Financial Statement Discussion & Analysis

2025-2026

GULF ISLANDS SCHOOL DISTRICT 64

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Financial Statement Discussion & Analysis For the Year Ended June 30, 2026

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2026. It serves as a summary of the School District's financial activities based on currently known facts, decisions, or conditions. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This report is intended to be read alongside the School District's financial statements.

Contents

Overview of the District

Gulf Islands School District encompasses nine schools located across the islands of Galiano, Mayne, Pender, Salt Spring, and Saturna. Students often commute to school via water taxis and buses, with the majority residing on Salt Spring Island, the largest island in the district. During the 2025/26 school year, the district served 1,448 local students on a full-time equivalent (FTE) basis. Of these students, 159 identified as having Indigenous ancestry and were supported through the Indigenous Education Program. A further 116 students participated in the Early and Late French Immersion Program from Grades 6 to 11.

The district operates under the Board's Strategic Direction, which focuses on four priorities: Truths, Reparation, and Restoration; Integrity and Responsibility; Relationships and Belonging; and an Ethic of Learning. These priorities are integrated into every aspect of the district's operations, aiming to create a supportive and forward-thinking educational environment that prepares students to thrive in a rapidly changing world.

Academic success remains a strength for Gulf Islands School District. Completion rates for resident students have increased substantially over time, from 74% in 2017/18 to 100% in 2022/23 and 2023/24, and 98% in 2024/25. The 2024/25 completion rates for Indigenous students and students with disabilities or diverse abilities also changed slightly from the previous year, to 92% and 97%, respectively, compared with 100% and 95% in 2023/24. Both rates remain well above the provincial averages. The 2025/26 Foundation Skills Assessment results also show high participation, at 95% to 96%, in Grades 4 and 7 and provide an important early indicator of literacy and numeracy development. The 2024/25 results show significant improvement in Grade 4 literacy for all students, increasing from 71% to 80%, suggesting that early literacy supports are positively affecting student learning. Numeracy achievement presents an important area for growth across grade levels. Grade 7 and 10 results indicate a need for targeted efforts to strengthen student understanding, confidence, and achievement in mathematics.

The district is configured as follows:

- Elementary schools on Salt Spring, Mayne, and Galiano Islands serve students from kindergarten to Grade 7.
- Saturna Island Elementary accommodates Kindergarten to Grade 5.
- Gulf Island Secondary School (GISS) provides education for Grades 8 to 12.
- Pender Island Elementary Secondary School (PIESS) serves students from kindergarten to Grade 12. It offers a junior secondary program for Grades 8 and 9, serving students from Pender, Mayne, Galiano, and Saturna. Saturna students from Grades 6 to 7 attend Pender. PIESS offers a choice of educational programming for students in Grades 10 to 12 from any district catchment area.
- French Immersion begins at Grade 6 at Salt Spring Elementary, with senior French Immersion offered at GISS.
- Saturna Ecological Education Centre serves a maximum of 12 students in Grades 9 to 12 at a combined residential and classroom site and focuses on outdoor, place-based education.

A key element of the district's configuration is prioritizing local catchment areas to ensure that elementary schools remain robust and serve the needs of their communities.

Since 2022, five electric buses have been added to the fleet, replacing older diesel vehicles.

Financial Highlights

The district's financial position improved after 2019, supported by bus route optimization, school closures, grade reconfiguration, and stable operating revenue that was sustained in part through Funding Protection. This position enabled investments in sustainability initiatives and educational quality. Financial strength peaked in the early 2020s and has since declined as inflation and wage and benefit costs have exceeded the related funding increases. The district is monitoring this trend carefully.

Looking ahead, stable future enrolment will result in the district exiting Funding Protection, which will further impact the operating grant and financial planning.

