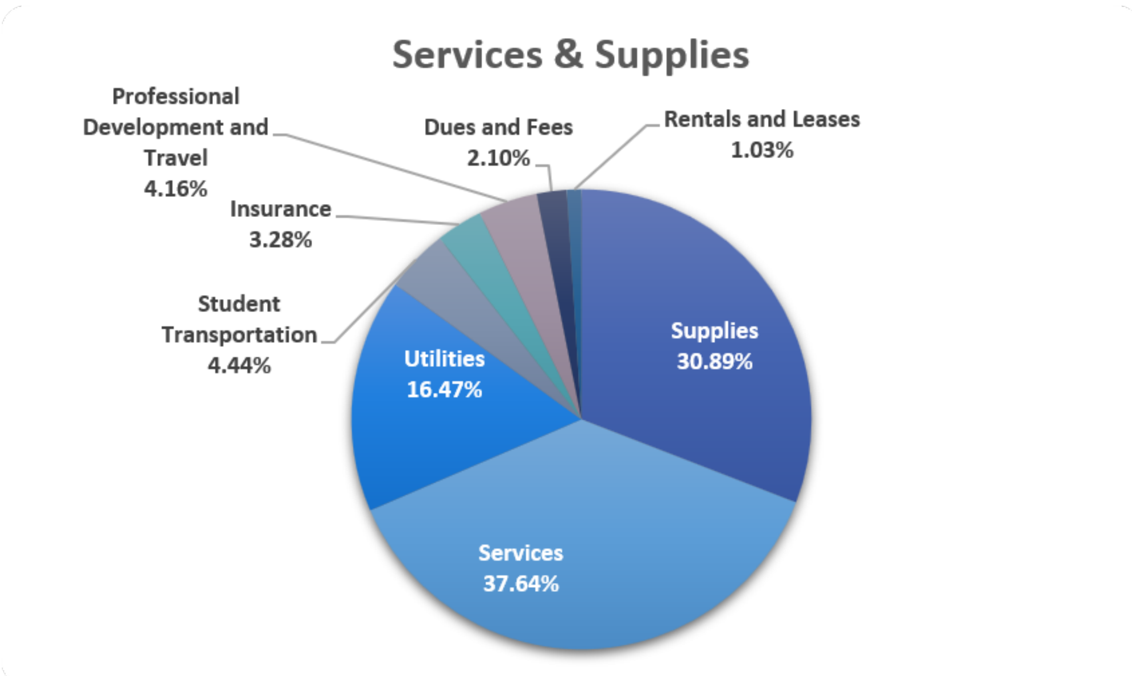

Figure 135

Operating Expense by Object – Variance Analysis Explanations

Operating Expenses by Object	Actual to Budget Comparison	2026 to 2025 Comparison
Services	Services exceeded budget by $6.0 million, primarily as a result of consultant services required to support the District's Enterprise Resource Planning (ERP) system modernization initiative. These incremental costs are funded through the District's accumulated operating surplus and represent a strategic investment in modernizing core business systems.	Services expenses were $5.8 million more than the previous year mainly due to the District's Enterprise Resource Planning (ERP) system modernization initiative.
Student Transportation	Student transportation was under budget by $0.4 million due to route optimizations reducing costs.	No significant variance from prior year.

Professional Development & Travel	Under budget $0.7 million due to lower-than-anticipated professional development activity.	No significant variance from prior year.
Rental & Leases	In line with budget expectations.	Decrease of $0.2M driven by one fewer lease agreement being required for the Learning Centres.
Dues & Fees	In line with budget expectations.	No significant variance from prior year.
Insurance	In line with budget expectations.	$0.2 million greater than prior year due to higher insurance premiums.
Supplies	Under budget by $1.5 million primarily drive by the timing of expenditures and lower spending levels across school-based and departmental activities.	No significant variance from prior year.
Utilities	Reduction in utility costs, $0.7 million under budget, driven by lower than anticipated consumption due to warmer weather and decrease in rates vs. budget.	Utilities expenses were $0.4 million lower than the previous year mainly due to lower fuel consumption year over year due to warmer temperatures, offset by slightly greater electricity & water consumption / rates.
Net Transfers to/from Other Funds	Capital purchases were $0.2 million above budget driven by accelerated fleet replacement activity to address asset lifecycle requirements, offset by reduced capital expenditures via reallocation of certain costs to operating budgets.	Capital purchases were approximately $3.2 million lower than prior year mainly due to the completion of one-time capital investments in end-of-life equipment & technology undertaken in FY25.

