Central Okanagan Public Schools

Together We Learn

Financial Statement Discussion and Analysis

For the Year Ending June 30, 2026

Financial Statement Discussion and Analysis

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Introduction

This report is a financial statement discussion and analysis of the financial performance of Central Okanagan Public Schools (School District No. 23 (Central Okanagan)) for the fiscal year ended June 30, 2026. It is based on currently known facts, decisions, or conditions. This should be read in conjunction with the District's audited financial statements. The preparation of this financial statement discussion and analysis is management's responsibility.

The District:

- is situated on the unceded Traditional Territory of the Okanagan Syilx peoples and serves approximately 3,100 students that self-identify their Indigenous heritage.
- serves more than 235,000 citizens living in 4 municipalities - Peachland, West Kelowna, Kelowna, Lake Country, and the Regional District of Central Okanagan.
- is the fifth largest District in the province and serves over 24,800 students.
- serves 50 schools/sites - 32 elementary, 8 middle, 5 secondary, 1 alternative school, 3 learning centres and 1 online learning school (6-12).
- has 7 elected Board of Education Trustees.
- continues to welcome an increased number of immigrant families and English Language Learners (ELL) into the Central Okanagan.
- continues to welcome international students from 30 countries.
- employs approximately 4,500 full and part-time staff.

Vision

Together We Learn.

Purpose

To educate students in a safe, inclusive, equitable and inspirational learning environment where each learner develops the attributes and competencies to flourish in a global community.

Our Overarching Goal

Our learners will develop foundational skills and core curricular competencies so that they can be empowered to follow their passions and strengths and thrive holistically as resilient and engaged global citizens.

Cultural Values

- **Honesty** is the building block for relationships and the basis for trust. It is the absence of falsehood and the action of full disclosure. It is the ultimate test of moral strength. When honesty is present, integrity will also be apparent.
- **Respect** is "to consider worthy of high regard". Being respectful is an attitude of honouring people and caring about their rights.
- **Responsibility** is being accountable for our actions and their consequences. When we demonstrate responsibility, we are doing our best to meet the expectations of others and ourselves.
- **Equity** empowers each learner to thrive, holistically.
- **Empathy** is a feeling of concern, compassion and understanding of another's situation or feelings.

2021-2026 Strategic Plan

Central Okanagan Public Schools 2021-2026 Strategic Plan helps guide, along with the budget development principles, the operational planning of the District budget. The District's Strategic Plan includes the development of the following four focused directions.

> ***Equity & Excellence in Learning*** – We believe equity empowers each learner to thrive holistically. We also believe that each learner achieves excellence in learning when they have the confidence and competencies to pursue their passions and strengths.
>
> ***Transformative Leadership*** – We believe in an ever-changing world, transformative leadership is a powerful catalyst for continuous improvement and growth that positively impacts our system, each school community, and ultimately each learner.
>
> ***Family & Community Engagement*** – We honor the knowledge and experience that families and the community bring to our schools. By partnering together to improve student learning, opportunities for deep and meaningful engagement will emerge that supports, enriches, and nurtures each child in our care from cradle to career.
>
> ***System Wellbeing*** – We believe in sustainable practices that provide support to each learner today without compromising or reducing the ability to support each of our learners in the future. Moving forward, in a culture of growth, innovation, engagement and wellness, ensures that we can adapt to changing environments while continuously supporting each of our learners.

During the 2025/2026 school year, the Board of Education engaged in a process to refresh the existing Strategic Plan. This engagement process included 14 in-person public and partner sessions as well as an online public engagement survey. Participants included students, parents/caregivers, teachers, school-based staff, Indigenous partners, school and District leaders, Parent Advisory Council representatives, and community voices. Collectively, the engagement generated a consistent and compelling picture of what our community wants most for learners and for public education in Central Okanagan Public Schools.

The Board of Education has directed the Superintendent of Schools to develop a revised multi-year Strategic Plan, informed by the 2026 strategic planning engagement findings. The renewed framework will centre on the following priorities:

1. Strong Foundations and Future Readiness
2. Meaningful and Inclusive Learning
3. Student Agency and Voice
4. Belonging, Wellbeing, and Safe Learning Communities
5. Families and Community as Partners in Learning
6. Responsive, Sustainable, and Stewardship-Centered Leadership

The District uses fund accounting to track revenues and expenditures. There are three funds that are reported in the District's financial statements:

OPERATING FUND	SPECIAL PURPOSE FUND	CAPITAL FUND
This fund includes revenues and expenditures related to the daily operations of the District.	This fund is restricted for a specific purpose and includes restricted school generated funds. These funds do not report a surplus as revenues are only recognized when the related expenditure occurs. Where there is an unspent amount at year end, typically that amount can be carried forward and spent in the following fiscal year.	This fund includes financial activities for tangible capital assets. The Ministry of Infrastructure provides capital funding which is accounted for using the deferral accounting methodology whereby capital revenue is recognized over the life of the related asset to match the amortization expense recorded in the financial statements. Thus, the revenue reported in the financial statements does not match the actual capital funding received in a year.

Financial Statement Composition Overview

The two key audited statements are:

- ***Statement of Financial Position*** - summarizes the combined assets and liabilities at June 30th, 2026. This provides an indication of the financial health of the District.
- ***Statement of Operations*** - summarizes the combined revenues received and expenses incurred during the twelve months between July 1 and June 30. This presents the funding received by the District and how that funding was spent.

A Statement of Changes in Net Financial Assets (Debt), Statement of Cash Flows and the notes to the financial statements are also audited and provide further analysis of the District's finances.

The schedules at the end of the notes to the financial statements are in a format prescribed by the Ministry of Education and Child Care. These schedules provide more detail specific to each of the three funds (Operating, Special Purpose and Capital funds). The balances in these schedules are consistent, when combined together, with the financial statements. These schedules are comprised of:

- **Schedule 2: Operating Fund** – accounts for the District's grants and other operating revenues as well as the District's operating expenses. As the District must present a balanced Operating Fund budget, any surplus is carried forward to future years.
- **Schedule 3: Special Purpose Fund** – accounts for grants and other contributions whereby spending is for specific activities. As these are targeted funding, any unspent funds are accounted as deferred revenue, not accumulated surplus.

