

# REVIEW OF THE ADMINISTRATION COSTS AND OPERATING RESERVES FOR BC PUBLIC SCHOOLS

This review provides background information on administrative expenditures and operating reserves in the public education sector in BC and compares to the other western provinces and jurisdictions

Prepared for  
BC Association of School  
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# REVIEW OF ADMINISTRATIVE SPENDING AND OPERATING RESERVES

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## A. Executive Summary

### 1. Background

This review was commissioned by the BC Association of School Business Officials (BCASBO) to provide a better understanding of the spending on administrative costs in the K-12 sector and the level of operating reserves. The 2015/16 to 2017/18 Budget and Fiscal Plan indicated that the cost of administration was rising and districts were required to reduce administrative expenditures by \$29 million in 2015/16 and a further \$25 million in 2016/17. The debate began around how well the school districts have managed the costs of administering the public education system.

As early as the Royal Commission on Education in 1988, it was concluded that there is a need for appropriate leadership and administration in operating the public school enterprise. The sector manages over \$5 billion of taxpayers' funds and employs over 78,000 staff and serves 540,000 students and their families.

The Ministry of Education has acknowledged that school districts individually are doing a good job of managing their operating and capital budgets. Boards of Education have made very difficult decisions to get to balanced budgets, but there are always more requests for services to support students than can be provided. At the same time, school districts have acknowledged that they should continue to work on making the system more efficient and effective.

To determine if the administrative spending is reasonable, this review reports on other jurisdictions and public sector entities and their administrative cost levels, definitions, reserve balances and reporting. This report also looks at options for information sharing and reporting for the BC public education sector.

This review was undertaken to provide better information about administrative spending and operating reserves in the K-12 sector. This review is not exhaustive research but does provide perspective to the issues. It is meant to enable conversations at and between the Ministry of Education and local school districts to further common understandings and to enable informed decision making.

### 2. Basis of Analysis

The analysis has included review of BC school district budgets and financial statements, review of BC, Alberta, Saskatchewan and Manitoba financial reporting and advice for reporting administration and operating reserves. **This analysis is done primarily at the**

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**provincial total level. It is understood that individual school district information may vary from the charts and factors in the report.**

The comparability of all the numbers cannot be assured but when rolled up to the provincial level, trends are clearly evident. As the definitions of administration are very similar between jurisdictions, the standard deviation for these numbers should be small. The following quote should be kept in mind when reading this report which reaches conclusions based on the best information available.

Jim Collins Quote:

*It is important to note that all indicators are flawed, whether qualitative or quantitative. What matters is not finding the perfect indicator but settling upon a consistent and intelligent method of assessing your output results.*

The analysis contained in the report is provided as background for the conclusions reached.

### 3. Key Questions on Administrative Spending

The review sought to answer some key questions:

- 1) How has the number of Full Time Equivalent (FTE) staff in business administration changed over the last two years?

Comparison of EDAS (Education Data Analysis System) reported data which is based on school district human resources and payroll data between 2013 and 2014, indicates a reduction of 28.20 FTE in staff performing finance, payroll, human resources and information technology functions.

- 2) How does the spending per pupil on district administration compare between BC and other provinces?

Statistics Canada reports BC as the lowest per pupil district administration cost in Canada.

In 2013/14 when comparing audited financial statements, BC continues to spend 30% less on district administration per pupil than the other provinces with BC spending \$306.95 per pupil on district administration, Alberta at \$395.47, Manitoba at \$402.58 and Saskatchewan at \$500.52.

The trend line for BC expenditures over time would indicate that BC's pattern is similar to other provinces and similar sized districts

Information from Statistics Canada providing expenditures by function for universities and degree granting colleges in British Columbia reports administration expenditures

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at 6.67% on average. School districts are able to manage in that range for the total of all definitions of administration outlined by the Ministry of Education.

The United States National Centre for Education Statistics study of 2011, reported that district and school administration was 10.7% of expenditures. Per the Revenue and Expenditures Tables, the expenditure reported in program 1.41 (school administration) and function 4 (district administration) represents 9.85% of the total expenditures in 2010/11.

#### 3) How has administration spending changed over time?

If districts were providing overall administration services at the 2009/10 level which totals \$1,106.03 per pupil in today's dollars, districts would be spending \$13.78 million more in 2014/15 than they are spending today.

Looking more closely at the past 10 years and the known cost increases, the cost of administration should have increased by 32.56% but increased by only 29.85% indicating that districts reduced administrative services to cover cost increases by 2.71%.

#### 4) How does school district spending on district administration compare with other public sector entities?

Taking into account the differing definitions of administration and looking at the common needs of all organizations for business administration of finance, payroll, human resources, the K-12 sector in BC is in line with other public sector entities when comparing percentage of operating expenditures.

#### 5) How is administration defined in BC and other provinces and jurisdictions? Can this be used to ensure figures are comparable and transparent across districts?

The definitions are similar and close enough to be comparable. Other provinces are more specific in their cost allocations and reporting requirements to provide more assurance of comparability and transparency.

#### 6) What advice did Ernst & Young provide to Vancouver School District that can be more broadly applied?

Ernst & Young used ratios of staff and students served by the business support functions which could be used more broadly as a benchmark. This would need much further evaluation as the fixed component costs would need to be measured to allow for comparison of districts of various enrolment sizes. The chart on page 24 shows that the number of students served is increasing.

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- 7) What advice comes from this review on the FTE split between Administration and Instruction and how best to define that split?

There needs to be clear guidelines in order to be truly comparable between districts of similar size. It is important to recognize that districts operate under different circumstances and require a base level of support in order to meet the requirements of being in a business-paying the bills, paying staff and statutory payments and reporting. Geography in a district can also affect the level of support required.

#### 4. Conclusions - Administrative Expenditures

- ▶ When reviewing the gross numbers without looking behind the numbers, it is easy to infer that the increased cost of administration is due to an increase in administrative services over the past ten years.
- ▶ When looking at the numbers over the past twenty years, the spending as a percentage of budget for district administration and transportation has remained very constant.
- ▶ The increases in school administration and operations and maintenance can be largely explained in Section E2 and E3 which outlines the increased compensation cost and responsibilities in these areas.
- ▶ Changes in the gross numbers are largely explained by CPI or the cost of doing business.
- ▶ Historically, BC has been conservative in its spending on administration according to information published by Statistics Canada.
- ▶ Expenditures on all forms of administration as a percentage of total operating expenditures are in line or less than other provinces and jurisdictions.
- ▶ In 2013/14, BC continued to spend 30% less on district administration per pupil than the other provinces with BC spending \$306.95 per pupil on district administration and Alberta at \$395.47, Manitoba at \$402.58 and Saskatchewan at \$500.52.
- ▶ Smaller enrolment districts will have greater per pupil expenditures due to the fixed cost of doing business-this is comparable to other provinces.
- ▶ BC has increased cost of administration by less than the increasing cost of doing business and spends \$13 million less than the cost of living increase would expect.
- ▶ BC is spending less as a percentage of budget when comparable definitions are used.
- ▶ In recent years, districts have reduced business administration staff when looking at EDAS comparisons of job responsibilities.
- ▶ There has been a movement to reduce exempt staff in favour of lower paid support staff who may also be less qualified.

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- ▶ There is a requirement for basic administration services in all entities and in a number of instances, districts may be under resourced in administrative support.
- ▶ Comparisons over time and between districts need to be investigated for the story behind the numbers.
- ▶ BC's spending is in line with other jurisdictions, other public sector entities.
- ▶ Spending increases beyond CPI can be explained due to increased complexity and rigor in today's public sector.
- ▶ Total overhead in K-12 is in line with best practice advice from the not for profit sector.
- ▶ BC's spending on administration is comparable and within the guidelines set by other provinces.

#### 5. Operating Reserves

The Accumulated Operating Reserve is the amount accumulated over time of operating surpluses and deficits. The Board may approve restrictions on spending of the reserve such as an allocation to fund a portion of the following year's operating budget which is designated the restricted portion of the Operating Reserve. The Ministry of Education has questioned the quantum of the accumulated reserves.

It is important to note that reserves are a one-time funding source that cannot sustain on-going services and reserves are the only source of funding to cover unexpected and unavoidable expenditures. The ability to carry forward unspent operating funds helps districts budget and spend their annual operating grants effectively. School districts do not have "March Madness" or "June Madness for K-12" because there is an ability to carry forward unspent funds and use them wisely in subsequent school years. School districts also have the ability to plan and sustain services for a period longer than one year because of the reserves.

Unfortunately, when you roll up the annual operating results from all 60 districts, it is more difficult to explain the combined operating results due to the fact that there is limited ability within financial statement reporting requirements to provide a narrative on how the funds were accumulated and what the ongoing plan is for the use of these reserves.

Districts use these funds in many ways. How would districts be able to fund a one-time transition to a new network or a new student information system without operating reserves to draw on?



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### 6. Key Questions on Operating Reserves

- 1) Ernst & Young outlined that unrestricted operating reserves should be about 2 to 3% of expenditures-how do school district results compare to this number?

School districts vary on the amount of overall operating reserves and the amount restricted for future expenditures. As at June 30, 2015, the provincial total is 1.2% of operating expenditures, well within the Ernst & Young guidelines.(Section G.3)

- 2) How should accumulated operating reserves be reported to ensure a common understanding and transparent reporting?

There are many examples of other jurisdictions who provide more reporting and information on their operating reserves and the plans to spend over time. This should inform better practice in BC.

### 7. Conclusions - Operating Reserves

- ▶ Operating reserves are unique to individual districts based on their planning and decision making.
- ▶ Operating reserves have a place in public education.
- ▶ Better understanding of the reserves is possible with financial statement reporting or notes to support these reserve balances.
- ▶ BC's school district operating reserves as a percentage of operating expenditures are in line with other jurisdictions.

### 8. Overall Review Conclusions

The expenditure level in BC school districts for administrative services and overhead is in line with other jurisdictions and school districts in the other western provinces. Increases over time are explained by the increasing costs of doing business and the added responsibilities absorbed by school districts. BC remains the lowest cost per pupil when comparing district administration costs. **In 2013/14 when comparing audited financial statements, BC continues to spend 30 percent less on district administration per pupil than the other provinces with BC spending \$306.95 per pupil on district administration, Alberta at \$395.47, Manitoba at \$402.58 and Saskatchewan at \$500.52.**

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There are always efficiencies to be made with better information technology systems, removal of “red tape” and redundant processes, and sharing of best practices. School districts have participated in the service delivery project and shared procurement, legal services for labour issues and practices around attendance support are being implemented. This review concludes that the administrative spending in public education in BC is within expected levels and it is not clear that there are significant savings still to be made.

Improved guidelines for reporting and cost allocations would ensure transparency, comparability and financial accountability. It could also allow for a better matching of revenues with expenditures, especially local programs like international education which has an administrative component and allow for better comparisons of year-over-year results. With consistent reporting structures, when you compare 2002 to 2015 operating results, you would also know that what districts are doing today may look very different than what districts did back in 2002. For example, what would a district’s Information Technology (IT) department look like in 2002 versus 2015? Would the increased cost of IT be considered an inappropriate use of district funds for this additional administrative expense? The ability as a sector to explain these additional administrative expense would be helpful when speaking of the cost structures over different operating periods.

**Unrestricted operating reserves total 1.2% of operating expenditures as at June 30, 2015, well within the 2 to 3% guideline provided by Ernst & Young in its 2015 report on the Vancouver School District.** Improved reporting would explain the annual operating results and the plans to spend the accumulated reserve balances. A number of questions should be considered. Do the reserves indicate efficiency of spending, good practice of monitoring and managing the day to day finances, good planning or a sector that is not putting in services that support our students? Does our funding allocation structure support good practices? Is there a need to better understand the effect of changes in spending on student outcomes? Do the current funding levels reflect the deferred maintenance of buildings or the changes in educational programming? Is there too much reliance on local revenues? How do the answers to these questions affect the levels of administration and operating reserves?

The sector needs to be in a position to be transparent and complete with the information provided so that the story of spending in public education is well understood and the above questions can be answered.

It is clear, that the provincial government does not have confidence that the sector is operating as effectively and efficiently as possible. Improved reporting and quality descriptions of priorities and services would assist boards of education to assure taxpayers and the provincial government that their district is spending their funding effectively to support the education of their students. The level of spending on administration is not out of line and should be recognized as such. The level of operating reserves may be appropriate when understanding the plans for its use over time.

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### B. Definitions of Terms Used in this Report

**CPI** - Consumer Price Index as reported by Statistics Canada.

**School District** – Covers a specific regional area and is governed by the board of education.

**Boards of Education** – The elected trustees who form the board as governors of the public education system as constituted under the School Act.

**Fiscal Year** – The year that expenditures are budgeted and spent. In K-12, this is July 1 to June 30 each year.

**Operating Grant** - A grant to the Board of Education by the Ministry of Education to operate the school district.

**Function 4** – The area of reporting by school districts which incorporates all programs related to Board governance and district administration of educational, business, human resources and labour relations activities.

**District Administration** – The same as Function 4 definition above.

**Business Administration** – Activities included in this area are budgeting, financial accounting, payroll and benefits, internal and external audits, labour relations, purchasing, human resources administration, and keeping the minutes and official records of the board and district.