Key financial highlights include:

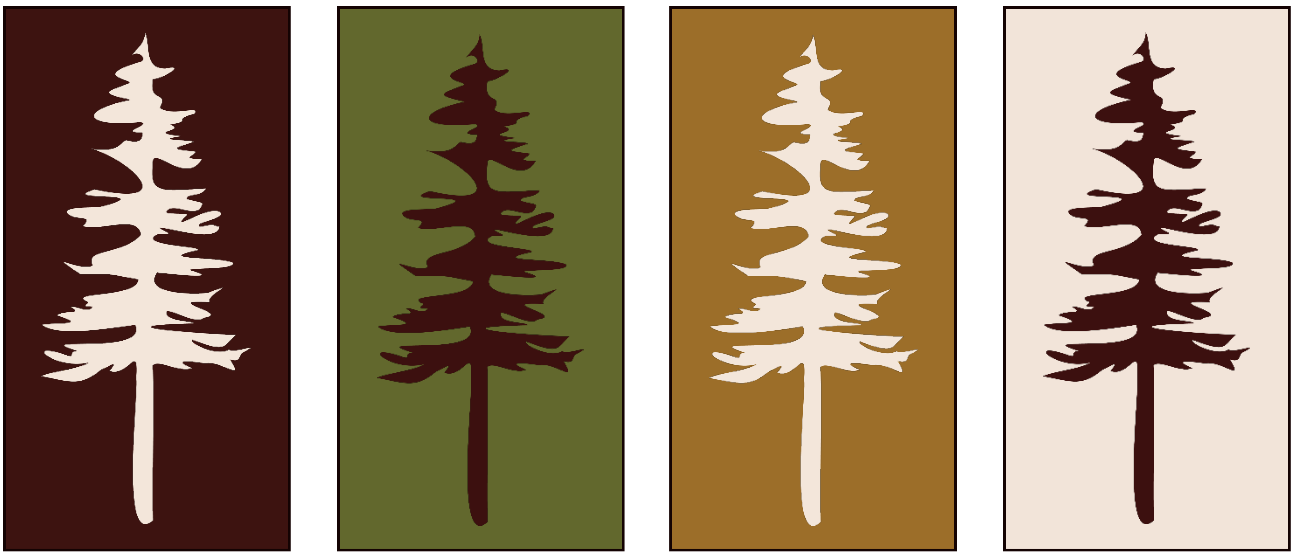
- The annual operating deficit before the purchase of tangible capital assets was $192K. A further $251K of assets was purchased using Accumulated Operating Surplus, resulting in an operating deficit of $444K for the year.
- The ending Operating Accumulated Surplus for 2025/26 was $2.3M.
- Cash and cash equivalents remained stable, increasing from $6.2M to $6.4M.
- Full-time equivalent (FTE) enrolment decreased from 1,470 to 1,448.

Funding Protection ensures that the operating grant decreases gradually by 1.5% annually until it aligns with actual student enrolment. However, recent increases in Labour Settlement Funding have accelerated the reduction in Funding Protection. The district has used this temporary funding for one-time initiatives such as student learning recovery, professional development, electric buses, technology upgrades, and facility improvements. The use of these funds is reported transparently to the Board during the budget process.

Actual Operating Fund revenue was $23.95M, compared with the Amended Budget of $23.36M. Actual Operating Fund expenses were $24.14M, compared with the Amended Budget of $23.58M. This resulted in an operating deficit of $192K before interfund transfers. The district then transferred $251K from the Operating Fund to the Capital Fund for tangible capital asset purchases, increasing the reduction in Accumulated Operating Surplus to $444K.

The Accumulated Operating Surplus now stands at $2.26M, representing 9% of the year's operating expenses. The district aims to reduce this surplus to approximately 5% (or $1.2M) of annual operating revenue/expenses over time, with a focus on sustainability and prudent resource management while making strategic investments that support the learning environment.