- **Schedule 4: Capital Fund** – accounts for the District's investment in capital assets, local capital as well as bylaw capital, other provincial capital, other capital, land capital and Ministry of Education and Child Care restricted capital.

Summary of Significant Events

Operating Fund

Budget Pressures

The District continued to face significant financial pressures arising from inflationary increases in the cost of goods, services, extended health and dental premiums, fuel, insurance, building costs and contracted services. While the Ministry of Education and Child Care provided a per pupil operating grant funding increase of 1.12%, this increase was insufficient to fully offset the combined impact of negotiated wage settlements and broader inflationary cost pressures. As a result, the District was required to carefully manage resources and identify efficiencies while continuing to support student learning and well-being.

Enrolment Pressures

For the first time in a decade, the District experienced a decline in student enrolment. As at September 30, 2025, the net decrease to student enrolment compared to September 30, 2024, was 160 FTE. Also, the student enrolment FTE projection for the 2025/2026 Annual Budget of 150 FTE did not materialize. This decrease in enrolment plus changes to the non-enrolment funding resulted in a net $1.871M budget adjustment to the 2025/2026 Amended Annual Budget.

Due to the above cost escalation pressures and decline in enrolment, the District implemented a variety of cost saving measures including, where possible, unfilled positions were left vacant and discretionary budgets were reduced. The 2025/2026 Amended Budget was also adjusted to better reflect increased costs for such items as illness, software expenses and other services and supplies costs.

Capital Projects

During the 2026 year, the District managed several large capital projects.

École Dr. Knox Middle School offers a full range of educational programs for grades 7 to 9. The existing nominal operating capacity of the school is 900 students. It is projected that the number of students will continue to increase over the next ten years. School District No. 23 (Central Okanagan) executed the Capital Project Funding Agreement for the addition to École Dr. Knox in July of 2022, the project has an overall budget of $23.3 million.

The scope of the project is to construct a 300 capacity, two-story expansion onto École Dr. Knox Middle School. This will increase the student capacity from 900 to 1,200 students.

Construction will include a connection to the existing facility at the main floor at the multipurpose space and on the second floor by constructing an elevated walkway to connect the upper floor of the existing building with the upper floor of the addition.

The expansion will include instructional spaces to support Art, Foods, Technology Education, Inclusive Education, Counselling along with General Instruction. There will also be inclusive washrooms to support all users across each floor of the expansion. To reduce energy consumption and greenhouse gas emissions, the project will increase the number of onsite wells in support of the designed geoexchange mechanical system. The project moved into construction in April 2023 and the students and staff are occupying the new addition this fall.

North Glenmore Elementary School has started the phase 2 field remediation work which is scheduled to be completed in the fall of 2026 and ready for student use after spring break, 2027.

École George Pringle Elementary School has been demolished. Construction of a new 1,200-student capacity secondary school in the rapidly growing area of West Kelowna is underway. Currently, Mount Boucherie Secondary School is the District's only secondary school serving almost 1,800 students in West Kelowna. The new École George Pringle Secondary School will support 21st Century Learning promoting creativity, communication, and collaboration, alleviate the student pressure at Mount Boucherie Secondary School and allow the District to redistribute students better throughout the area.

The construction of the new school will allow the District to reclaim valuable sports field area and site space by reallocating the seventeen portables at Mount Boucherie Secondary School to other school locations to accommodate ongoing student growth throughout our District.

The new secondary school will offer programs to support Arts, Science, Music, Drama, Indigenous Education, Automotive, Woodworking, Metal work, Technology, Nutrition, Physical Education and General Instruction, as well as Outdoor Learning, Multipurpose, Gathering, Counselling, Administration and Support spaces. The Neighbourhood Learning Centre initiative will provide a dedicated Indigenous space within the school and a standalone childcare facility to support infant and pre-school care.

The project design will include Greenhouse Gas reduction strategies such as a Geoexchange system, ground source heat pumps, and condensing hot water heaters. Project energy reduction strategies include the use of LED fixtures and lighting control, building automation, demand control ventilation, heat recovery ventilation, and improved building envelope.

The new École George Pringle Secondary School is targeted to welcome new students for the 2027/2028 school year and has a budget of $123 million.

Webber Road Elementary School is undergoing a 200-student seat expansion to increase capacity. The budgeted $12 million expansion consisted of a new 8-classroom prefabricated building, with site preparation started in the Spring of 2025. This expansion is forecasted occupancy in the Winter of 2026/27.

École Hudson Road Elementary School will undergo a 265-student seat addition to increase capacity to 590 students. This 2-storey school project will have 11 new classrooms for K-5 students, an elevator and an enclosed link with the existing school. The budgeted $23 million addition began construction in the Summer of 2024, with the expected student and staff use in the Fall of 2027.

Burtch Road Middle School The Ministry of Infrastructure has just approved funding for the construction of a new 3 storey, 800 seat middle school to support growing needs in the Glenmore/Kelowna North Area. The school is planned for property adjacent to the new Parkinson Recreation Centre and will include culturally responsive spaces designed in consultation with Indigenous communities. The new middle school has a budget of $101 million. An earthwork and the geoexchange scopes of work to start in September 2026. The main building project will begin in the spring of 2027. The anticipated opening will be September 2029.

Black Mountain Elementary School is undergoing a 200-student seat expansion to increase capacity. The budgeted $12 million expansion consisted of a new 8-classroom prefabricated building, with the design just starting. This expansion is forecasted occupancy in the Winter of 2027/28.

Additional Capital Projects

- Various roofing upgrades to schools across the District, SMS, PGE, GESS
- Various photovoltaic projects, PGE, GESS, HGM
- Various energy projects, GMS, OKM, DRE,
- Several replacement buses for use by the Transportation Department.

- Energy upgrades and local HVAC control is installed in the seven childcare buildings at Anne McClymont Elementary, Ellison Elementary, Black Mountain Elementary, North Glenmore, Hudson Road Elementary, École George Elliot Secondary, and École Okanagan Mission Secondary.

Indicators of Financial Health

The following highlights some of the more significant financial health indicators of the District.