**Educational Administration** – Activities included in this area are overall district educational leadership, strategic planning, instructional staffing allocations, new programming, coordination of district, school and community delivery of educational services.

**School Administration** – Activities at a school level by the office clerical staff and non-teaching time for principals and vice principals. Also included are office services such as telephone, fax, copy services, student data and records.

**Operations and Facilities Administration** – Activities included in this area include facilities planning, coordination of operating and maintaining the school and district buildings, health and safety services, oversight for capital improvement projects and new schools, liaison with schools, municipalities, community groups, and other legal requirements.

**Transportation Administration** – Activities include bus scheduling, transportation planning, contract administration, bus procurement, maintenance of buses and meeting statutory and safety obligations. Communications with parents and staff.

**Per pupil** – Amount derived by dividing expenditure levels by the full time equivalent (FTE) enrolment.

**Full Time Equivalent (FTE)** - The actual amount of time in school or at work compared to the full time student or staff person.

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### C. History of Administration Spending in BC School Districts

#### 1. Royal Commission

The 1988 Royal Commission on Education in BC involved an extensive review and consultation of the public and provided good information about taxpayer expectations of public education. The Commission provided a separate report on the requirements and role of governance and administration in school districts and schools. Points made in that report include the following which provide support for effective governance and administration to support learning:

- ▶ *The function of leadership—to ensure that governance and administration can contribute to the achievement of education’s primary task.*
- ▶ *The system of local governance of education through publicly elected boards of school trustees, mandated by the provincial government through legislation and other public policy, and by the local community through the electoral process, has served education well and is appropriate for the future.*
- ▶ *A school district is a corporation and the organizational and management requisites for a school district are no less demanding than for a unit of comparable size in the private corporate sector.*
- ▶ *Effective school district operation will depend heavily on organizational clarity and on the acquisition and retention of highly qualified and effective administrators, beginning with the superintendent of schools.*

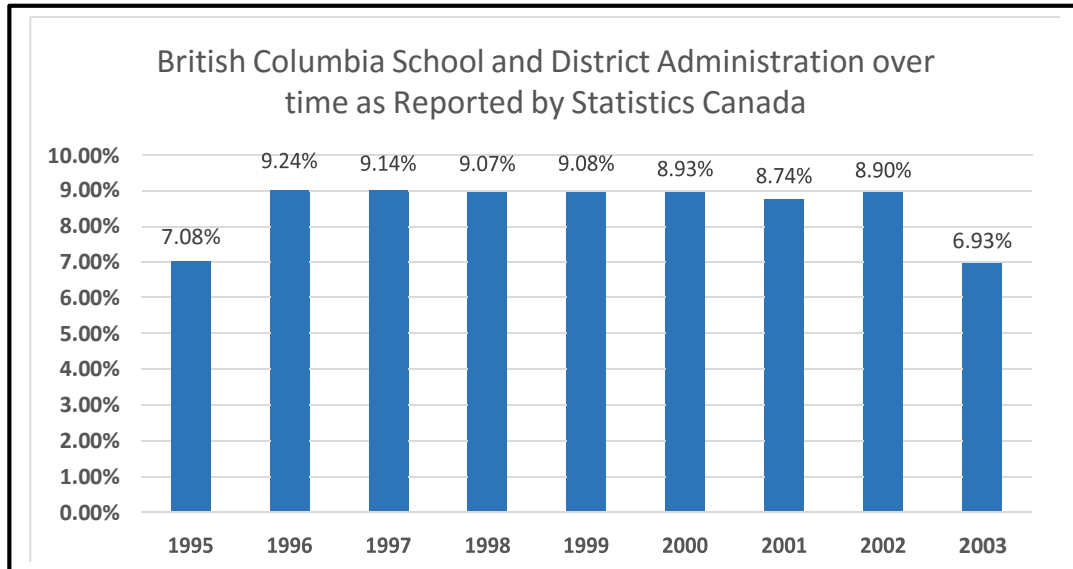
Over the past 20 years, provincial governments have put different mechanisms in place to control administrative spending and encouraged school districts to be efficient and effective in this area.

#### 2. Statistics Canada - Cross Canada Published Comparison of Administration Expenditures in 2003

Twenty years ago, total BC District and School Administration plus Information Technology (to be comparable to other provinces) totaled \$520 per pupil. This compared very favourably with Alberta at \$876 per pupil and Manitoba at \$640 per pupil with BC spending 20 to 40% less.

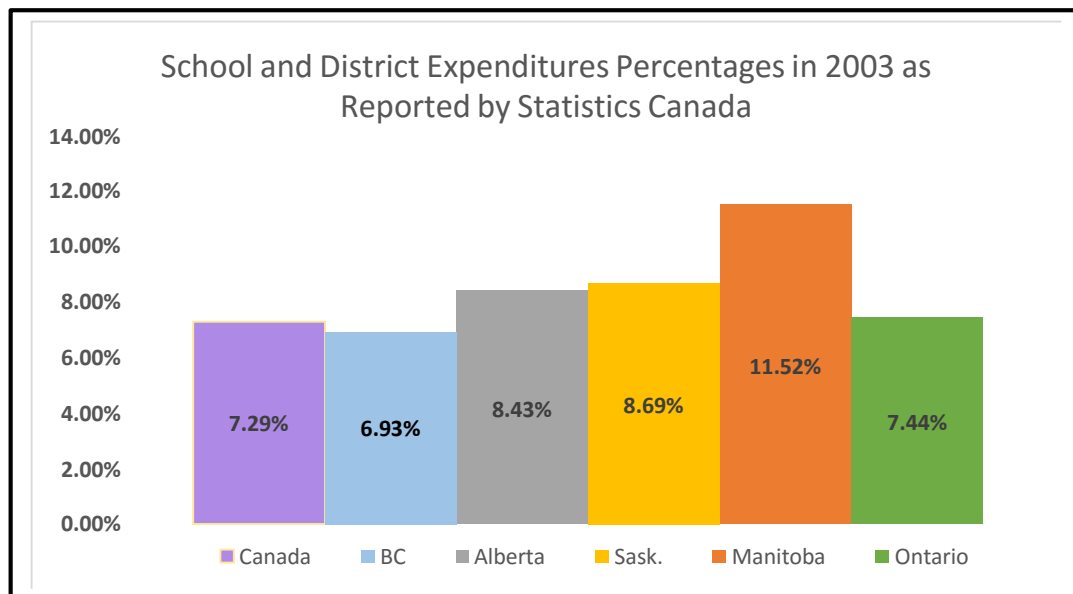
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British Columbia showed a decline in expenditure levels over the period 1995 to 2003 as collected and reported by Statistics Canada:



*Chart 1 – Statistics Canada-Table 478-0012 – School Board Expenditures 1995 to 2003  
Statistics Canada-Table 478-0025 – Enrolments in Regular Programs*

This chart outlines that British Columbia was spending at a lower percentage of budget, in comparison to other provinces in 2003. It is understood that due to the differences in definitions of administration between the provinces, these figures are subject to interpretation but the trend of being lower than others remains.



*Chart 2 – Statistics Canada-Table 478-0012 – School Board Expenditures 1995 to 2003*

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### 3. BC Spending Over the Past 20 Years

From 1990 to 2000, the Ministry of Education outlined its expectations for the cost of school and district administration in its funding allocation formula. In 1994/95 the spending for both school and district administration was capped where school districts could not spend more than funded. At the same time, funding levels were reduced by 12 percent. Districts were encouraged to appropriately allocate costs between administration and instructional programs based on time worked.

Over the past twenty years, the program areas of the financial statements with the title administration have been consistent as follows (source Ministry of Education published revenue and expenditure tables for the actual audited financial statements of school districts).

	1994/95 (Twenty Years Ago)		2009/10 (Five Years Ago)		2014/15 (Today)	
	% of Actual	Per Pupil	% of Actual	Per Pupil	% of Actual	Per Pupil
District Admin.	3.20%	\$186.31	3.25%	\$284.27	3.46%	\$330.60
School Admin.	5.52%	\$320.73	6.84%	\$597.40	7.27%	\$653.85
O & M Admin	0.78%	\$45.42	0.81%	\$70.69	0.93%	\$84.96
Transportation Admin.	0.14%	\$7.88	0.12%	\$10.57	0.12%	\$11.07

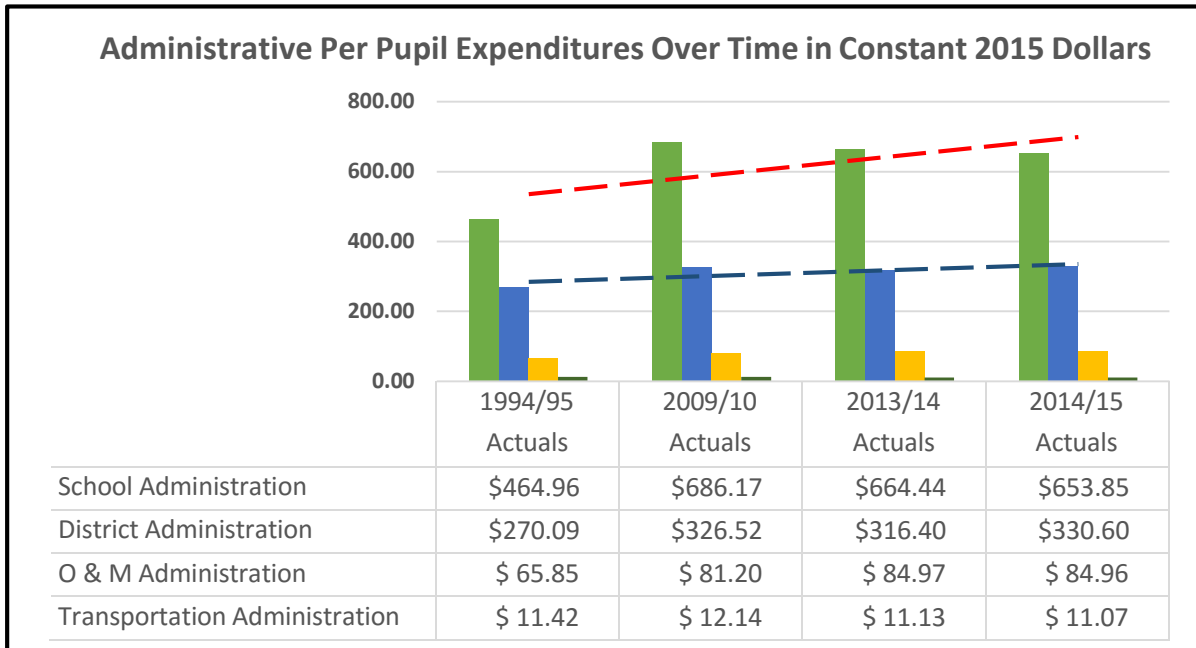
*Table 1 – Expenditure Information from BC Ministry of Education, School District Reporting Branch  
Enrolment Information from BC Ministry of Education, Funding Allocations*

These are the summary numbers based on the total expenditures from all 60 school districts. The percentage of budget is very similar over time but the cost per pupil increases over time. Some of the increase can be explained by the mathematical calculation of decreasing the denominator enrolment will increase the per pupil cost without any increase in actual costs.

Comparing numbers over time requires a review to determine how costs have increased over time. The two charts below seek to answer the question about the effect of inflationary cost pressures on these numbers.

In the chart the per pupil amounts have been shown in 2014/15 constant dollars (adjusted by CPI) and the enrolment at the actual levels in each year. The trend lines in the chart indicate that school district spending has not risen as much as the cost of doing business.

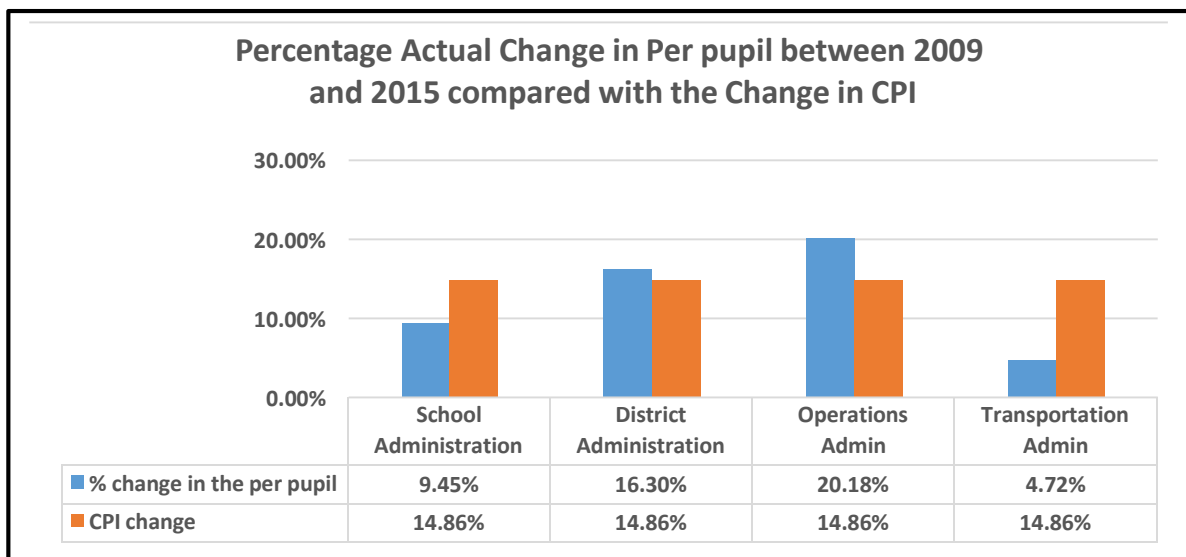
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*Chart 3 – BC Ministry of Education, Revenue and Expenditure Tables  
Statistics Canada – Consumer Price Index Historical Summary – CANSIM tables*

If districts were providing overall administration services at the 2009/10 level which totals \$1,106.03 (above) per pupil in today’s dollars, districts would be spending \$13.78 million more in 2014/15 than they are today.