Table 16

STATEMENT OF OPERATIONS: SPECIAL PURPOSE FUND

The Special Purpose Fund consists of grants and donations received by the district that are to be specifically designated or targeted towards a specific program or activity. Any unspent fund balances represent the value of Deferred Revenue, on the Statement of Financial Position.

The table below details the funding available, received, and expended on the special purpose grants for fiscal 2026:

MINISTRY OF EDUCATION FUNDING			
Funding Source	**FY 2026 Funding Available**	**FY 2026 Revenue & Expenses**	**Intended Use**
Annual Facilities Grant	2,367,989	2,367,989	Maintenance of Facility Assets
Classroom Enhancement Fund	93,065,757	92,142,670	Classroom Enhancement
Feeding Futures Fund	11,755,620	11,219,392	Food Security
National Food Program	2,433,149	2,433,149	Food Security
Student & Family Affordability	200,982	160,596	Food Security and Family Assistance
CommunityLINK	4,464,977	4,464,977	Community based expenditures
Learning Improvement Fund	3,324,202	3,324,202	Complex classes that present challenging learning conditions
Provincial Resource Programs	1,317,593	1,186,696	Mental Health & Educational Programming
Literacy Professional Learning	204,125	47,302	Professional learning for teachers and support staff
Early Learning Programs	1,927,785	1,260,652	Early learning development support
OLEP	748,673	658,445	French programs
French Immersion Growth	698	698	Funds for French Immersion Growth
Dual Credit Program	214,497	75,261	Career Ed Dual Credit Program
First Nation Student Transportation	77,292	77,292	Transportation needs for First Nation students.
Mental Health in Schools	47,000	28,667	Mental Health
Rapid Response Fund	44,595	-	Covid-19 Safety Plans
Integrated Child & Youth	1,825,861	1,589,836	Mental Health & Educational Programming
OTHER PROVINCIAL/FEDERAL GOVERNMENT			
Funding Source	**FY 2026 Funding Available**	**FY 2026 Revenue & Expenses**	**Intended Use**
Indigenous Ed Windspeaker	56,046	50,027	Indigenous Learner's education program
Civil Forfeiture-Prov	270	270	Gang preventions
Gang Prevention (BC)	732,879	556,272	Gang preventions
DONORS			
Funding Source	**FY 2026 Funding Available**	**FY 2026 Revenue & Expenses**	**Intended Use**
Community Schools Other	1,289,114	801,108	Community school initiatives
Donations	4,865,555	2,027,801	Instructional activities
Scholarships and Bursaries	1,742,358	566,651	Scholarships & Bursaries
Endowments	43,073	-	
OTHER			
Funding Source	**FY 2026 Funding Available**	**FY 2026 Revenue & Expenses**	**Intended Use**
School Generated Funds	21,097,874	16,377,040	School purchases
PAC Contributions	459,337	211,378	School purchases
Safe Schools Programs	111,616	34,522	Gang preventions
Physical Health Education	160,806	129,265	Physical health education
Surrey Youth Resiliency	356,177	355,090	Gang preventions and intervention programs
	154,935,898	**142,147,247**	

Table 17

STATEMENT OF OPERATIONS: CAPITAL FUNDS

The District's Capital Funds are made up of Local Capital, Ministry Restricted Capital, Land Capital, Other Provincial Capital, and Bylaw Capital Funds.