Detailed Financial Analysis



Financial Analysis of the School District as a Whole

Financial Items	2025-26 actual	2024-25 actual	Change in $ CY/PY	Change in % CY/PY	Discussion
Schedule of Operations SCH 2					
Enrolment, BC Residents (February 1701), FTE	1,448	1,470	-22	-1%	Student FTE decreased by 1% from the prior year. The trend of a larger graduating class than the incoming kindergarten class is continuing into the 2026-27 school year.
Operating Revenue	23,948,732	24,861,561	-912,829	-4%	Most of the decrease relates to $472K in international tuition, $443K in homestay fees and other International Program fees, $100K in investment revenue, and a $174K reduction in the Operating Grant. This decrease was partially offset by $503K in Labour Settlement Funding, compared with $180K in the prior year. The revenue and expenses associated with the 3% increases for teachers and support staff and the 2.5% increase for excluded staff were not included in the Amended Budget but are included in the year-end financial statements.
Operating Expense	24,141,075	24,791,149	-650,074	-3%	Current-year Operating Expenses were budgeted at $23.6M, while actual expenses were $559K, or 2%, over budget. A $990K decrease was expected and reflected in the budget following the elimination of International Program expenses. This was offset by a similar expected decrease in revenue. The actual decrease of $650K resulted from an increase in the salary and benefits portion of the budget arising from changes to collective agreement language.

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Special Purpose Revenue and Expense	6,071,451	5,337,582	733,869	14%	The two main factors in the increase in Special Purpose Fund revenue and expenses were $235K in additional CEF funding and a $507K increase in Education Trust revenue recognized. The latter relates to additional bursaries and scholarships paid and the payment of the $300K donation to CRD for completed work on the Hydro Field project. The donation for the Hydro Field and the additional value of work completed by CRD on the site up to the year end date have been included in TCA WIP and the corresponding DCC WIP liability balance.
Capital Revenue	1,696,303	1,447,158	249,145	17%	Deferred Capital Revenue and Amortization Expense are calculated as a percentage of the total Capital Asset and DCC Liability values. Capital investment has remained strong over the past five years; therefore, the total value of the assets and liabilities has increased, as have the expenses and revenue recognized each year.
Annual Surplus (Deficit)	-671,117	-368,162	-302,955	82%	The 2025/26 fiscal year saw the completion of the final phase of the SDS accounting modernization project, and other strategic capital investments totalling $251K. The budget for local capital investments was $180K. Items other than the accounting modernization project were within that budget and totalled $114K. The computer software amount was $138K. It had been allocated in earlier years but could be capitalized only once the project was completed. The operating deficit before investment in local capital was $192K. The remaining change relates to the Capital Fund and the annual excess of Amortization Expense over Deferred Capital Revenue.

Statement of Financial Position					
Cash and Cash Equivalents	6,414,325	6,091,187	323,138	5%	The slight increase in cash at year end relates to the timing of revenue receipts and payments. In the prior year, payables at year end were $433K lower.
Accounts Receivable	727,893	631,758	96,135	15%	The increase in current year accounts receivable reflects a higher MoECC receivable related to the accrued 3% salary and benefit increase for CUPE employees. The MOU between BCPSEA and CUPE provides for a 3% increase effective July 1, 2025; however, it will be paid only after local bargaining concludes. Local bargaining is expected to conclude in fall 2026.
Portfolio Investments	158,736	145,966	12,770	9%	The change in the balance relates to a change in the categorization of the underlying investments. Most of the portfolio's value is categorized as investments rather than cash accounts. The overall value of the portfolio is relatively consistent with the prior year.
Accounts Payable and Accrued Liabilities	772,940	330,519	442,421	134%	The increase in accounts payable at year end has two main components. Trade payables increased by $220K from the prior year because of the timing of year end processing. The second component is $170K in accrued salary and benefits related to the 3% increase for all CUPE support staff for the 2025-26 fiscal year.
Deferred Revenue (SPF)	2,486,041	2,117,610	368,431	17%	The largest increase relates to a $395K year end payment from MoECC for Early Care and Learning. This amount is a prepayment for the next two fiscal cycles and is deferred in the Special Purpose Funds.