The following chart would indicate that changes in the cost of doing business as defined by CPI accounts for the majority of the increases in the administrative costs per pupil over the last five years.



*Chart 4 – BC Ministry of Education, Revenue and Expenditure Table  
Statistics Canada – Consumer Price Index Historical Summary – CANSIM tables*

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### 4. Ministry of Education – Definition of Administration and Change Over Time

In 2015, the Ministry of Education provided their definition of administration for school districts and expressed concern about the rising cost of administration as a percentage of the operating budget. The definition included the exempt and support staff salaries and employee benefits and supplies and services within four program areas. The previous charts published by Statistics Canada for 2003 indicate that BC was spending much less than other provinces on administration and may be interpreted to indicate that there needed to be an adjustment upwards to increase spending in order for school districts to meet their obligations to effectively administer the public education system.

The 2016/17 Operating Budget Instructions for School Districts outlined the following expectations for school districts to reduce expenditures in administration costs and presented these costs in the following Table 2.

*Across the public sector, management teams are identifying administrative and related efficiencies as part of government's overall plan of expenditure management. At the Ministry of Education we are doing our part by making significant cost reductions within Ministry operations while protecting funding to districts. In Budget 2015, the K-12 sector has been tasked with finding similar efficiencies. In 2015/16, \$29 million in savings are targeted, along with a further \$25 million in 2016/17 and future years. These savings are to be found in administrative and related areas of school district budgets, and will be similar in nature to the work that school districts already have been doing as part of the 2012. Cooperative Gains Mandate for collective bargaining. School Districts will have considerable flexibility in developing their savings plans, with the expectation that savings are to be confined to non-instructional budgets and will not impact the classroom. As per section 81 of the School Act, boards are to report on the achievement of administrative and related savings to the Ministry, by June 30, 2015. It is important that the Ministry and boards work closely together to achieve these administrative and related savings. It will be critical to government's fiscal plan that school districts operate within funding levels provided. As per section 111 of the School Act, boards are required to develop a balanced budget and manage their operating budgets within the funding levels provided. Where necessary, school districts will need to develop strategies to ensure these objectives are achieved.*

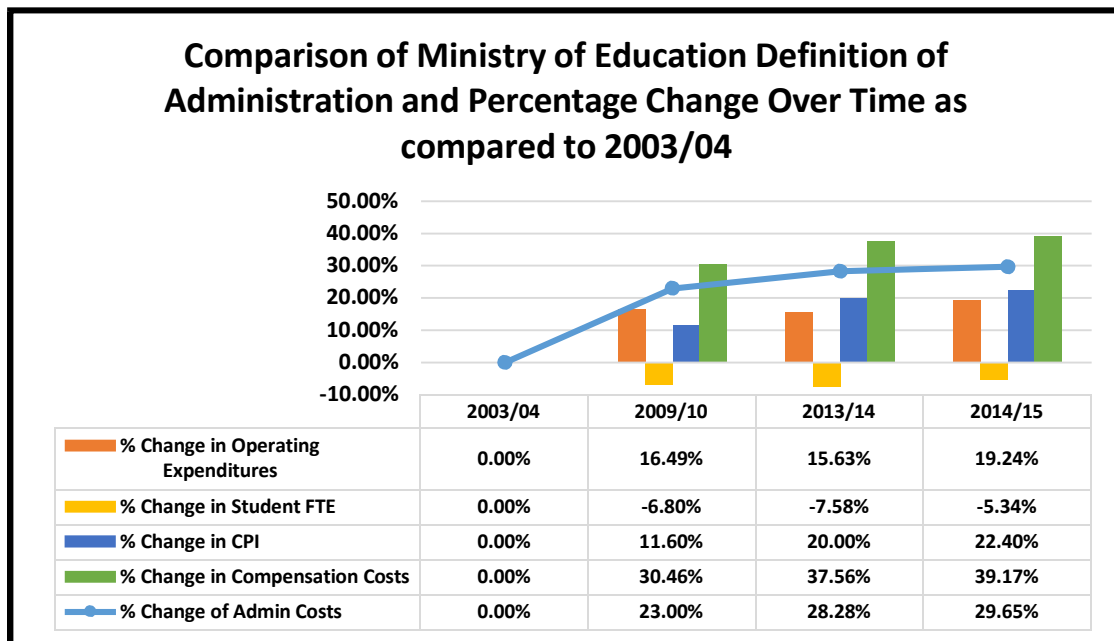


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<b>Ministry of Education 2015 Definition of Administration (Exempt and support staff compensation and supplies and services)</b>						
Percentage of Total Operating Expenditures						% change
	2003/04	2009/10	2013/14	over 10 years		
<b>School Administration</b>	2.11%	2.30%	2.47%	28.73%		
<b>District Administration</b>	2.80%	3.07%	3.25%	28.14%		
<b>Operations Admin</b>	0.76%	0.79%	0.90%	29.47%		
<b>Transportation Admin</b>	0.12%	0.12%	0.12%	13.48%		
<b>Total</b>	5.79%	6.28%	6.74%	28.28%		

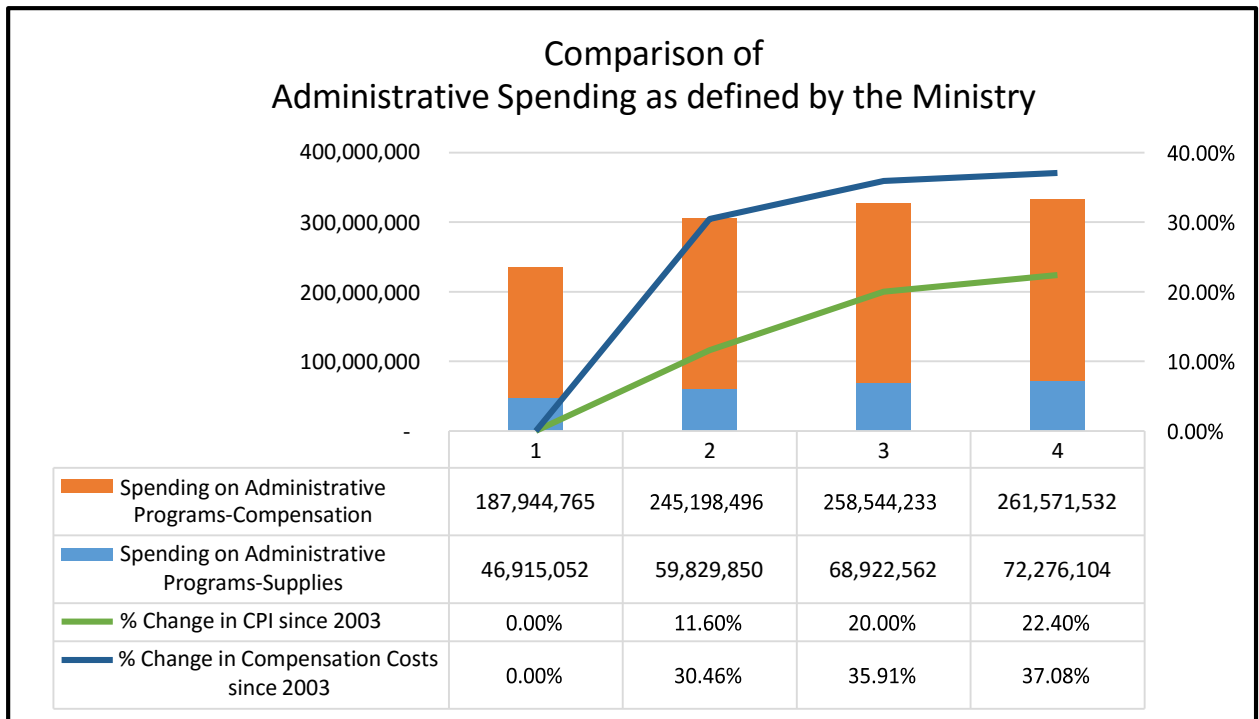
*Table 2 – Expenditure Information from BC Ministry of Education, School District Reporting Branch*

On the surface, these numbers could be interpreted to indicate that services in the administrative areas are growing faster than the overall budget. This also leads to questions about what is behind the numbers. The following two charts look at all the variables that have changed over time. Later in the report, we will examine the changes in responsibilities.



*Chart 5 – Expenditure Information from BC Ministry of Education, School District Reporting Branch  
Statistics Canada – Consumer Price Index Historical Summary-CANSIM tables  
Enrolment Information from BC Ministry of Education, Funding Allocations*

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*Chart 6 - Expenditure Information from BC Ministry of Education, School District Reporting Branch  
Statistics Canada – Consumer Price Index Historical Summary-CANSIM tables  
Enrolment Information from BC Ministry of Education, Funding Allocations*

The above charts indicate that compensation changes were the significant factor in the change in costs. It is important to note that salary changes or changes to employment contracts that cause an increase in costs must be approved by the Public Sector Employers Council, Ministry of Finance. Many of the benefit costs are statutory in nature and not controllable by the individual school districts.

Looking at the components of the change in costs over time leads to further questions:

- 1) If enrolment is dropping, should administration costs be dropping as well? This review looks at the relationship between costs and enrolment in districts of various sizes to determine if there is a fixed cost component of this work. Page 20 compares districts of similar size.
- 2) How do CPI changes affect costs? The supplies and services component of the spending is about 22 percent of the spending so not a significant driving factor.
- 3) What has caused compensation costs for exempt staff and support staff to change so much over time? This review looked at the changes in FTE staffing, changes in employee benefit costs and changes in salary over time.
  - ▶ Changes in compensation of salaries and benefit costs accounts for 72% of the change. Most of this change came in the period 2003 to 2010 where approved

## REVIEW OF ADMINISTRATIVE SPENDING AND OPERATING RESERVES

salary increases totaled 24 percent and benefit cost increases were 38 percent. Since 2010, salary increases have been modest or non-existent but benefit costs continued to rise.

- ▶ Increases, primarily in support staff of about 305 people since 2003 accounts for 28% of the change in costs

Summarizing these changes, you could conclude:

- 1) **Per the Ministry of Education media release dated February 26, 2015, their concern was** “in spite of declining student enrolment, school districts are spending more money on administration than ever before. Without school districts finding efficiencies administrative costs would rise to almost 7% per cent of their budgets by 2019. These costs can come down and should come down. All we’re asking school districts to do is to find administrative savings to reflect the percentage they were spending 10 years ago - about 6%.”
- 2) **Looking more closely at the past 10 years and the known cost increases, the cost of administration should have increased by 32.56% but increased by only 29.85% indicating that districts reduced administrative services to cover cost increases by 2.71%.**

	2009/10 A	2013/14 B	Total Increase C= (A + B)	Percentage of Expenditure D	Expected Increase in Expenditure E= (D x C)
Compensation	30.46%	5.44%	35.90%	79%	28.36%
Supplies	11.60%	8.40%	20.00%	21%	4.20%
Total Expected Cost Increase					32.56%
Actual Cost Increase	23.00%	6.85%	29.85%		29.85%

*Table 3 - Expenditure Information from BC Ministry of Education, School District Reporting Branch  
Statistics Canada – Consumer Price Index Historical Summary-CANSIM tables  
Enrolment Information from BC Ministry of Education, Funding Allocations*

- ▶ Compensation at 79% of expenditures of the Compensation increase of 35.90% (30.46% + 5.44%).
- ▶ Supplies at 21% of expenditure of the CPI increase of 20% (11.60% + 8.40%).

## REVIEW OF ADMINISTRATIVE SPENDING AND OPERATING RESERVES

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- ▶ For a combined expected increase of 32.56% versus the actual of 29.85%.
- ▶ This would lead to a conclusion that districts have reduced services to cover cost increases.

### 5. Conclusions – Historical Review

- ▶ When reviewing the gross numbers without looking behind the numbers, it is easy to conclude that there has been an increase in administrative services over the past ten years.
- ▶ When looking at the numbers over the past twenty years, the spending as a percentage of budget for district administration and transportation has remained very constant.
- ▶ The increases in school administration and operations and maintenance can be largely explained in Section E2 and E3 which outlines the increasing compensation cost and responsibilities in these areas.
- ▶ Changes in the numbers are largely explained by the cost of doing business.
- ▶ Historically, BC has been conservative in its spending on administration according to information published by Statistics Canada.