The specific balances in the Capital funds are presented in the table below:

Capital Fund	June 30, 2026	June 30, 2025	Variance
Local Capital	$13,098,656	$14,531,844	($1,433,188)
Ministry Restricted Capital	6,229,954	7,864,481	(1,634,528)
Land Capital	5,344,758	2,504,571	2,840,187
Total Capital Fund	**$24,673,367**	**$24,900,896**	**($227,529)**

Table 18

Local Capital

These are funds generated by the District generally through transfers from the Operating Fund or sale of assets and are used for capital expenditures as determined by the District. Local capital decreased by $1.4 million mainly due to District contributions to capital projects.

Funds Restricted in Local Capital

All funds in the local capital fund are restricted. The School District has $13.09 million in Local Capital Reserve funds. The local capital funds are used to pay for capital asset acquisitions and act as a source of funding to pay for asset renewal and maintenance for District assets, not otherwise funded by other Provincial programs such as the Annual Facility Grant (AFG) or School Enhancement Program (SEP). The activity in the Local Capital Reserve can be explained in the table below:

Project	June 30, 2026	June 30, 2025	Variance
District Contributions toward Major Capital Projects (includes contingency for project overruns)	$9,050,257	$12,249,082	($3,198,825)
Telecommunications Upgrade	0	53,361	(53,361)
Climate Action Initiatives	1,397,400	1,261,936	135,464
School Improvements and Minor Capital Construction	2,650,999	967,469	1,683,530
Total Funds Restricted in Local Capital	**$13,098,656**	**$14,531,849**	**($1,433,192)**

Table 19

Ministry Restricted Capital

These funds are the proceeds from surplus Bylaw Capital projects, and/or proceeds from disposal of capital assets that were funded from the Ministry. The balance decreased by $1.6 million due to capital project costs of $2.3 million, offset by proceeds from surplus Bylaw capital projects of $0.5 million and investment income of $0.2 million.

Land Capital

These are funds received from the Cities of Surrey and White Rock for School Site Acquisition charges. The increase of $2.8 million is attributable to funds received for school site purchases of $2.7 million, and investment income of $0.1 million.

ACTIVE CAPITAL PROJECTS

The district has several projects underway at various stages of progress.

Site	Capital Project	Date of Approval	Design Complete	Construction Completion	Target Occupancy
035 - Latimer Road Elementary	Pre-Fab addition	Oct 1, 2024	100%	87%	Sep 2026
047 - Guildford Park Secondary	Addition	Jun 09, 2023	100%	32%	Apr 2028
048 - Kwantlen Park Secondary	Addition	Feb 22, 2023	100%	55%	Jun 2027
057 - William Watson Elementary	Pre-Fab addition	Oct 2, 2024	100%	35%	Sep 2026
061 - Martha Currie Elementary	Pre-Fab addition	Jun 21, 2024	100%	65%	Sep 2026
064 - Old Yale Road Elementary	Pre-Fab addition	July 11, 2024	100%	80%	Sep 2026
090 - George Greenaway	Pre-Fab addition	Oct 28, 2024	100%	43%	Sep 2026
150 - Tamanawis Secondary	Addition	May 09, 2023	100%	38%	Feb 2029
167 - Fleetwood Park Secondary	New School	Jun 27, 2024	95%	0%	Jan 2030
175 - Clayton Heights Secondary	Addition	July 9, 2025	60%	0%	Nov 2029
177 - Grandview Heights Secondary	Addition	Jan 01, 2026	25%	0%	Sep 2029
183 - Forsyth Road Elementary	Addition	Jun 20, 2024	100%	0%	Sep 2029

Table 20

FUTURE CONSIDERATIONS – RISKS AND OPPORTUNITIES

Student Enrolment Patterns

After many years of sustained growth, the District has recently experienced a decline in student enrolment. As provincial operating funding is closely tied to student enrolment, continued decreases could result in funding pressures and require adjustments to staffing, resource allocation, and operational planning.