Financial Assets

	(in millions)			
	2026	2025	Variance	Variance
Financial & Non Financial Assets	$	$	$	%
Cash and Cash Equivalents	53.1	46.2	6.9	14.9%
Accounts Receivable	21.6	23.2	(1.7)	-7.2%
Portfolio Investments	16.1	15.6	0.5	3.3%
Tangible Capital Assets	537.5	469.2	68.2	14.5%
Prepaid Expenses	0.2	0.3	(0.1)	-32.9%
Supplies Inventory	0.3	0.2	0.0	3.9%
Total Financial & Non Financial Assets	**628.7**	**554.8**	**73.9**	**13.3%**

Cash & Cash Equivalents – Statement 5 (Cash Flows) provides information regarding cash inflows from operations and investments and outflows that pay for District activities. The District requires a strong cash balance to pay for current liabilities, including trade accounts payable and wages payable. Also, included in the cash balance of $53.1M at June 30, 2026 are restricted funds relating to summer savings and deferred salary leave plans ($13.9M) and school generated funds ($7.7M). Every year in July and August, the monthly funding from the Ministry of Education and Child Care drops significantly so additional cash funds are required to carry the District through the summer.

Accounts Receivable –Accounts Receivable remained largely consistent with the prior year which is due primarily to an outstanding balance from the Ministry of Infrastructure ($17.4M) for the construction of ongoing capital projects.

Portfolio Investments – Fluctuates as the market changes. In 2026, interest rates ranged from 1.31% to 4.92% (2025 range – 2.75% to 4.50%).

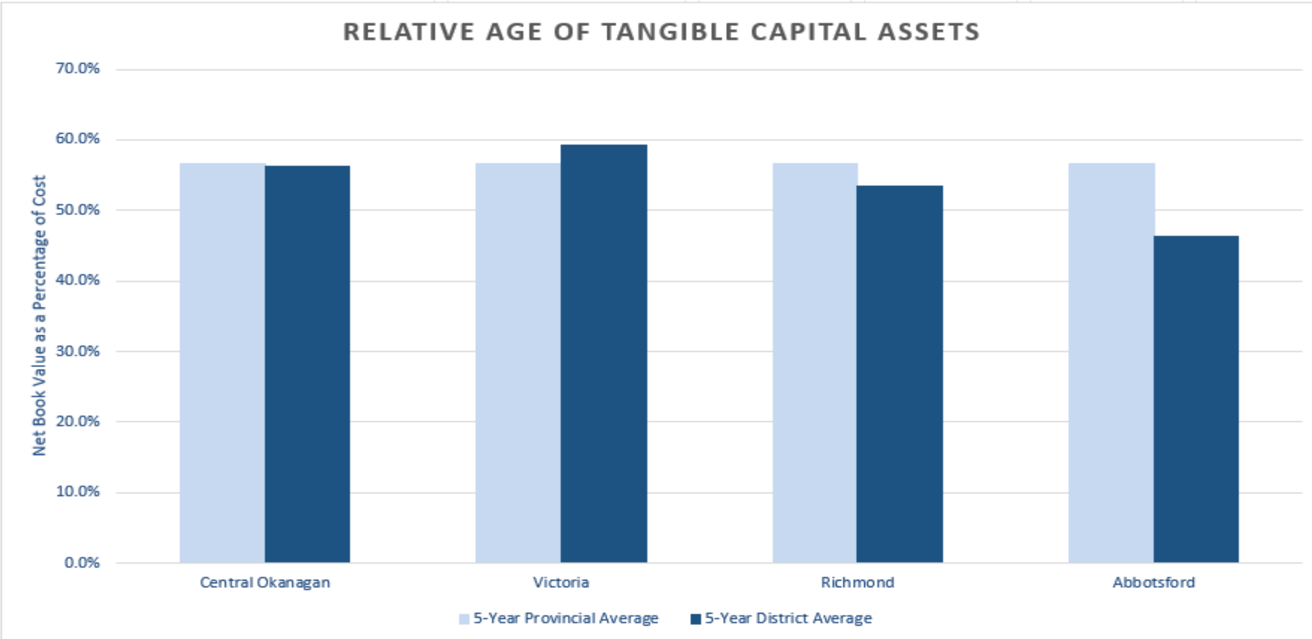
Tangible Capital Assets – During the year, maintenance and upgrades, funded by the Annual Facility Grant (AFG), were completed, the renovation of Hollywood Road Education Services (renamed The Learning Centre), one childcare facility, and the addition to Chief Tomat Elementary School were finalized and costs transferred from work in progress (WIP) to tangible capital assets, and several schools participated in the computer refresh program.

Several capital projects continue under construction including École Dr. Knox Middle (will welcome students in September 2026), École George Pringle Secondary, École Hudson Road Elementary, Webber Road Elementary and the Burtch Road Middle School. All these projects created significant additions to WIP.

Effective for the 2023 fiscal year, the Office of the Comptroller General (OAG) instructed the District to retroactively assess legal liabilities that exist for the removal and disposal of asbestos and other environmentally hazardous materials within the District owned buildings that will undergo major renovations or demolition in the future. The associated costs were reported as an increase in the carrying value of the associated tangible capital asset and corresponding accumulated amortization. At June 30, 2026, the hazardous abatement rates were reviewed and increased to account for rising construction costs in BC. As a result, the estimated asset retirement obligation and associated tangible capital asset increased by $1,613,000 to $28.7 million.

The District's tangible capital asset net book value (cost less amortization) compared to the tangible capital assets historical cost (cost when purchased) is a percentage that illustrates the relative age of the asset. A high percentage indicates newer assets. The concern with a low ratio is that capital assets may not be replaced on a regular basis, which may be an indication of potential health and safety issues, or a significant cost in the future to replace capital assets.

As illustrated in the graph below, the District's five-year average for buildings only (buildings account for over 80% of the District's total assets) of 56.3% is on par with the provincial average of 56.7% and just over the average of comparable size FTE districts at 53.0%. This indicates the District is maintaining its buildings in a timely fashion.



Prepaid Expenses – Prepayment of software & other licenses for multiple years.

Supplies Inventory – Central Stores maintains an inventory on hand for schools to access. Small fluctuations are in relation to supply and demand at the school sites.