Deferred Capital Revenue (liability)	23,873,840	23,275,161	598,679	3%	Deferred Capital Revenue represents external funding received for capital assets that has not yet been recognized as revenue. During the year, the liability increased by $2.3M for new capital funding from the Province, the federal government, and donations. This increase was partly offset by $1.3M recognized as revenue as the related assets were amortized and by $354K of Annual Facilities Grant funding recognized when it was used for eligible repair and maintenance work.
Employee Future Benefits	1,140,470	1,073,658	66,812	6%	The change reflects retirement benefits accrued for current work performed by CUPE members, less current year retirements and the payment of contractually required retirement allowances.
Asset Retirement Obligations	1,490,000	1,490,000	-	0%	The original ARO value was established at $1.26M in 2022-23. Based on increased costs for remedial work during the ensuing period, a new external estimate was requested in 2024-25, and $230K was added to the liability and asset. No significant remediation work was performed in the current fiscal cycle, and remediation rates have remained stable compared with the sharp construction cost increases between 2022 and 2025. Therefore, no change to the estimate is recommended.
Tangible Capital Assets	31,372,623	30,923,419	449,204	1%	The change in capital assets represents additions less current-year amortization and deemed disposals. In the current year, there were $1M in COA Bylaw additions, $0.251M in Operating capital additions, and $0.246M transferred from WIP. There were also $0.989M in new current-year WIP additions. Of the $500K in new additions to WIP for the Hydro Field, $300K relates to the donation and $200K relates to work completed by year end

					and funded by CRD. Current-year amortization was $1.8M.
Accumulated Surplus	8,993,129	9,664,246	-671,117	-7%	Accumulated Surplus reflects all prior and current year impacts on the Operating and Capital Funds. In the current year, the Operating Fund had an annual deficit of $192K before interfund transfers of $251K to the Capital Fund. The Capital Fund had an annual deficit of $479K before the transfer from the Operating Fund. The Capital Fund deficit results from Amortization Expense exceeding Deferred Capital Revenue recognized. This deficit is expected because total assets exceed the assets fully funded through Bylaw funding, other government sources, or donations. Assets funded through operations do not have a corresponding DCC liability that is amortized as DCC revenue over time.

Analysis of Major Revenue and Expenditure Items by Source and Function

Financial Items	2025-26 Actual	2024-25 Actual	Change in $ CY/PY	Change in % CY/PY	Discussion
Key Revenue Sources					
Provincial Grant - Operating Grant	22,638,797	22,813,165	-174,368	-1%	The Operating Grant decreased from the prior year as Funding Protection continued to decline; however, per student funding for Unique Students increased slightly.

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Operating - Other Ministry of Education and Child Care	1,009,324	647,310	362,014	56%	Labour Settlement Funding was $503K in the current year, compared with $180K in the prior year. The current year amount consists of $333K received and $170K accrued. The amount received relates to the conclusion of local and provincial bargaining for teachers and the 2.5% increase allocated to excluded staff. The $170K accrual relates to the MOU providing CUPE support staff with a 3% wage increase for 2025-26; however, retroactive pay for this fiscal period will not be paid until local bargaining concludes. This is expected to occur in 2026-27. All other grants remained relatively consistent.
International Tuition	28,585	472,050	-443,465	-94%	The 94% decrease in international tuition is a direct result of the International Program ceasing operations on June 30, 2025. Students who do not qualify as BC residents are required to pay tuition. The current-year amount relates to non-BC-resident students who chose to attend the school district.
Other Revenue	37,929	612,027	-574,098	-94%	Other Revenue decreased significantly from the prior year and is expected to remain at the lower level. In the prior year, $444K related to homestay fees and other International Program fees. An additional $24K related to GISPA. The GISPA program is now operated directly through GISS, and the academy fee revenue and related expenses are included in the GISS School Generated Funds.
Rental and Leases	111,972	98,999	12,973	13%	Lease revenue from the former SIMS site includes an annual increase.
Investment Income	122,125	218,010	-95,885	-44%	The decrease in Investment Income reflects a lower amount of Cash and Cash Equivalents invested with the Ministry of Finance. This reduction