The District will continue to closely monitor demographic trends, immigration policies, housing affordability, and regional migration patterns that may influence future enrolment levels. Maintaining flexibility in financial and operational planning will be important to ensure resources remain aligned with student needs while preserving the District's long-term financial sustainability and educational outcomes.

Student Complexity and Inclusive Learning Supports

The District continues to experience increasing student complexity, including growing demand for mental health supports, inclusive education services, language acquisition supports, and specialized interventions.

Meeting these needs places increasing pressure on operating budgets and workforce capacity. The District remains committed to inclusive learning environments and will continue to prioritize strategic resource allocation, partnerships, and advocacy to ensure students receive the supports necessary to thrive.

Technology Requirements

Technology continues to play a critical role in supporting teaching, learning, communication, and business operations across the District. As expectations for reliable digital services continue to increase, the District must invest in modernizing aging technology infrastructure, strengthening cybersecurity, improving data and systems integration, and enhancing digital collaboration tools.

The District is developing a long-term Strategic IT Roadmap to guide technology investments and support a transition toward a more centralized, standardized, and secure technology environment. Key priorities include infrastructure renewal, cloud enablement, artificial intelligence readiness, data management, business continuity planning, workforce capacity, and modern communication platforms. These initiatives are intended to improve operational efficiency, strengthen organizational resilience, and ensure technology continues to support the evolving needs of students, staff, and the broader community.

Financial Sustainability

For the fiscal year 2025–26, the District reported an operating surplus of $12.5 million that strengthened the accumulated operating surplus to $45.6 million, the unrestricted portion of this accumulated surplus is in alignment with Board Policy 19 and the Ministry of Education and Chil Care's financial health best practices.

Maintaining financial sustainability remains a key priority. The District will continue to align annual budgets with the goals and priorities established through the strategic plan, Framework for Enhancing Student Learning (FESL), and district operational plans. Ongoing emphasis will be placed on enhanced forecasting, budget monitoring, prudent expenditure management and transparent financial reporting to support informed decision-making and accountability.

Looking ahead, the District must balance this improved financial capacity against ongoing operating pressures, including declining student enrolment, increasing student complexity, technology modernization and cybersecurity requirements, aging infrastructure, and inflationary cost increases. To support long-term sustainability, the District will continue to emphasize prudent financial stewardship, robust forecasting, disciplined budget management, and strategic investment of resources to ensure educational outcomes and operational priorities remain well supported.

Capital Projects Financing

Despite new school openings and additions that have added capacity for several thousand new students since 2018, the District's capital plan continues to identify the need for additional schools, school additions and site acquisitions, driven by the historical enrolment growth experienced. We will continue to work collaboratively with the Ministry of Education and Childcare to advance capital priorities and secure funding for future projects. Historical enrolment growth has required the District to explore alternatives, such as extended day at 6 of its most crowded secondary schools, to help manage the increase in student enrollment.

In addition to addressing capacity needs, capital planning must also incorporate climate resilience by designing facilities that can withstand extreme temperatures and mitigate risks from severe rain events, including localized flooding.

Inflation and Economic Pressures

As with most organizations, the District continues to adjust to inflationary cost increases. As costs maintain an upward trend, provincial operating grant funding have not consistently kept pace with these inflationary factors. In addition, a shift in government priorities could also lead to changes in funding models. Additionally, evolving geopolitical and geoeconomic risks such as tariffs, trade disruptions, and supply chain instability poses downstream challenges to funding predictability and procurement planning. As these risks evolve, mitigation may require the District to adjust service or program levels accordingly.

CONTACTING MANAGEMENT

This financial report is intended to provide the School District's stakeholders with general information on the financial operations of the District for the financial period ending June 30, 2026.

If you have any questions about this financial report, please contact the Office of the Secretary Treasurer at 604-596-7733.

We encourage you to visit and review the Board's strategic vision and plan at https://www.surreyschools.ca/our-values-vision