## D. Putting Administrative Expenditures into Perspective with other Entities and Requirements

### 1. Cross Canada Expenditures Comparisons Based on Reported Data

Statistics Canada collects information on school district expenditures. Their definition of administration operating expenditures is equivalent to BC's Function 4 spending for district administration. Per their data, here is how BC stacks up. The average administrative spending for Canada is 6.66% with BC at 4.15% which is 2.51% lower.

## REVIEW OF ADMINISTRATIVE SPENDING AND OPERATING RESERVES

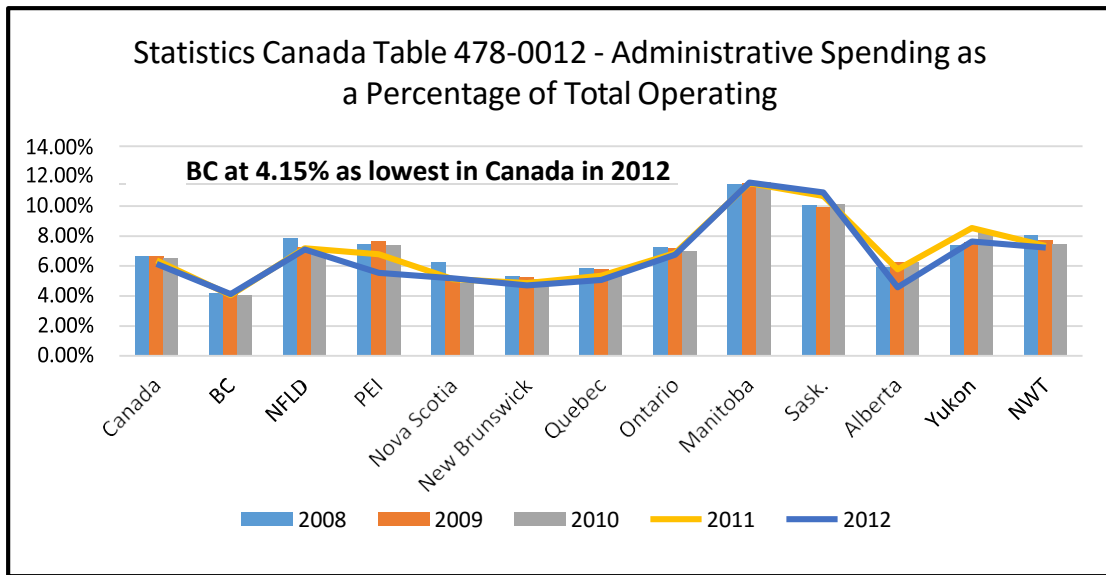


Chart 7 - Statistics Canada-Table 478-0012 – School Board Expenditures

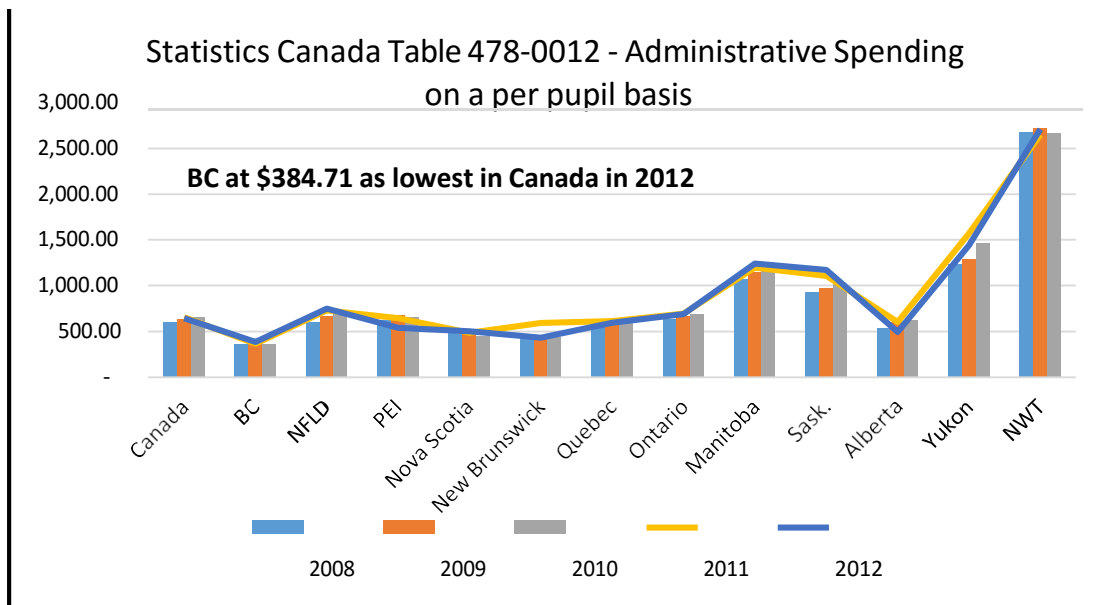


Chart 8 - Statistics Canada-Table 478-0012 – School Board Expenditures

### 2. Comparable School Districts

In 2013/14 when comparing audited financial statements, BC continues to spend 30% less on district administration per pupil than the other provinces, with BC spending \$306.95 per pupil on district administration and Alberta at \$395.47, Manitoba at \$402.58 and Saskatchewan at \$500.52.

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### **Alberta Education**

Board and System Education	\$175,475,053.00
Enrolment	443,713.00
Per Pupil	\$395.47

*Alberta Ministry of Education,  
Financial Reporting, School Division Reporting*

<b>Manitoba Education</b>	<b>\$69,253,068.00</b>
Enrolment	172,023.35
Per Pupil	\$402.58

*Manitoba Ministry of Education, FRAME Reports*

<b>British Columbia Education</b>	<b>\$166,490,120.00</b>
Enrolment	543,034.00
Per Pupil	\$306.59

*BC Ministry of Education,  
Revenue and Expenditure Tables*

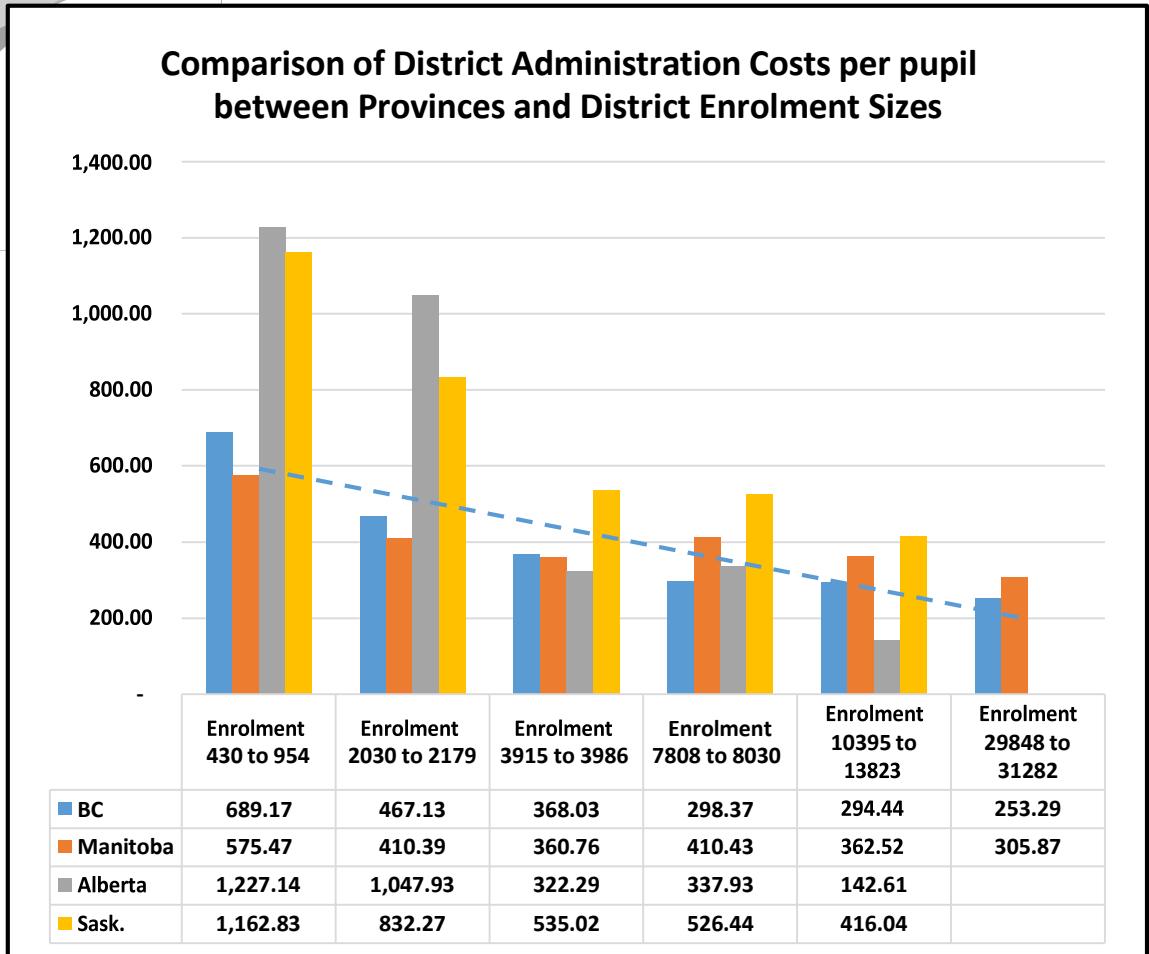
<b>Saskatchewan Education</b>	<b>\$86,864,620.81</b>
Enrolment	173,548.00
Per Pupil	\$500.52

*Saskatchewan Ministry of Education,  
Financial Reporting, School Division Reporting*

The enrolment per school district varies across the province of BC and the other western provinces. There are fixed costs in all school districts. For example, the BC School Act requires each district to have someone named as Superintendent and Secretary-Treasurer, the board office will have costs such as utilities and maintenance that is expended no matter how many people work in the building, cost of financial system maintenance to keep accounting records and process payrolls, etc. The charts below compare like sized school districts across the western provinces.

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The trend in costs is similar across all provinces and like sized school districts. The chart certainly shows that smaller enrolment areas require some fixed administration costs to operate and therefore the administration costs are a greater percentage of total spending.



Note: Alberta and Saskatchewan do not have districts with enrolment over 29,000 students

*Chart 9 - BC Ministry of Education, Revenue and Expenditure Tables*

*Alberta Ministry of Education, Financial Reporting and Accountability Branch*

*Manitoba Ministry of Education, FRAME reports*

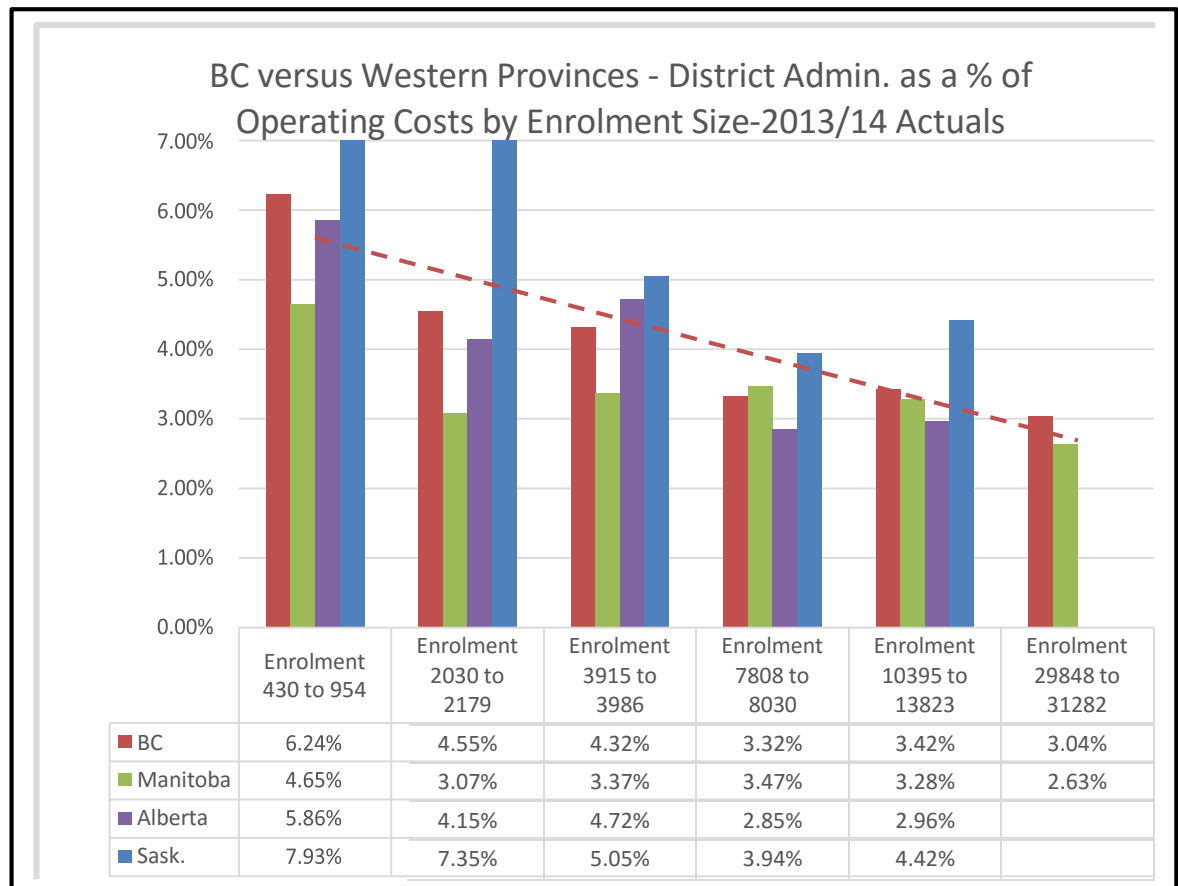
*Saskatchewan Ministry of Education, Financial Reporting, School Division Reporting*

*Individual school district, divisions and authorities web sites and financial statements*

## REVIEW OF ADMINISTRATIVE SPENDING AND OPERATING RESERVES

How does total Administration Compare with Comparable Districts by enrolment size with the trend line reflecting BC percentages?