					was anticipated because cash balances have declined from the levels of the previous few years.
Total Revenue	23,948,732	24,861,561	-912,829	-4%	Total Operating Revenue decreased by 4%. The changes are discussed above by individual revenue component.
Operating Expense by Function					
Instruction	16,994,003	17,612,001	-617,998	-4%	Instruction spending decreased by 4% from the prior year. This reflects budgeting decisions made in response to the expected reduction in revenue as Funding Protection nears completion, with additional funding limited to collective agreement increases rather than inflation. Actual Instruction spending was 3% over budget, reflecting the 3% increases for teachers and CUPE employees determined through the provincial bargaining process in 2025-26.
District Administration	1,628,372	1,656,982	-28,610	-2%	This reflects efforts to reduce spending commensurate with the reduction in Funding Protection.
Operations and Maintenance	3,566,871	3,561,351	5,520	0%	Operations and Maintenance was consistent with the prior year.
Transportation and Housing	1,951,829	1,960,815	-8,986	0%	Transportation and Housing was consistent with the prior year.
Total Operating Expense	24,141,075	24,791,149	-650,074	-3%	Total Operating Expenses decreased by 3%. The changes are discussed above by individual expense function. Overall Salaries and Benefits expense decreased by less than 1%, Benefits expense was unchanged, and Services and Supplies expense decreased by 10%, resulting in an overall 3% decrease in Operating Expenses from the prior year.
Operating Annual Surplus (Deficit) before Fund Transfers to Capital	-192,343	70,412	-262,755	-373%	Operating Revenue decreased by more than $913K, while Operating Expenses decreased by $650K. This resulted in a slight deficit, compared with the prior year's

					slight surplus, before the purchase of capital assets with Operating funds. The deficit was less than 1% of Operating Revenue.

Budgetary Highlights / Analysis of Operating Results to Budget

Operating Revenue and Expenses	Amended Annual Budget 2025-26	Annual Budget 2025-26	Change in $ Amended / Annual	Change in % Amended / Annual	Discussion
FTE	1,448	1,410	38	3%	The Annual Budget is based on May enrolment estimates for the next fiscal period, while the Amended Budget is based on actual September 1701 enrolment. Part of the change arises because the estimate is based on headcount, whereas the actual is based on full-time equivalent enrolment. FTE was higher than the September 1701 headcount, and additional students joined the district between the estimate and budget dates.

Revenues					
Provincial Grant -Operating MoECC	22,585,305	22,550,924	34,381	0%	The expected Operating Grant was consistent between the two budgets.
Provincial Grant -Other MoECC	438,162	464,162	-26,000	-6%	The decrease resulted from the expiry of the Support Staff Benefits Grant.
International Tuition	18,500	-	18,500	n/a	One non-BC resident student chose to attend the district.
Other Revenue	62,500	193,500	-131,000	-68%	The change resulted from two items: GISPA is now included in

					GISS's School Generated Funds, and grants or donations related to a specific school are included in that school's School Generated Funds and reported through the Special Purpose Funds.
Rentals & Leases	150,000	90,000	60,000	67%	The change was based on recalculated lease amounts and the timing of payments.
Investment Income	110,000	125,000	-15,000	-12%	Interest rates decreased between the two budget dates, and the resulting reduction in revenue was anticipated.
Total Revenue	23,364,467	23,423,586	-59,119	0%	Total Revenue was relatively consistent with the initial budget.
Expenses					
Instruction	16,402,107	16,451,229	-49,122	0%	The Amended Budget was prepared before teacher bargaining concluded, and no additional revenue or expenses related to this item were included.
District Administration	1,632,792	1,655,186	-22,394	-1%	District Administration was consistent with the Annual Budget.
Operations & Maintenance	3,567,388	3,585,037	-17,649	0%	Operations and Maintenance was consistent with the Annual Budget.
Transportation & Housing	1,980,142	1,948,750	31,392	2%	Transportation and Housing was relatively consistent with the Annual Budget.
Total Expenses	23,582,429	23,640,202	-57,773	0%	Total Expenses were relatively consistent with the Annual Budget.
Total Net Transfer					
Tangible Capital Assets Purchased	180,000	180,000	-	0%	There was no change in approach between the two budget cycles.
Budgeted Prior Year Surplus Appropriation	397,962	396,616	1,346	0%	This was consistent with the 0% changes in revenue and expenses between the Annual and Amended Budgets and the reduction in local capital projects.