Financial Liabilities

	(in millions)			
	2026	2025	Variance	Variance
Financial Liabilities	$	$	$	%
Accounts Payable	34.0	31.8	2.3	7%
Unearned Revenue	3.3	5.0	(1.7)	-34%
Deferred Revenue	9.1	7.8	1.3	17%
Deferred Capital Revenue	410.1	347.5	62.6	18%
Employee Future Benefits	12.4	11.9	0.5	4%
Asset Retirement Obligation	28.7	27.1	1.6	6%
Other Liabilities	16.5	15.8	0.6	4%
Total Financial Liabilities	**514.0**	**446.9**	**67.1**	**15%**

Accounts Payable – the increase in accounts payable at the end of the year relates to progress billing and builder lien holdbacks for the current capital projects which were approximately $1.8M more than prior year. Additionally, our regular vendors payable was higher related to timing of invoicing.

Unearned Revenue – This represents fees collected in fiscal 2025/2026 from International Education students coming in the 2026/2027 and 2027/2028 school years.

Deferred Revenue – Special Purpose Funds remaining balances to be spent in future years. These include balances from the Learning Improvement Fund (LIF), Feeding Futures Fund, Early Learning Capacity Building Fund, Early Care & Learning Fund, Mental Health in Schools Fund, Seamless Day Fund, School Generated Funds, Literary Support Fund, and National School Food Program.

Deferred Capital Revenue – The current year balance increased due to significant work in progress (WIP) costs being incurred, and fully funded, during the year for facility improvements to École George Pringle Elementary School, École Dr. Knox Middle School, École Hudson Road Elementary School, Webber Road Elementary, and the completed construction of one remaining childcare facility.

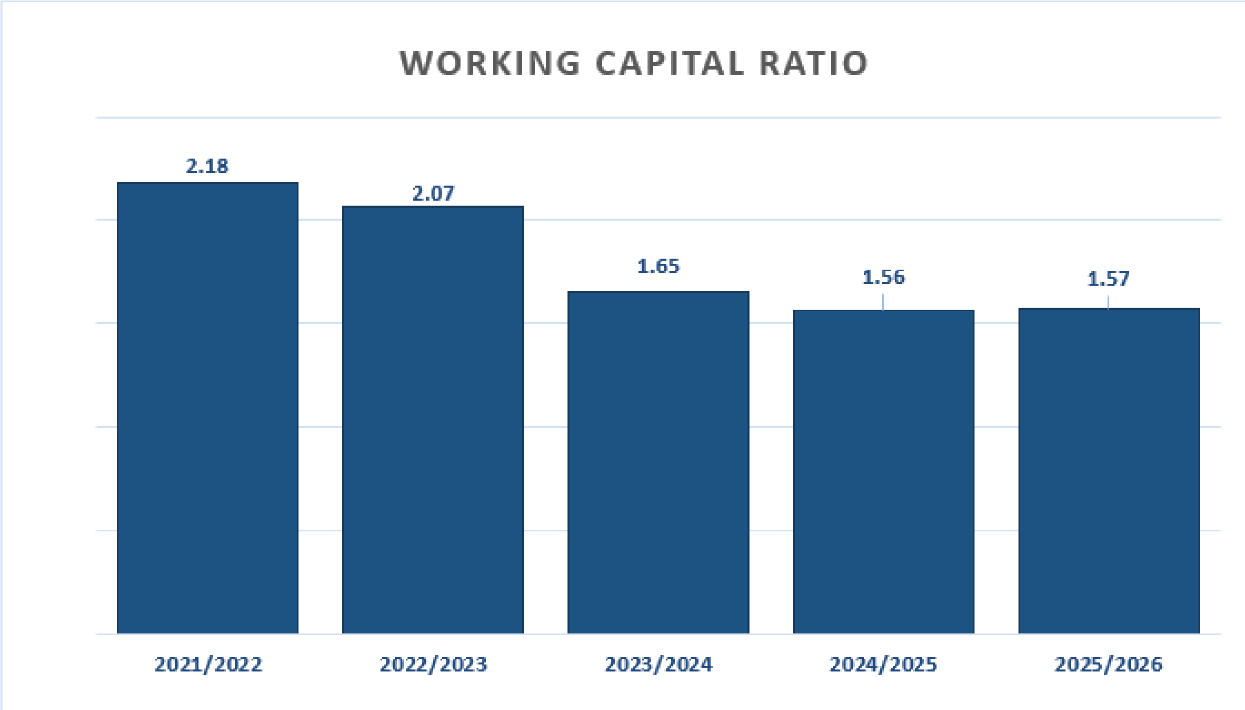
Employee Future Benefits – Relates to retirement payments to employees for years of service.

Other Liabilities – Includes accrued wages payable, employer health tax and other employee benefit costs.

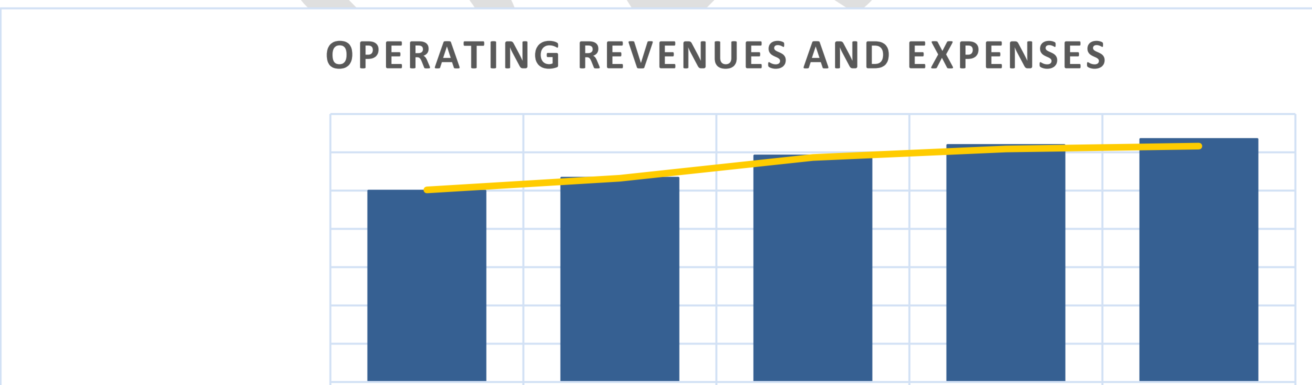
Asset Retirement Obligation – Consists of an estimate of the legal liabilities that exist for the removal and disposal of asbestos and other environmentally hazardous materials within the District owned buildings that will undergo major renovations or demolition in the future. The updated estimate of the obligation is $28.7 million.