- ▶ This chart shows that there is a greater percentage of the budget expected in smaller enrolment districts.
- ▶ Fixed costs are present.
- ▶ Other provinces recognize this in their funding allocations (Appendix B, Alberta Funding Model, or their targets, Appendix B, Manitoba Guidelines).
- ▶ The trend line for BC expenditures would indicate that BC's pattern is similar to other provinces and similar sized districts.



**Chart 10 - BC Ministry of Education, Revenue and Expenditure Tables**

*Alberta Ministry of Education, Financial Reporting and Accountability Branch*

*Manitoba Ministry of Education, FRAME reports*

*Saskatchewan Ministry of Education, Financial Reporting, School Division Reporting*

*Individual school district, divisions and authorities web sites and financial statements*



## REVIEW OF ADMINISTRATIVE SPENDING AND OPERATING RESERVES

- ▶ BCASBO President, Kelvin Stretch presented at a recent Ministry of Education /BCSTA session and stated the following regarding comparisons between districts:

*This is no small task due to the diverse and complex nature of the various school districts in the province. For example, how do you structure your account coding to ensure you isolate variances in operating expenses when you compare districts of similar student populations, with very different geographic sizes and locations within the province? When I compared my district (School District No. 73 Kamloops / Thompson) to a district in the lower mainland with a similar student population, our per student allocation was almost identical but revenues for unique geographic needs like the student location factor are significantly different due to the fact School District No. 73 is a district that manages 43 schools over a geographic area of 26,000 square kilometers in south central BC. Will School District 73 have more administrative costs for transportation than the lower mainland district? Of course, which is one example of the complexity we need to address in this process. Other provinces expect those differences and recognize them in their guidelines for the cost of administration or funding allocation formulas.*

### 3. Other Public Sector Agencies

District Administration Spending as a Percentage of Total Operational Spending	
<b>School District Average:</b>	
2014/15	3.19%
2013/14	3.29%
2009/10	3.07%
2003/04	2.80%
Douglas College	7.69%
University of Victoria	3.55%
Fraser Valley Health Authority	4.89%
Okanagan College	5.11%
Manitoba School Districts	3.49%
Alberta School Districts	3.74%

*Table 4 - BC Ministry of Education, Revenue and Expenditure Tables  
Alberta Ministry of Education, Financial Reporting and Accountability Branch  
Manitoba Ministry of Education, FRAME reports  
Saskatchewan Ministry of Education, Financial Reporting, School Division Reporting  
Individual school district, divisions and authorities web sites and financial statements  
Web sites and published financial statements for Douglas College, University of Victoria,  
Fraser Valley Health Authority, Okanagan College*

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Information from Statistics Canada providing expenditures by function for universities and degree granting colleges in British Columbia reports administration expenditures at 6.67 percent on average. School Districts are able to manage in that range for the total of all definitions of administration outlined by the Ministry of Education.

#### 4. United States Statistics

The National Centre for Education Statistics study of 2011, reported that district and school administration was 10.7 percent of expenditures. Per the Revenue and Expenditures Tables and Program 1.41 and Function 4 administrative spending totals 9.85 percent of expenditures in 2010/11. <sup>1</sup>

#### 5. Conclusions - Other Entities and Requirements

- 1) Expenditures on all forms of administration as a percentage of total operating expenditures are in line or less than other provinces and jurisdictions.
- 2) In 2013/14, BC continues to spend 30% less on district administration per pupil than the other provinces with BC spending \$306.95 per pupil on District Administration and Alberta at \$395.47, Manitoba at \$402.58 and Saskatchewan at \$500.52.
- 3) Smaller enrolment districts will have greater per pupil administrative expenditures due to the fixed costs of doing business-this is comparable to other provinces.
- 4) BC has increased cost of administration by less than the increasing cost of doing business and spends \$13 million less than the cost of living increases would expect.
- 5) BC is spending less as a percentage of the operating budget when comparable definitions are used.

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<sup>1</sup> SOURCE: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "National Public Education Financial Survey (NPEFS)," fiscal year 2011, preliminary Version 1a.

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## E. Other Factors to Consider

### 1. Staffing Comparisons Over Time

The form 1530 data with estimated hiring from the Learning Improvement Fund would indicate that FTE staff in exempt and school based administration have been reduced over the last five years at a greater rate than teaching and support staff.

FTE Staffing Changes				Five YR	
	2009	2012	2014	Change	% Change
Teachers	30,596.88	31,083.14	30,509.21	(87.66)	(0.29%)
PVP	2,633.62	2,532.10	2,545.15	(88.47)	(3.36%)
Support	19,856.90	22,225.15	20,275.25	418.35	2.11%
Exempt	1,645.02	1,608.04	1,627.67	(17.36)	(1.06%)
	54,732.42	54,806.70	54,957.28	224.86	0.41%
Enrolment Change	555,706	546,832	539,251	(16,455.00)	(2.96%)

Table 5 – Form 1530 Information from the BC Ministry of Education with estimated staff for Learning Improvement Funding

When comparing EDAS data ( data collected by the BC Public School Employers Association on a quarterly basis as an extract from actual district Human Resource and Payroll systems) between 2013 and 2014 for the key business functions of a school district it shows a decrease of 2 percent.

Sum of Full Time Equivalent (20) Position by Employee classification	June 2013 Grand Total	Enrolment Per FTE	October 2014	Enrolment Per FTE
<b>Support</b>				
Finance (Reporting, A/R, A/P, Budgeting, procurement)	276.506	1903.38	250.2255	2154.18
Human Resources	98.9856	5316.90	91.4285	5895.66
Information/Data Technology	519.6422	1012.81	513.2357	1050.26
Payroll/benefits	138.9102	3788.76	131.7674	4090.78
<b>Support Total</b>	<b>1034.044</b>		<b>986.6571</b>	
<b>Exempt</b>				
Finance (all except Secretary Treasurer)	122.8	4285.81	119.5	4510.72
Human Resources	159.7	3295.54	171.2	3148.55
Information Technology	86.9	6056.35	89.9	5995.90
Payroll/benefits	33	15948.39	40.9857	13151.68
<b>Exempt Total</b>	<b>402.4</b>		<b>421.5857</b>	
<b>Grand Total</b>	<b>1436.444</b>	<b>366.39</b>	<b>1408.243</b>	<b>382.77</b>
<b>Reduction in Exempt Staff between 2013 and 2014</b>			<b>(28.20)</b>	

Table 6 – Education Data Analysis System – BC Public School Employers Association

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### 2. Changes in Compensation Costs

- 1) Considerations for Operating Budget Increases over the past 10 years in administration (as defined by Ministry of Education) between 2003/4 and 2013/14:
  1. Employee benefits as a percentage of payroll have increased due to EI, WCB, CPP, Medical, Extended Health, Pensions, etc. Changed from 19% to 24% of salary over the past 10 years or about \$18.0 million (BC Education Revenue and Expenditure table)
  2. Supplies and services have increased by inflation over that timeframe of 22% or about \$10.3 million (Statistics Canada CPF and BC Education Revenue and Compensation tables)
  3. Approved salary increases were on average 27 % or about \$42 million (primarily in the period 2003 to 2009 with later periods of exempt compensation being frozen).

### 3. Changes in Responsibility

Numbers do not tell the whole story. There have been many increases in work requirements and responsibilities over the period being examined. Many of these changes in responsibility are legislative requirements.

#### 1) Operations and Maintenance - examples of added duties and costs:

- ▶ Energy Managers Program and associated expenditures.
- ▶ Carbon offsets which may be charged here of over \$5 million.
- ▶ Introduction of the Capital Asset Management System by the Ministry.
- ▶ Capital planning requirements to submit capital plans.
- ▶ Work around school closures and re-organization of school facilities.
- ▶ Enrolment Forecasting Software - with enrolment decline, many districts are purchasing the services of enrolment projection models.

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- ▶ Increasing cost of information technology and getting schools ready for the new network mandated by the Ministry.
  - ▶ Increasing technology to support new curriculum and education transformation.
  - ▶ Health and Safety requirements.
  - ▶ Community Use and leasing out of excess facilities space.
- 2) School Administration - examples of added duties and costs:
- ▶ Implementation of new student information systems (BCeSIS and My Ed BC) and the per pupil fees.
  - ▶ Expansion of International Programs-supported in the Throne Speech
  - ▶ Limiting of administration charges to Distributed Learning and PRPs.
  - ▶ New programs (full day kindergarten, strong start centres, community use of space, community schools, Neighbourhood Learning Centres).
- 3) District Administration – examples of added duties and costs:
- ▶ New accounting rules (GRE, PSAB) causing increased need for professional staff and increasing audit fees and increased the costs of employee future benefits.
  - ▶ HST and PST changes.
  - ▶ Increased audit requirements from the Office of the Auditor General.
  - ▶ Increased reporting requirements (GRE, Cooperative Gains, Achievement Contracts, multiple enrolment counts).
  - ▶ Complications in new collective agreements requiring more HR (central call out of staff by seniority, seniority calculations, layoff and recall provisions, health and safety).
  - ▶ Increasing students with special needs and support.
  - ▶ Aboriginal Enhancement Agreements.
  - ▶ Community connections (facilities, joint use, capital planning, consultation on school closures, sale of land, school planning councils).
  - ▶ Increased requirements to comply with legislation changes (FOIPPA, Criminal Record Checks).

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4. What does research indicate is required in order to administer not for profit entities the size of school districts?

There is very little information about the expected rate of administration and overhead in the private sector. There is information for the not for profit sector which outlines that the appropriate or acceptable overhead is 25% of budgets with 65 to 75% going to serve the clients and programs. By this measure, school districts in the province have appropriate priorities. Spending breakdown per 2014/15 budgets:

School Administration	\$ 347,954,281
District Administration	169,137,923
Operating and Maintaining Schools	587,100,582
Transportation	101,746,463
Total Overhead	\$ 1,205,939,249
Total Operating Budget	\$ 5,021,888,836
<b>Overhead as a % of Budget</b>	<b>24.01%</b>

*Table 7 – BC Ministry of Education, Revenue and Expenditure Tables  
Charities Review Council, Accountability Standards, April 2014*

5. Conclusions - Other Factors to Consider

In recent years, districts have reduced business administration exempt staff when looking at EDAS comparisons of job responsibilities.

There has been a movement to reduce exempt staff in favour of lower paid support staff.

Overhead is within best practice guidelines for not for profit entities.

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### F. Other Province's Guidelines for Administration Expenditures

#### 1. BC Definitions and Allocation Instructions

BC Guidelines for reporting administration are contained in their Operating Fund Account Descriptions in Appendix A.2 (1).

#### 2. Manitoba Definitions and Allocation Instructions

Manitoba has guidelines around administration costs:

The financial statements of school districts are included a schedule entitled - Calculation of Administration Costs as a Percentage of Total Expenses.

School divisions are required to limit the proportion of the budget spent on administration expenditures in defined categories to 4% (urban school divisions), 4.5% (rural school divisions) and 5.0% (northern school divisions). Frontier School Division, DSFM and the Winnipeg Technical College are exempt from these limits and are not reflected in the above totals. The defined administration categories exclude administration at the school level (Function 100 - Regular Instruction, Program 110) and special needs administration (Function 200 - Exceptional, Program 210). There is an appendix that provides an analysis of the defined administration expenditures as a percentage of the adjusted operating expenditure base. Expenditures shown for Function 500 or Program 710 may differ from corresponding amounts shown elsewhere in this report owing to the inclusion of operating transfers for the purpose of calculating administration costs.

There are definitions of divisional administration, transportation administration, operations and maintenance administration and educational administration in Appendix B.2.

#### 3. Saskatchewan Definitions and Allocation Instructions

Saskatchewan provides a funding formula to express its expectations around administration in Appendix B.3 (1).

#### 4. Alberta Definitions and Allocation Instructions

Alberta provides guidelines for the calculation of the "Board and System Administration (BSA)" expense limit. In accordance with the Funding Manual for School Authorities - 2013/2014 School Year (Page 10, "Limitations"), the maximum expenditure for system administration and school board governance ranges from 3.6% to 5.4% depending on the student enrolment of the school jurisdiction. To derive the maximum allowable expense limit, the applicable percentage is applied to a school jurisdiction's total expenditures. More information is contained in Appendix A.2 (2) on their definitions and allocation instructions.