Operating Revenue and Expenses	Amended Budget 2025-26	Actual 2025-26	Change in $	Change in %	Discussion
Revenues					
Provincial Grant -MOECC	22,585,305	22,638,797	53,492	0%	The Operating Grant was relatively consistent with the budget, with a slight increase related to additional FTE.
Provincial Grant -Other MoECC	438,162	1,009,324	571,162	57%	The additional funding relates to Labour Settlement Funding. It has two components: the amount received and paid retroactively to teachers and excluded staff, and the amount accrued for CUPE support staff.
International Tuition	18,500	28,585	10,085	35%	An additional 0.5 FTE was enrolled between the Amended Budget and year end.
Other Revenue	62,500	37,929	-24,571	-65%	Community grant funding received was lower than anticipated.
Rentals & Leases	150,000	111,972	-38,028	-34%	Rentals and Leases revenue was slightly lower than anticipated.
Investment Income	110,000	122,125	12,125	10%	Investment Income was slightly higher than anticipated.
Total Revenue	23,364,467	23,948,732	584,265	2%	The slight increase resulted from additional Labour Settlement Funding, offset by lower than anticipated community grant funding and Rentals and Leases revenue.
Expenses					
Instruction	16,402,107	16,994,003	591,896	3%	The increase reflects the 3% salary and benefit increases for teachers and support staff and the 2.5% increase for excluded employees.

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District Administration	1,632,792	1,628,372	-4,420	0%	District Administration was consistent with the Amended Budget.
Operations & Maintenance	3,567,388	3,566,871	-517	0%	Operations and Maintenance was consistent with the Amended Budget.
Transportation & Housing	1,980,142	1,951,829	-28,313	-1%	Transportation and Housing was consistent with the Amended Budget.
Total Expense	23,582,429	24,141,075	558,646	2%	The 2% increase reflects higher Salaries and Benefits expense, offset by no increase in Services and Supplies spending.

Total Net Transfer					
Tangible Capital Assets Purchased	180,000	251,394	71,394	28%	In the current year, $251K was spent on local capital projects using Accumulated Operating Surplus. This included $19K for a floor-cleaning machine, $51K for a white fleet vehicle replacement, $44K for computer hardware, and $138K spent or recognized from a prepaid deposit for completion of the multi-year accounting modernization project.
Budgeted Prior Year Surplus Appropriation	397,962	443,737	45,775	10%	The $46K increase in the budget appropriation relates to full recognition of the SDS modernization software, which had carried forward from the two prior budget cycles in which it was initially approved.

Reserves – Operating, Special Purpose and Capital Balances

SD64 does not currently have any reserves. In June 2022, the Board adopted an updated Accumulated Operating Surplus Policy, available at Bylaws, Policies and Procedures (sd64.bc.ca). This policy outlines expectations for the use of surplus, the process for consultation on its use, and the categories under which surplus may be restricted and used. Policy 5.10, Financial Planning and Reporting, is relevant to this section. When Operating Accumulated Surplus is used for tangible capital asset purposes, it is included in the Annual or Amended Budget, treated as Local Capital, and shown as a transfer between funds.