Analysis of Financial Health

Working Capital Ratio – also called the current ratio, is a liquidity ratio that measures a District's ability to pay off its current liabilities with current assets. A working capital ratio greater than one is desirable as it means that the District can pay current liabilities as they are due. A working capital ratio of less than one indicates that the District would have to borrow to meet short-term obligations. The working capital ratio is calculated as current assets divided by current liabilities. The District's working capital ratio continues to be healthy and well above one.



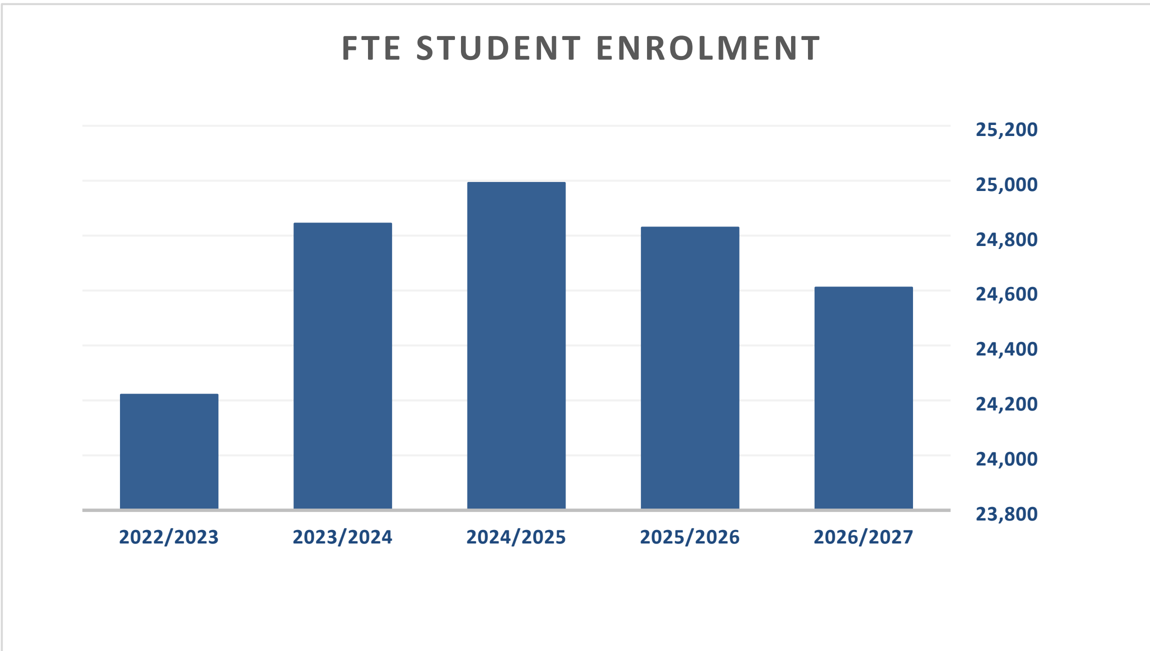
Operating Revenue & Expenses – the following chart illustrates the District's operating revenue and expenses over a five-year period. In fiscal 2025/2026 (per Schedule 2 of the audited financial statements), the District experienced an operating surplus of $7.35M for the year. Of this surplus, $3.39M is unrestricted and $3.96M is internally restricted.



	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
Total Oper Revenues	249,759,564	266,692,894	295,711,635	309,439,728	317,247,463
Total Oper Expenses	250,892,624	266,129,276	293,236,668	304,356,122	308,076,008

Revenue Overview

The District has seen a historical trend of steady student growth since 2022 however for the first time in a decade, the District experienced a decline in student enrolment for the 2025/2026 school year. This is in line with Province-wide demographic changes. Student enrolment is projected to decrease again in the 2026/2027 school year as illustrated below.



Provincial Grants – Revenue is highly reliant on funding from the Provincial government, which is tied directly to student enrolment. Student enrollment fluctuates year to year, which directly influences the District's Operating Grant Funding. In the 2025/2026 school year, 94% of total revenues was from the Ministry of Education and Child Care through Provincial Operating Grants.

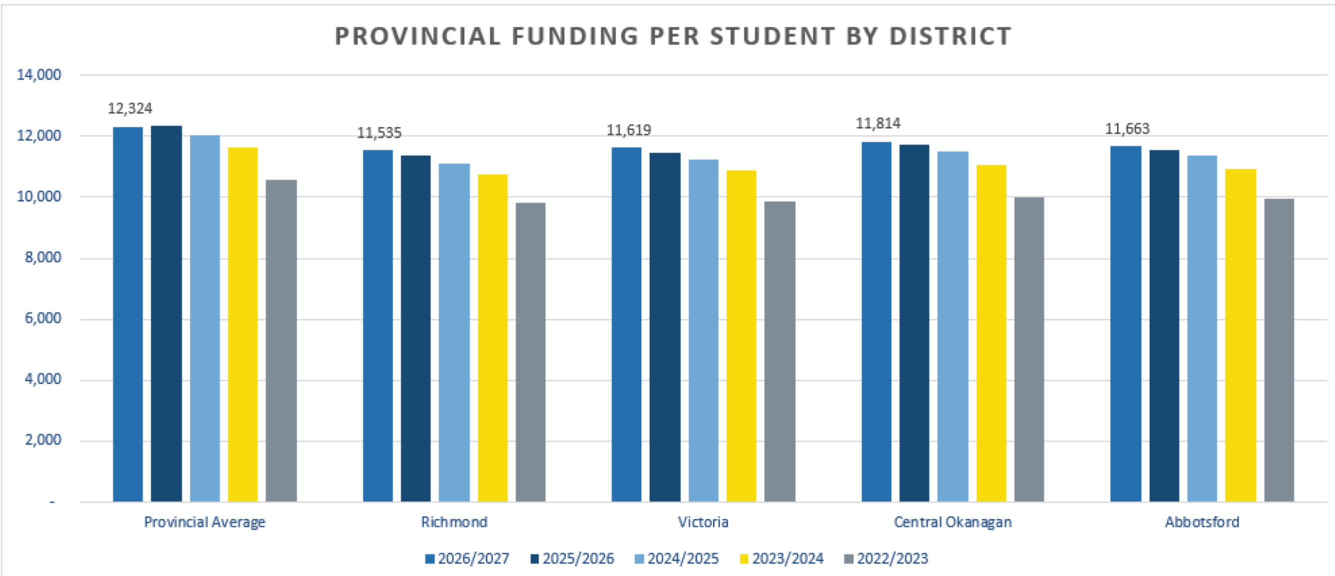
In September 2025, the overall funded student enrolment, excluding adult, alternate and online enrolment, was lower than anticipated, with a 160 student FTE decrease compared to an expected increase of 150 student FTE.