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### 5. Conclusions Reached on Other Provinces Guidelines

- ▶ BC provides limited guidelines around cost allocation and expectations around administration levels except that the Province would like to see spending reduced in this area.
- ▶ Manitoba provides reporting expectations and percentage of spending guidelines which recognize district size and geographic location. Manitoba also publishes cost allocation rules. BC expenditures are in line with their guidelines.
- ▶ Alberta provides funding allocations and expectations not to achieve their guidelines. BC spends in line with these guidelines.
- ▶ Saskatchewan also provides funding guidelines for administrative spending which result in administration and governance funding of 4.26% of total funding. This is also in line with spending in BC.

## G. Operating Reserves

### 1. Background - What is an Accumulated Operating Reserve?

One of the key indicators of the financial health of an organization is the accumulated operating reserves. The BC Office of the Auditor General in their Report, 2008 - Understanding Canadian Public Sector Financial Statements defined operating reserves as:

*FINANCIAL PERFORMANCE MEASURE: ACCUMULATED SURPLUS OR DEFICIT*

*The accumulated surplus or deficit represents the net recognized economic resources (all assets and liabilities) of the entity at the date of the financial statements. This measure provides the net economic position of the entity from all year's operations at a point in time.*

*The accumulated surplus or deficit is comprised of all of the past operating surpluses or deficits. When total assets exceed total liabilities, the entity is in an accumulated surplus position. An accumulated surplus position means that the entity has net positive resources that, subject to direction of the government or governing board, could be used to provide future services. However, when an entity is in an accumulated deficit position (total liabilities exceed total assets), the entity must fund past transactions and events from future revenues. An accumulated*



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*operating deficit position means the entity has borrowed to finance annual operating deficits.*

*The report outlines the following question as important to ask:*

*Is the accumulated surplus or deficit of the entity increasing or decreasing, and how strong is the overall financial position of the entity?*

*It is important to understand the balance between the entity's historic revenue generation and its service delivery. This means looking at current trends to see whether the financial position (the accumulated surplus or deficit) is increasing or decreasing, as well as the overall strength of the financial position in which these results occurred. An entity in a strong accumulated surplus position may be able to incur annual deficits for a longer period of time than an entity in a weaker financial position (i.e., accumulated deficit position).*

*The strength or weakness of the accumulated surplus or deficit position is determined by the ratio of assets (financial and non-financial) to liabilities.*

*The report goes on to caution about structural deficits and using operating reserves to sustain ongoing expenditures:*

***Financial Health versus Structural Deficits - To what degree are school districts operating on one-time revenues such as reserves or grants and one-time expenditure reductions versus ongoing sustainable funding and expenditure levels.***

### 2. Requirements and Reporting

**In BC, school districts are not to incur deficits but are able to carry forward surpluses. The Budget Instructions for BC school districts states:**

#### SECTION C: BALANCED BUDGET DEFINITION AND SURPLUSES/DEFICITS 2014/15

Boards are required to prepare a balanced budget where board revenues plus any appropriated surpluses fully fund the following:

- ▶ annual operating expenses,
- ▶ annual special purpose fund (SPF) expenses,
- ▶ annual capital fund expenses,

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- ▶ tangible capital asset acquisitions (from Operating, SPF's & Local Capital),
- ▶ planned reduction of unfunded liability for employee future benefits, and
- ▶ any planned reduction of prior years' deficits.

The 2014/15 operating surplus and prior years' accumulated surpluses can be appropriated to finance expenses for 2015/16. Any budgeted appropriation of an operating surplus must be recorded on Schedule 2 – "Annual Budget – Operating Revenue and Expense" as "Budgeted Prior Year Surplus Appropriation". Appropriations should not include prior years' surpluses that will not be spent in 2015/16. If, after an appropriation, a surplus remains, this balance should represent amounts received in 2015/16 not yet spent (annual surplus) and not the "accumulated" surplus of prior years (which are reflected in the annual financial statements of the district).

Boards must budget in 2015/16 to retire 2014/15 or prior years' operating deficits. **Boards of education incurring a local capital or special purpose fund deficit in 2014/15 must also budget to retire this deficit in 2015/16. In accordance with section 156 (12) of the School Act, Boards are required to seek deficit approval from the Minister prior to incurring a deficit of any kind.**

Other provinces and jurisdictions have definitions of what can be appropriated, schedules and notes in financial statements, individual district comparisons and an unrestricted reserve focus. Focus on operating unrestricted surplus only.

Both Manitoba and Alberta have more descriptive and understandable reporting for administration costs and operating reserves than British Columbia. Both provinces have standard notes and schedules to financial statements that would be informative to BC. See Appendix C.

### 3. Ernst & Young Report on Vancouver School Board, 2015

The Ernst & Young Report on Vancouver School Board in 2015 made the following comments on Accumulated Operating Reserves.

Ernst & Young was clear to use the **net** accumulated reserves after appropriations. Their report recognized three streams of internally appropriated expenses as follows:

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Funds restricted due to the nature of the constraints on the funds	Contingencies or unusual expenses identified by Senior Management	Funds restricted because operations span the school year
▶ Education Plan funds	▶ BCeSIS implementation	▶ Projects in Progress
▶ Professional-Development (Pro-D) funds	▶ Anticipated severance	▶ Department/Program operating surplus requested to be carried forward
▶ Aboriginal Education		▶ Purchase orders or expenditures that have been ordered, but not yet arrived/title transferred
▶ Grants received from donors		

Their recommendation 4.4.3 stated: The Board should determine appropriate threshold targets for Net Accumulated Surpluses. Ernst and Young recommends 2% to 3% of operating expenses is reasonable

Recommendation 4.4 stated: The Ministry establish guidance threshold targets for Net Accumulated Surpluses for all districts including consideration of the Local Capital Reserve.

#### 4. Reserve Funds Over Time

What does it look like over the province with funds restricted to the following year budget and the constraints on the funds?

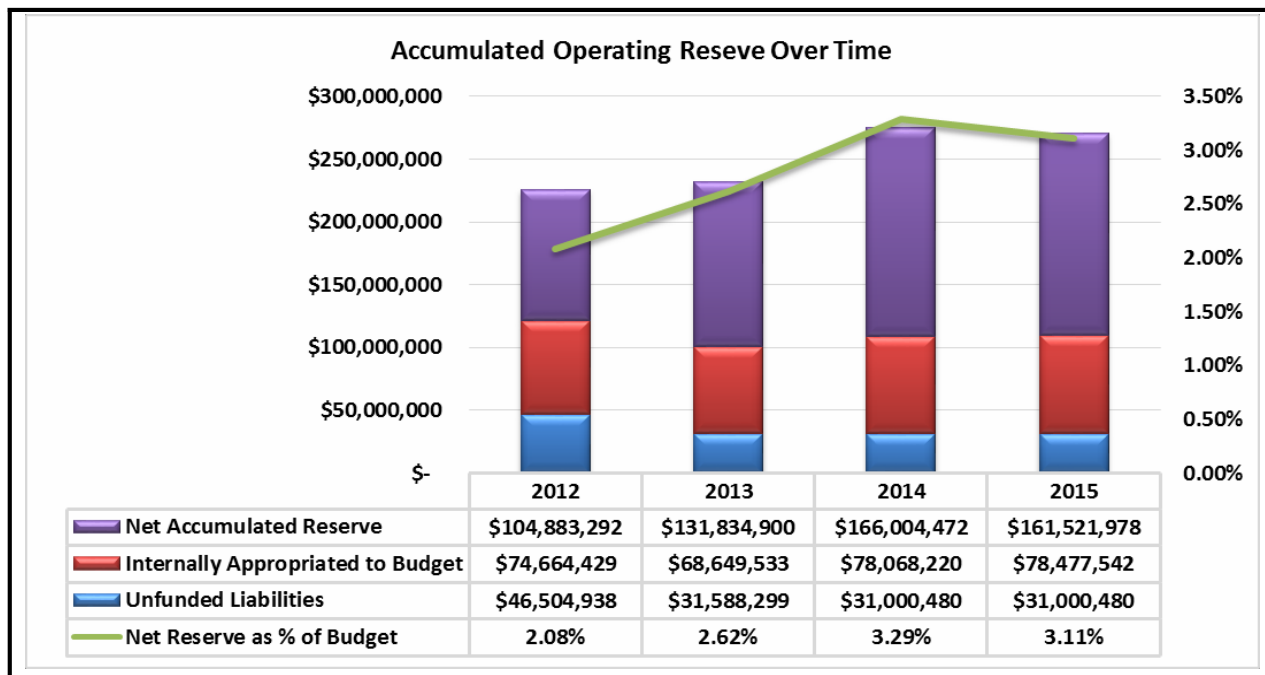


Chart 11 – BC Ministry of Education, School District Reporting Branch

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Ernst and Young reported the effect of the late release of holdback funding from the Ministry of Education as a contributing factor to the operating reserves as follows:

### **Holdback release**

*The holdback is a portion of MEd’s operating grant block that is not allocated and is held in contingency by the MEd until the revised and final enrolment figures for the school year are determined.*

*The holdback provides funding for unanticipated enrolment that occurs during the school year beyond what was estimated before the school year began. The size of the holdback is established when the estimated operating grants are determined.*

*The holdback is allocated based on additional enrolment reported in the July, September, February and May of the school year. The holdback payments are generally announced in September, February and May of the school year and payments are made by MEd to the school districts, including VBE, in December, April and June.*

The graph below illustrates the holdback funds announced from the Provincial holdback over the past 10 years:

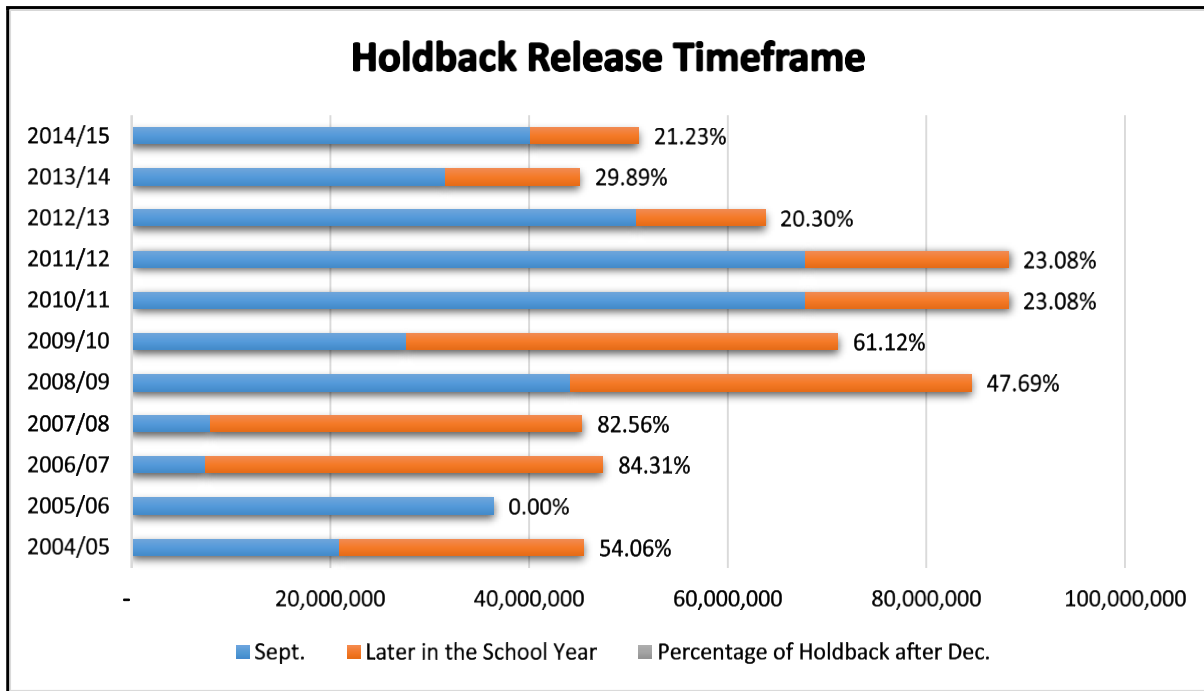


Chart 12<sup>2</sup> – BC Ministry of Education, Funding Allocation Tables and Funding Media Releases  
BC Ministry Of Education, Revenue and Expenditure Tables

<sup>2</sup> Data from Revenue and Expenditure Tables and Funding Allocations and Accumulated Operating Reserve Table from Ministry of Education

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In looking at the holdback released after December 15<sup>th</sup> in comparison with the net accumulated reserve. At a total provincial level, school districts are well within the 2 to 3 percent range indicated as a benchmark by Ernst and Young when considering both the internally appropriated for the following year budgets and the later release of the holdback.