Capital Assets

In the current year, the district had eight capital COAs approved for multiple sites for fiscal 2025/26. One electric bus was included in vehicle asset additions and replaced an older diesel unit. Salt Spring Elementary received project approvals for bathroom and interior upgrades. A playground was approved and installed at Salt Spring Elementary. Donations and community grants raised through PAC fundraising allowed the scope of the playground project to exceed the COA amount. Additional kitchen upgrades and equipment were approved for GISS and Pender School. Electric bus chargers were also approved and installed.

Financial Items	2025-26	2024-25	Change in $ CY/PY	Change in % CY/PY	Discussion
Tangible – Capital Asset – Book Value					
Sites	4,107,653	4,107,653	-	0%	There were no site acquisitions or disposals during the year.
Buildings	22,713,779	22,905,512	-191,733	-1%	The following projects were added to Buildings in the current year: the $589K SSE washroom upgrade and the $90K renovation of kitchen equipment at GISS and Pender. The change also reflects annual amortization of the assets. In addition, $264K of prior year WIP was completed and transferred to Buildings.
Buildings WIP	729,202	486,972	242,230	33%	Preliminary work began on several 2026-27 COA Bylaw projects in anticipation of work scheduled for summer and fall 2026.
Furniture & Equip	1,213,881	1,163,030	50,851	4%	The increase relates to $200K of COA Bylaw work for the SSE playground and an electric school bus charger at Galiano. This increase was partially offset by amortization and deemed disposals.
Furniture & Equip WIP	500,000	-	500,000	100%	At year end, $500K of the Hydro Field renewal work being completed by CRD had been performed. The project is funded by CRD and a $300K donation. This represents approximately 65% of the total project, which will continue through summer 2026 and is expected to be completed by fall 2026. The work relates to the baseball field.
Vehicles	1,587,025	1,749,306	-162,281	-10%	The $36K relates to the remaining COA funding for the GISS kitchen renovation and will be used for a vehicle to deliver Feeding Futures funded food, produced in the GISS teaching cafeteria, to the three Salt Spring elementary schools. An additional vehicle was purchased as a white fleet replacement using Operating

					Surplus. The change also reflects annual amortization of the assets.
Computer Software	215,292	123,699	91,593	43%	The increase reflects the completion of the final components of the accounting software modernization project, less amortization.
Computer Hardware	305,791	387,247	-81,456	-27%	Operating funding was used to upgrade student computers and district network hardware. These additions were offset by amortization and deemed disposals.
Total Net Book	31,372,623	30,923,419	449,204	1%	The change is consistent with additions, amortization, and deemed disposals.

The district manages 14 buildings—11 school buildings and three support facilities—with three additional sites leased to other organizations. These buildings, located across five islands, range from 15 to 90 years old, with an average age of 60 years, and are well maintained. The district's Facility Condition Index averages 0.27, better than the provincial average of 0.47, reflecting strong upkeep. Both Capital funds (through the Minor and Major project system and the Annual Facilities Grant) and Operating funds (through Operations and Maintenance expense Function 5) have been effectively used for short- and long-term facility maintenance.

The district is in the early stages of implementing its 2024–2034 Long-Range Facilities Plan, which was prepared by an external expert following facility inspections and a review of Rocky Point engineering assessments and Ministry of Education and Child Care building assessment reports.

Factors Bearing on the School District’s Future

Senior management continues to work with the Board to present stable budgets and to ensure that the district’s regular operating expenses do not exceed operating revenue.

Management is aware that, for the past three years and in the Annual Budget for 2026/27, Funding Protection and all other revenue have been fully allocated to regular programming. The Accumulated Operating Surplus amassed from Funding Protection following the initial reconfiguration is no longer increasing. It is being used strategically to make long-term investments in the district.

The district has tracked the decline in geographically based enrolment over the past few decades. This trend was considered in the recent reconfiguration model. The district can contract or expand by a few hundred students while retaining its current building configuration.

Contacting the School District’s Financial Management

This financial report is designed to provide stakeholders with a general overview of the School District’s finances and to demonstrate the School District’s accountability for the funds it receives. If you have questions about this report or require additional financial information, contact the Secretary Treasurer.