There was a 1.12% increase in the per pupil funding rates in addition to $5.38M in operating fund labour settlement funding to cover negotiated wage increases for teachers and exempt staff. This resulted in a net overall increase of $7.65M to the Provincial Operating Grants over the prior year.

Collective bargaining with the British Columbia Teachers' Federation (BCTF) was finalized in March 2026 which resulted in a general wage increase of 3% per year for four years, from 2025/2026 to 2028/2029. The Ministry of Education and Child Care also fully funded an increase for principals, vice principals and excluded staff of 2-2.5%. The negotiated wage increases and corresponding labour settlement funding, along with grid progression, increased Provincial grant revenue from labour settlement funding and instruction expenses.

Collective Agreement negotiations for 2025/2026 to 2028/2029 with the Canadian Union of Public Employees (CUPE) are ongoing and as such, no support staff wage increases or related labour settlement funding has been recorded in the audited financial statements at June 30, 2026.

Per the graph below, the District receives less funding, on average, per FTE student compared to the province average. This differential occurs because there is specialty grants provided to districts that address factors unique to specific districts such as geographical differences, inclusive education enrolment and salary differentials. The District receives relatively consistent per FTE student funding as other comparable size districts.



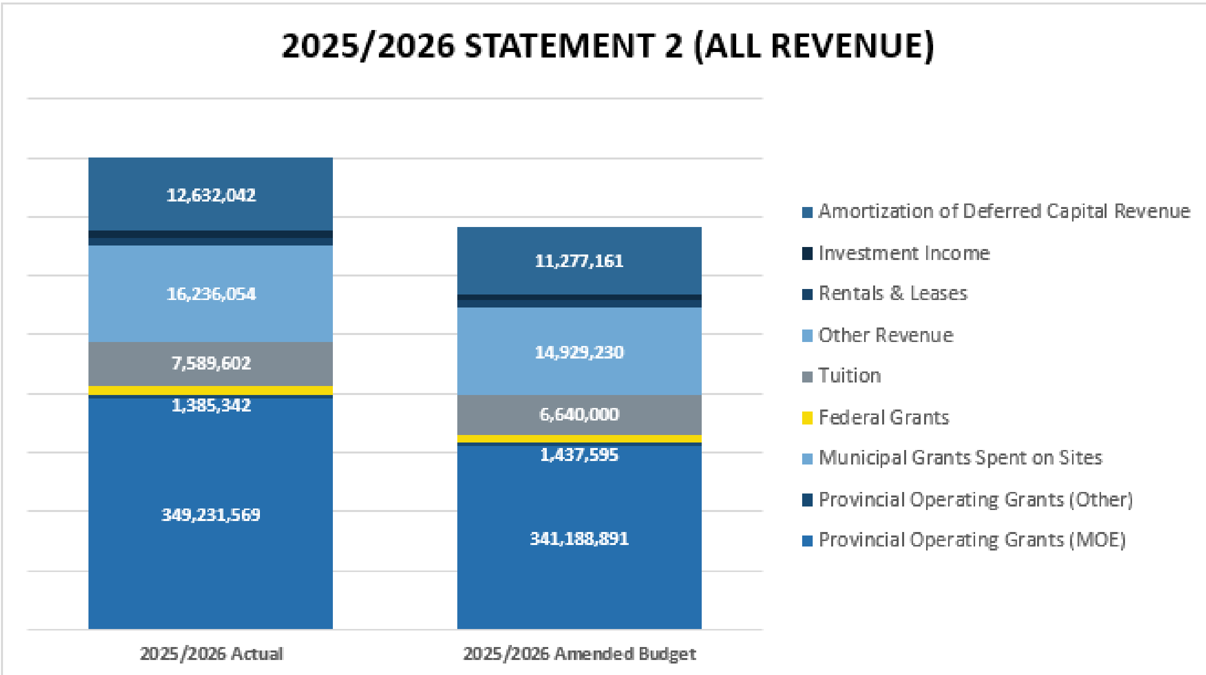
Tuition and Federal Grants – Enrolment in the International Education Student program remains strong with a total of 397 FTE enrolled in 2025/2026 (418 in 2024/2025). This program continues to fund enhancements throughout the District including additional teachers to reduce class size and to support middle and secondary schools as well as additional discretionary funding for schools.

With the increase in refugee and immigrant families to the Central Okanagan, the District continues to apply for and receive approval for additional Settlement Worker in Schools (SWIS) funding ($1.44M) from the federal government to support this growth.

Other Revenue – The Board of Education approved a $75 per student increase to the per student transportation fee effective July 1, 2025.

Rentals and Leases – During the year, there were no changes to the rental rates however, the number of hours rented to the community decreased by approximately 3% compared to prior year. The District saw continued demand for use of gymnasiums for youth and adult athletic programming which is charged at a higher rate to account for the greater wear and tear on school facilities.

The following graph compares the 2025/2026 Amended Budget for Operating Revenue to the actual Operating Revenue received in the 2025/2026 school year.



Expenditure Overview

For the first time in a decade, the District experienced a decline in student enrolment. This resulted in a budget pressure of approximately $1.87 million for the 2025/2026 Amended Budget. Senior staff worked collaboratively to address this shortfall. A decrease in student enrolment led to a reduction in teaching staff at certain schools, where possible unfilled positions were left vacant to avoid direct impact to existing positions, secondary schools identified efficiencies in their student timetables, and a portion of the 2024/2025 unrestricted surplus was allocated to the 2025/2026 Amended Budget.