### 5. Comparison with Other Jurisdictions

Reviewing financial statements of other jurisdictions, the following reserves are reported and indicate that BC is within the range of their reported numbers:

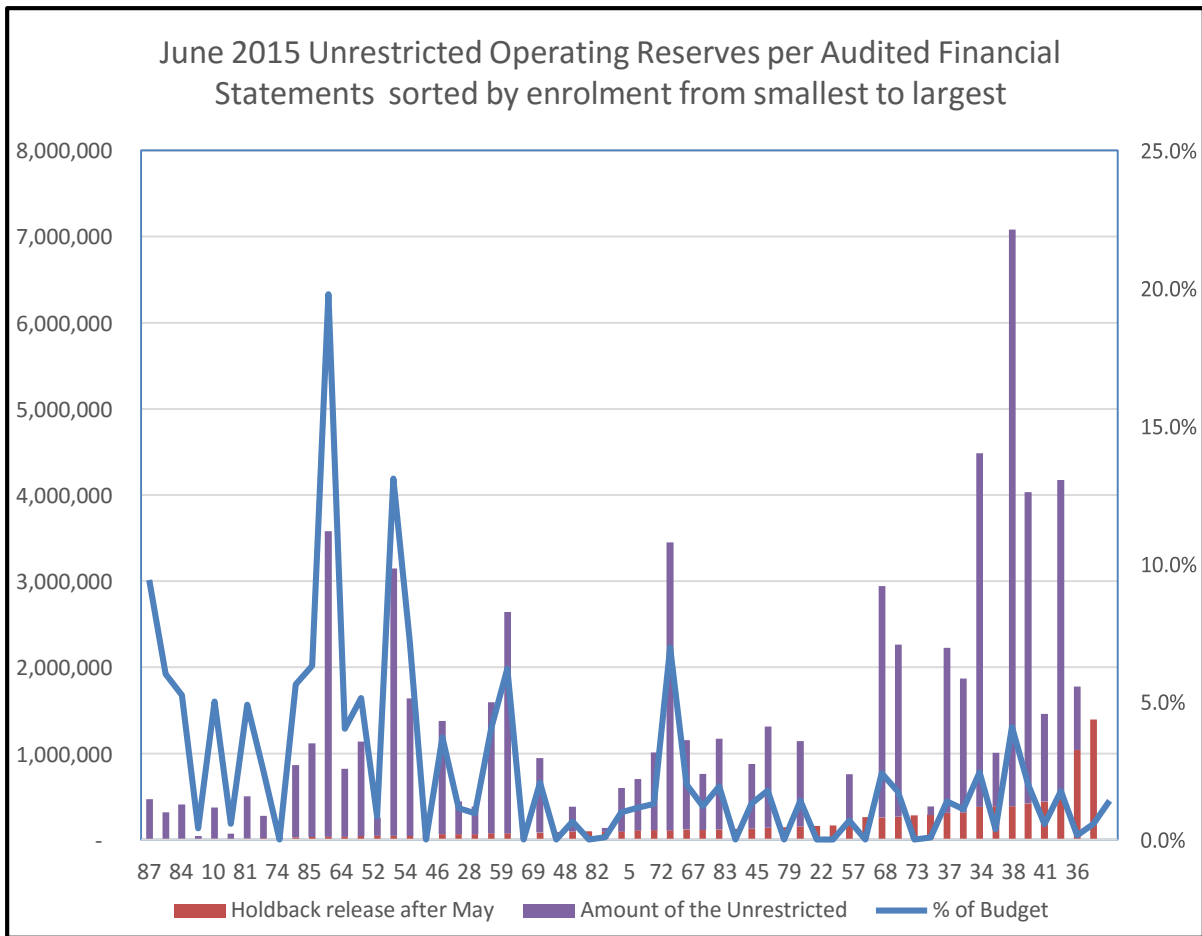
	Total Operating Reserves - 2014	Net Operating Reserves - 2014	Actual Operating Expenditures - 2014	% Total Reserves of Operating Expenditures	% Net Reserves of Operating Expenditures
<b>Manitoba</b>	\$ 98,071,634	\$ 72,699,341	\$ 2,037,566,750	4.81%	3.57%
<b>Alberta</b>	\$ 370,888,839	\$ 35,266,752	\$ 4,978,466,196	7.45%	0.71%
<b>University of Victoria</b>	\$ 120,712,000	\$ 18,738,000	\$ 513,736,000	23.50%	3.65%
<b>Okanagan College</b>	\$ 12,434,360	\$ 12,434,360	\$ 95,504,389	13.02%	13.02%
<b>North Island College</b>	\$ 7,868,186	\$ 7,868,186	\$ 40,989,329	19.20%	19.20%
<b>Douglas College</b>	\$ 2,815,000	\$ 2,815,000	\$ 110,150,000	2.56%	2.56%

*Table 9 - Alberta Ministry of Education, Financial Reporting and Accountability Branch  
Manitoba Ministry of Education, FRAME reports  
Saskatchewan Ministry of Education, Financial Reporting, School Division Reporting  
Individual school district, divisions and authorities web sites and financial statements  
Web sites and published financial statements for Douglas College, University of Victoria,  
Fraser Valley Health Authority, Okanagan College*

### 6. Comparisons by School Districts

Individual Districts will plan for the use of the net reserves. These internal appropriations of reserves are generally accepted accounting practices and provide information on district plans. The Ministry of Education reports that after these internal appropriations the provincial total net reserve is 1.2% but varies across the province by district.

## REVIEW OF ADMINISTRATIVE SPENDING AND OPERATING RESERVES



**Note: School Districts not on the chart have no unrestricted operating reserves.**

*Chart 13 – BC Ministry of Education, School District Reporting Branch*

This chart indicates that there is no correlation between factors such as enrolment or the holdback release to explain unrestricted reserves. This is a result of individual district planning and decision making.

According to Brian Watson (Canadian Association Management, Chapter Seventeen, Canadian Society of Association Executives, 2005), “Although non-profit associations are not established to make large profits, it is to their benefit to build reasonable reserves to be used in an emergency or other unforeseen occurrences. Some of the internally restricted types of reserves commonly found in the financial statements of non-profits are contingency reserves, working capital reserves and reserves for retiring allowances”.

## REVIEW OF ADMINISTRATIVE SPENDING AND OPERATING RESERVES

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Kelvin Stretch, President of BCASBO had these clarifying comments about school district reserve balances:

*Unfortunately, when you roll up the annual operating results from all 60 districts, it is more difficult to explain our combined operating results due to the fact that there is limited ability on our financial statement reporting requirements to provide a description on how the funds were accumulated and what the ongoing plan is for the use of the reserves. It becomes a challenge for our Minister to request more funding for K-12 when we are sitting on a \$271M operating reserve. Having said that, districts need to know what a reasonable reserve balance should be and we need better reporting to explain what makes up the reserve balances districts are carrying each year. Is the \$271M in reserve all available for future operations? How would districts keep their equipment operating without a reasonable replacement cycle largely financed through local capital reserve funds? How would districts be able to fund a one-time transition to a new network or a new student information system without some operating reserves to draw on?*

### 7. Reporting on Reserves by other Jurisdictions

Other jurisdictions have more informative reporting of the reserves and provide for transparency and better understanding. It is expected that reserves will have a purpose and a plan for use over time and appropriations of reserves are expected and reported.

University of Victoria reporting in financial statement descriptions –

Appendix D.2 Manitoba financial statement schedules and guidelines –

Appendix B.2 Alberta financial notes – Appendix C.2

### 8. Conclusions - Operating Reserves

Operating reserves are individual to districts and their planning and decision making.

Operating reserves have a place in public education.

Better understanding of the reserves is possible with financial statement reporting or notes.

BC's school district operating reserves are in line with other jurisdictions.<sup>3</sup>

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<sup>3</sup> Data from Revenue and Expenditure Tables and Funding Allocations and Accumulated Operating Reserve Table from Ministry of Education



APPENDICES



## APPENDICES

### H. Appendix A- Administration - Definitions and Reporting

Each jurisdiction has a definition of administration and how it is reported but provides information on how BC might want to report and define administration.

1. General Definitions of Administration – Alberta School District
  - ▶ Board and System Administration – The provision of board governance and system-based central office administration. Have a schedule in their financial statements that breaks down revenues and expenditures.
  - ▶ Facility Planning and Operations Administration is recorded with the Operations and Maintenance expenses but reported on a separate schedule.
2. General Definitions of Administration – Colleges (per KPMG Study)
  - ▶ Instructional Management and Support Costs
  - ▶ Instructional Management and Support Costs include direct costs of instruction other than teaching, instructional administration, staff development and educational leave, research and program/curriculum development
  - ▶ Institutional Management and Support Costs include governance and instructional management, general and administrative expenses, financial services, purchasing, employee relations, community relations and early retirement and severance costs
  - ▶ Information Technology and Facilities management is included in Operating and Maintenance Costs
3. General Definitions of Administration – Universities
  - ▶ Administration costs include the President’s office, vice-presidents, registrars, finance, personnel, university planning, purchasing, public relations, legal and audit fees. Support staff costs for these functions are included.
4. General Definitions of Administration – Manitoba School District
  - ▶ Divisional Administration includes the cost of governance, instructional management and administration, business and administrative services and management of information services. This includes the exempt school based administration and school clerical support.

## APPENDICES

### H. Appendix A- Administration - Definitions and Reporting Continued

#### 4. General Definitions of Administration – Manitoba School District Continued

- ▶ Operations and Maintenance Administration is recorded as a separate program with Operations and maintenance.
- ▶ Transportation administration is also recorded as a separate program within transportation.

#### 5. General Definitions of Administration – United States National Center

The United States National Center for Education Statistics definition includes two types of administration categories: general administration and school administration. Both categories include salaries, fringe benefits, furniture, equipment, and supplies associated with administrative activities.

##### 1) General administration:

- ▶ Superintendent
- ▶ School board Labor relations and negotiations
- ▶ Central office expenditures for administering special programs (e.g., Title I) and other central office expenditures
- ▶ Legal services
- ▶ Election services
- ▶ Tax assessment and collection
- ▶ Community relations
- ▶ Grant procurement

##### 2) School administration:

- ▶ Principal's office (including vice principals and administrative support) and full-time department chairpersons.

## APPENDICES

### H. Appendix A- Administration - Definitions and Reporting Continued

6. Specific Definitions of Administration – British Columbia as Contained in the Operating Fund Account Descriptions

#### Function 4 - District Administration

This function incorporates the cost of all programs related to district governance and district administration of educational, business, human resource and labour relations activities.

Salaries, employee benefits, services and supplies used in the execution of this function are charged to individual programs as applicable. Also included in the individual programs is the cost of maintenance for vehicles used by personnel charged to the program.

#### 11 Educational Administration (Revised February 2006)

This program includes the costs of activities related to overall district educational leadership and administration. Activities would include strategic planning, instructional staffing allocations, new programming, and coordination of district, school and community for the delivery of educational services and BCeSIS costs.

#### 40 School District Governance

This program includes the costs of activities related to the work of the elected body responsible for all activities in the district, and services related to parent advisory council activities.

Included here are all payments to board members (trustees) and other expenses incurred by this body such as travel, membership fees and school board elections. It also includes costs for parent advisory councils and costs of a public relations (communications) nature.

#### 41 Business Administration

(includes old programs 4.42, and 4.47) (Revised August 2005)

This program includes the costs of activities related to the business and financial operations of the school system at the district level.

## APPENDICES

### H. Appendix A- Administration - Definitions and Reporting Continued

#### 6. Specific Definitions of Administration – British Columbia as Contained in the Operating Fund Account Descriptions Continued

Activities would include budgeting, financial accounting, payroll, internal and external audits, legal, labour relations, purchasing, human resources administration and housing, and activities related to the work of keeping the minutes of the Board of School Trustees.

This program does not include activities carried out at the school level.

#### 65 Conseil Scolaire Francophone de la C-B

This program includes the costs of activities related to the school-based administration of the services provided to a Conseil Scolaire Francophone de la C-B. Included here are actual or some proportional allocation of school-based administration costs incurred specifically for this program.

#### 41 Operations and Maintenance Administration

This program includes the costs of activities related to the overall administration of operations and maintenance.

Activities would include facilities planning, the coordination and administration of operations and maintenance, as well as communications with schools, municipalities, the Ministry, and the school board, internal courier costs, and the activities of health and safety officers. This program also includes the cost of public liability and property loss insurance coverage.

#### 41 Transportation and Housing Administration

This program includes the costs of activities related to the overall administration of transportation and housing programs.

Activities would include bus scheduling, transportation planning, contract administration, coordination of bus maintenance, and communication with schools, parents, the Ministry of Transportation and Highways, and the school board.