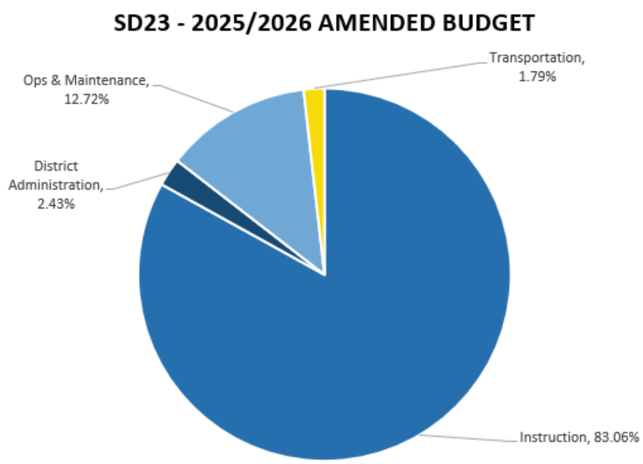
British Columbia's Consumer Price Index (CPI) rose 2.1% year over year between June 2025 and June 2026 which significantly impacted the costs of goods and services noted in this fiscal year. The District is experiencing this cost escalation in many areas including software costs, insurance and repairs and maintenance. The District was also particularly impacted by increased extended health and dental rates for all employee groups.

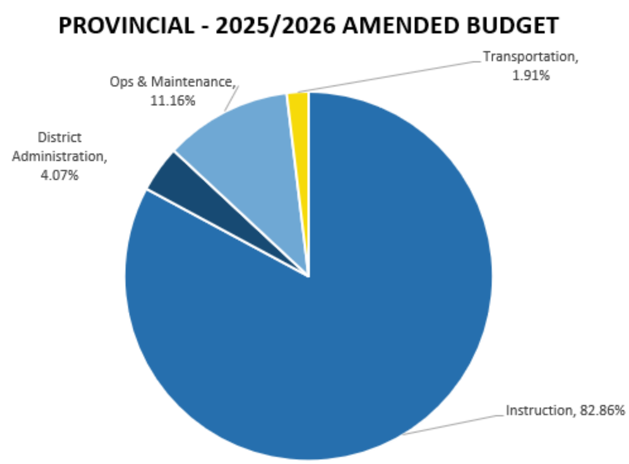
Collective agreement negotiations resulted in fully funded wage increases of 3% for COTA effective July 1, 2025. The Ministry of Education and Child Care also fully funded an increase of 2% for executive staff (Superintendent, Secretary Treasurer and Assistant Superintendent) and 2.5% for non-executive exempt staff (all other exempt, principals and vice principals).

The demand for technology hardware, software and system utilization continues at a rapid pace across all areas of our business. The District continued to focus resources on adding technology to the classrooms to support education and enhance learning.

The overall composition of operating expenses has not significantly changed from the previous year. 84% of the District's operating expenses are dedicated to salaries and benefits. Benefits include the employer portion of CPP and EI, payments for the employer health tax, WorkSafeBC, and pension plan contributions, and dental and health benefits. Increased extended health and dental premiums resulted in increased benefit costs.

As illustrated in the chart below, comparing the 2025/2026 Amended Budget expenses by category, instruction remains the largest expenditure for the District, with most costs consisting of salaries and benefits for teachers. This is consistent with the provincial composition. Transportation is highly dependent on the size of the District, the number of bus drivers required to service the area and the access to alternative public transportation.





Other specifics noted below regarding events and transactions that occurred in the 2025/2026 fiscal year impacting the variance from what was included in the Amended Budget.

Instruction

- Negotiated wage increases for teachers of 3% effective July 1, 2025.
- Negotiated wage increases for Principals, Vice-Principals, and exempt staff of 2-2.5% effective July 1, 2025.
- The average teacher and principal/vice principal costs increased over the prior year. This is due to the salary % increase mentioned above, expected grid progressions, plus an increase in overall benefit costs.
- The District also experienced higher CEA illness replacement costs due to an improved ability to fill vacancies with relief CEAs.
- Across all departments, inflation continues to cause increased costs of services and supplies.

- Due to spending conservation across schools and departments, services and supplies spending was reduced.

District Administration

- Negotiated wage increases for Principals, Vice-Principals, and exempt staff of 2-2.5% effective July 1, 2025.

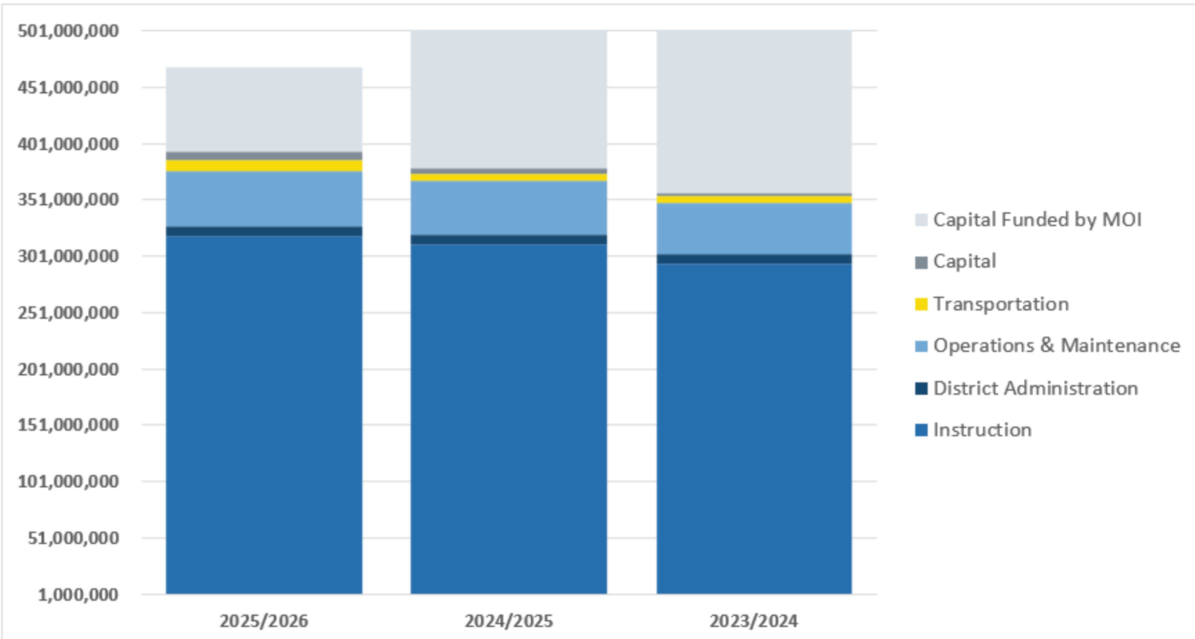
Operations and Maintenance

- Negotiated wage increases for exempt staff of 2-2.5% effective July 1, 2025.
- In the current year, less was recovered from schools and/or departments work order requests compared to budget. The Operations Department continues to focus on maintenance of District buildings.
- With continued cost escalation, electrical, mechanical and carpentry and custodial costs were higher in the current year than budgeted.
- Mild winter season in 2025/2026 and continuing energy conservation efforts resulted in lower than budgeted utilities costs.
- Across all departments, inflation continues to cause increased costs of services and supplies.

Transportation

- Negotiated wage increases for exempt staff of 2-2.5% effective July 1, 2025.
- The District recovered more field studies related costs from schools compared to budgeted.
- Across all departments, inflation continues to cause increased costs of services and supplies.

The graph below compares the total spending by category for the last three (3) years and includes the Ministry of Infrastructure's funded capital projects. Since the 2023/2024 fiscal year, total spending to deliver services has increased by approximately 10%, with Ministry of Infrastructure's funded capital projects decreasing by 60% due to significant capital projects completed or nearing completion.



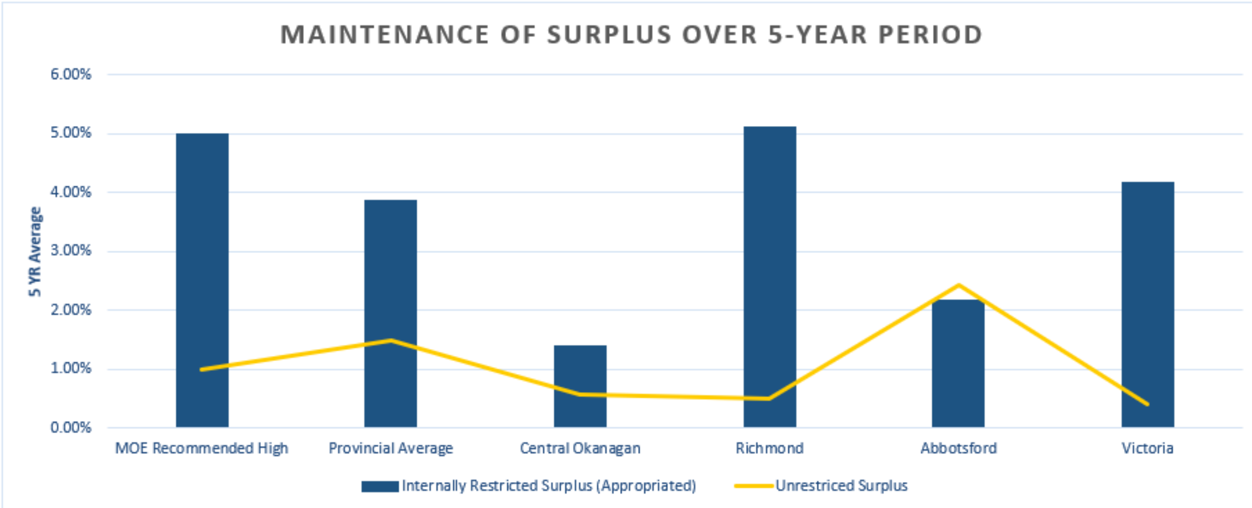
Reserves Overview

The Board of Education is responsible for ensuring the District is protected financially from forecasting risk and unforeseen circumstances.

Changes in Surplus – one of the key indicators of the financial health of an organization is the accumulated operating surplus. This indicator takes Accumulated Surplus from Operations (District's accumulated revenue in excess of expenses over time) and is compared to expenditures to determine the District's ability to react to emergent situations and the ability to fund special initiatives.

The Ministry recommends ranges of 2.5-5% for internally restricted surplus and 0.5-1% for unrestricted surplus.

As illustrated in the graph below, when compared to the Province and other comparable size Districts, over the past five years (2020/2021 to 2024/2025), Central Okanagan maintained an internally restricted and unrestricted surplus below the acceptable range. This is largely due to the inflationary costs the District has incurred in recent years. These inflationary costs are expected to continue in the future. District staff will continue to monitor in the next fiscal year.



Internally Restricted Surplus - For the 2025/2026 fiscal year, the District's internally restricted surplus represents 1.28% of total operating expenses, compared to 0.66% in 2024/2025. This is below the Ministry's recommended range of 2.5–5%. The increase from the prior year is due to a higher unrestricted surplus from 2024/2025 that is being appropriated for the 2026/2027 budget.

Unrestricted Surplus - For the 2025/2026 fiscal year, the District's unrestricted surplus represents 1.10% of total operating expenses, compared to 0.93% in 2024/2025. This is above the Ministry's recommended range of 0.5–1%. The increase is primarily the result of schools and departments reducing spending between April and June 2026 at the District's request.

Conclusion

Overall, as of June 30, 2026, the District has stable financial health when evaluated against comparable sized districts and the Province. This is illustrated throughout this report, including a working capital ratio above one and a high percentage in changes in capital assets indicating the District's maintains new assets. In addition, the District's 2025/2026 unrestricted surplus is above the recommended Ministry range. Going forward, the District will need to remain financially responsible and prudent, with a focus on maintaining its unrestricted surplus and rebuilding its internally restricted surplus to both fall within the Ministry's recommended range.

This stable financial position is the result of strong financial management, careful planning, and effective governance, despite mounting budget pressures and rising operating costs from inflation.