## APPENDICES

### H. Appendix A- Administration - Definitions and Reporting Continued

#### 7. Specific Definitions of Administration - Alberta Education Definitions for Recording of Administration Cost

Alberta Definitions and Allocation Instructions and Reporting:

##### 1) School Administration and Instruction Support

School administration and instruction support includes the provision of activities at school level that do not provide direct instruction to the student in the classroom. Costs for these activities include:

- ▶ Release time and allowances for principals, vice-principals, assistant principals, department heads and coordinators;
- ▶ Clerical and support staff (staff not working directly in classrooms in support of students, but in an administrative support role) remuneration;
- ▶ Library, counseling and testing services provided by school-based staff;
- ▶ Support services provided from outside the school (such as contracted services for assessments, therapy for students, etc.) at the school's discretion and supported by the school's budget;
- ▶ Communications and document reproduction equipment for instructional support staff;

##### 2) Plant Operations and Maintenance (PO & M)

PO & M consist of activities that relate to the jurisdiction's responsibility for the construction, operation, maintenance, safety and security of all school buildings, including costs relating to the supervision of this program. Costs associated with this program include:

- ▶ Remuneration expenses for the supervisor of operations and maintenance of school facilities and all clerical and support staff associated with this program;
- ▶ Repair, maintenance and security of school buildings, equipment and grounds including services, contracts and supplies;
- ▶ Costs related to cleaning and janitorial activities and supplies in school facilities;

## APPENDICES

### H. Appendix A- Administration - Definitions and Reporting Continued

#### 7. Specific Definitions of Administration - Alberta Education Definitions for Recording of Administration Cost Continued

- ▶ Costs of utilities for school and maintenance facilities;
- ▶ Liability insurance related to the proportion of maintenance personnel;
- ▶ Property insurance on school building and maintenance facilities;
- ▶ Amortization of school and shop facilities, and vehicles and equipment that was purchased with PO & M revenues, with a historic cost of \$5000 or greater;
- ▶ General operational costs associated with the maintenance programs;
- ▶ Costs associated with maintenance supervisory staff involvement in the capital planning cycle;
- ▶ Costs associated with Occupational Health and Safety activities;
- ▶ Emergency planning; and
- ▶ Facilities Planning and Development – The entire planning, development and
- ▶ Construction cycle for capital building projects carried out by central office.

#### 3) Transportation

Activities related to the transportation of students to, from and between schools, and boarding of eligible students away from home. Costs associated with this program include:

- ▶ Remuneration expenses for the supervision of student transportation and all clerical and support staff associated with the program, including bus aides;
- ▶ Conveyance of students to and from school whether buses are contracted or board operated;
- ▶ Repair and maintenance of transportation vehicles;
- ▶ Operating lease payments on transportation vehicles;
- ▶ Amortization of capital costs of transportation vehicles, equipment and shop facilities with a historic cost of \$5000 or greater;

## APPENDICES

### H. Appendix A- Administration - Definitions and Reporting Continued

#### 7. Specific Definitions of Administration - Alberta Education Definitions for Recording of Administration Cost Continued

- ▶ Property insurance on bus shops and barns and equipment;
- ▶ Liability insurance related to the proportion of transportation personnel;
- ▶ Vehicle insurance on board owned vehicles used for student transportation;
- ▶ Amounts paid to third-party operators for the transportation of students to & from school;
- ▶ Utilities for transportation facilities; and
- ▶ General operational costs associated with the transportation programs.

The use of transportation services for field trips, co-curricular trips and athletic trips are charged back to the appropriate program.

#### 4) Board and System Administration (BSA)

BSA are system-wide activities for the purpose of general regulation and direction of the affairs of the school jurisdiction. Costs relate directly to the operation of the boards of trustees, superintendents, secretary-treasurers and their respective staffs, including supplies and amortization of administrative equipment and facilities. Broad categories associated with BSA include:

##### (i) Board Governance

Board Governance includes activities related to the work of the elected body responsible for all activities within the jurisdiction. All payments to trustees and for expenses incurred by the body for such things as travel, membership fees and school board elections.

##### (ii) Educational Administration (Office of the Superintendent)

This category includes activities related to overall jurisdiction educational leadership and administration. This includes those performed by the superintendent of schools; deputy, associate and assistant superintendents. These duties are restricted to functions that may not be considered System Instructional Support.

## APPENDICES

### H. Appendix A- Administration - Definitions and Reporting Continued

#### 7. Specific Definitions of Administration - Alberta Education Definitions for Recording of Administration Cost Continued

Activities associated with educational administration include:

- ▶ System level planning;
- ▶ Instructional staffing allocations (human resource planning, and implementation);
- ▶ New programming implementation and review;
- ▶ Monitoring and evaluation of programs;
- ▶ Monitoring and evaluation of schools;
- ▶ Monitoring and evaluation of the system; and
- ▶ Hiring, supervision and evaluation of principals and staff.

#### (iii) Business Administration (Office of the Secretary-Treasurer)

Business administration includes activities related to the business and financial operations of the school system at the jurisdictional level, performed by the Secretary-Treasurer and related business/finance support staff including:

- ▶ Corporate budgeting;
- ▶ Financial accounting including accounts payable and receivable, payroll and internal and external audits (excluding School Generated Fund audits which falls under SIS);
- ▶ Legal services;
- ▶ Liability insurance related to the proportion of central office administrative personnel;
- ▶ Property insurance for the administration facility; and
- ▶ Activities related to the Corporate Secretary and Corporate Treasurers office.
- ▶ Corporate records management

This program does not include support service activities based at the school level.



## APPENDICES

### H. Appendix A- Administration - Definitions and Reporting Continued

#### 7. Specific Definitions of Administration - Alberta Education Definitions for Recording of Administration Cost Continued

##### 5) General Services Management

General services management are activities related to central support services such as:

- ▶ Human Resources – Personnel planning, employment and development on behalf of the school system as a whole;
- ▶ Central Purchasing – Purchasing of services, contracts and supplies on behalf of the school system and with the approval of department managers;
- ▶ Communications, Public Relations and Marketing – Costs associated with system-wide communications and marketing activities; and
- ▶ Information Technology

##### 6) Administration Buildings

These activities relate to the administration building of the division including:

- ▶ Operating costs;
- ▶ Operating lease payment; and
- ▶ Interest expense on capital loan associated with the administration buildings.

##### 7) External Services

Includes services offered outside the board's regular educational programs for ECS children and students in grades one to 12 who are served by the board. Activities such as adult education, family school liaison programs and those of a cultural and recreational nature are included in this program. Costs associated with this program include:

- ▶ Community services, and community use of schools (at cost recovery);
- ▶ Joint use agreements with municipalities (may also be classified as PO&M);
- ▶ Portion of shared services costs for services provided to another jurisdiction through a shared services arrangement and not applicable to the jurisdiction (with offsetting revenues);

## APPENDICES

### H. Appendix A- Administration - Definitions and Reporting Continued

#### 7. Specific Definitions of Administration - Alberta Education Definitions for Recording of Administration Cost Continued

- ▶ Sales and services provided to external organizations and individuals;
- ▶ Administration costs associated with Regional Collaborative Service Delivery (RCSD) and the Regional Learning Consortia (for “banker boards” only);
- ▶ Cafeteria programs of a non-instructional nature;
- ▶ Noon-hour and lunch room supervision in schools (may also appear under instruction programs);
- ▶ Daycare services;
- ▶ Pre-kindergarten services;
- ▶ International student services;
- ▶ Any other activity that does not fall into regular programs.

#### 8. Specific Definitions of Administration – Saskatchewan Account Descriptions

##### 1) Administration (1-2-11-000-000-xxx-xxx)

This section includes the expenses incurred for conducting the business administration activities of the school division.

In cases where clerical staff, materials and supplies, etc. is used jointly by the business administration personnel and the instructional personnel or other departments, the expense should be pro-rated between administration and the other department(s). Professional judgment must be applied to establish an appropriate cost allocation basis in those situations where costs cannot be specifically assigned.

## APPENDICES

### H. Appendix A- Administration - Definitions and Reporting Continued

#### 8. Specific Definitions of Administration – Saskatchewan Account Descriptions

##### 2) Administration Salaries and Benefits (1-2-11-110-000-xxx-xxx)

This category includes the salary and benefit costs for employees who perform the business administration functions of the school division. Some of the personnel that this would include would be the direction of education, instructional superintendents, chief financial officer, payroll, accounts payable, and support staff for these functions.

This category also includes the salary and benefit costs for caretaking and maintenance employees who are hired specifically to provide services for the business administration facilities.

In cases where clerical/administrative support staff are shared between business administration and instructional or other department(s), the salary and benefit costs should be pro-rated between the functions using a reasonable allocation basis (e.g. relative proportion of time to support each function).

Benefit costs for employees who are shared with other functional areas should be pro-rated between the functions on the same basis as the related salary costs.

##### 3) Administration Salaries (1-2-11-110-100-xxx-xxx)

Report the amount of salaries paid to employees who perform the business administration functions of the school division.

##### 4) LEADS Salaries (1-2-11-110-102-xxx-xxx)

Report the amount of salaries paid to LEADS members (e.g. director of education, instructional superintendents, etc.).

##### 5) Educational Administration Support Salaries (1-2-11-110-107-xxx-xxx)

Report the salaries paid to central office clerical/administrative staff that support LEADS members.

In cases where clerical/administrative support staff is shared between business administration and instruction, the salary and benefit costs should be pro-rated between the two functions using a reasonable allocation basis (e.g. relative proportion of time spent to support each function).

## APPENDICES

### H. Appendix A- Administration - Definitions and Reporting Continued

#### 8. Specific Definitions of Administration – Saskatchewan Account Descriptions Continued

##### 6) Instructional Salaries and Benefits (1-2-12-115-000-xxx-xxx)

This category includes the salaries and benefits paid to all employees classified as instructional.

This includes the director of education, instructional superintendents and other staff hired under a teacher contract.

##### 7) School Administration Salaries (Principal/VP) (1-2-12-115-101-xxx-xxx)

Report the amount of salaries paid to principals and vice principals. Include 100% of principal and vice-principal allowances plus the proportion of the principal/vice-principal's teacher contract salary that represents the approximate percentage of time, on average, that the individual spends performing principal/vice-principal duties (i.e. school administration, as opposed to classroom duties). Where the proportion of time spent performing non-administration duties is not significant in relation to the overall salary costs of the school division, 100% of the teacher contract salary may be charged to School Administration Salaries (Principal/VP). School divisions will need to exercise professional judgment when determining the portion of the teacher contract salary to charge to School Administration Salaries (Principal/VP), and in determining whether the non-administration portion of duties is significant to warrant allocation to Teacher Contract Salaries – School-Based Teachers.

##### 8) Plant Operation and Maintenance Salaries and Benefits (1-2-13-120-000-xxx-xxx)

This category includes the salary and benefit costs for employees who perform the plant operation and maintenance functions of the school division. Some of the personnel that this would include would be the plant operation and maintenance supervisor, caretakers, maintenance workers, carpenters, electricians, plumbers, painters, etc. and support staff for these functions.

In some school divisions, some of the plant operation and maintenance personnel may be assigned responsibility for other functional areas, such as transportation (e.g. 50% transportation supervisor/50% plant operation and maintenance supervisor). In these situations, provided that the individual has been specifically hired for and appointed to more than one position, the salary and benefit costs should be pro-rated between the functions on the basis specified in the employment contract or other reasonable allocation basis (e.g. time).

## APPENDICES

### H. Appendix A- Administration - Definitions and Reporting Continued

#### 8. Specific Definitions of Administration – Saskatchewan Account Descriptions Continued

##### 9) Transportation Salaries and Benefits (1-2-14-125-000-xxx-xxx)

This category includes the salary and benefit costs for employees who perform the transportation functions of the school division. Some of the personnel that this would include would be the transportation supervisor, bus drivers, mechanics, and support staff for these functions.

This category also includes the salary and benefit costs for caretaking and maintenance employees who are hired specifically to provide services for the transportation facilities.

In some school divisions, some of the transportation personnel may be assigned responsibility for other functional areas, such as plant operation and maintenance (e.g. 50% transportation supervisor/50% plant operation and maintenance supervisor). In these situations, provided that the individual has been specifically hired for and appointed to more than one position, the salary and benefit costs should be pro-rated between the functions on the basis specified in the employment contract or other reasonable allocation basis (e.g. time).

##### 10) Administration Salaries and Benefits (1-2-21-110-000-xxx-xxx)

This category includes the salary and benefit costs for complementary services employees who perform the business administration functions for the program.

##### 11) Administration Salaries (1-2-21-110-100-xxx-xxx)

Report the costs for employees who perform the business administration functions for the program.

##### 12) LEADS Salaries (1-2-21-110-102-xxx-xxx)

Report the amount of salaries paid to LEADS members (e.g. director of education and instructional superintendents)

##### 13) Education Administration Support Salaries (1-2-21-110-107-xxx-xxx)

Report the salaries paid to central office clerical/administrative staff that provide program support services to LEADS members.

In cases where clerical/administrative program support staffs are shared between business administration and instructional, the salary and benefit costs should be pro-rated between the two functions using a reasonable allocation basis (e.g. relative proportion of time to support each function).

## APPENDICES

### I. Appendix B – Examples of Jurisdictions who provide direction on Administration Expenses

#### 1. Alberta Education Funding and Expense Limit Calculation

This section provides guidelines for the calculation of the “Board and System Administration (BSA)” expense limit. In accordance with the *Funding Manual for School Authorities - 2013/2014 School Year (Page 10, “Limitations”)*, the maximum expenditure for system administration and school board governance ranges from **3.6% to 5.4%** depending on the student enrolment of the school jurisdiction. To derive the maximum allowable expense limit, the applicable percentage is applied to a school jurisdiction’s total expenditures.

There are two steps to calculate the limit on BSA expense limit:

- ▶ **Step 1:** Calculate the maximum expense limit percentage for BSA. This percentage depends on the total FTE count for grades 1-12 (net of home education and adult or underage students) between 2,000 and 6,000 FTE enrolled.
  - If total net enrolled students are 6,000 or more, the percentage limit is **3.6%**;
  - If total net enrolled students are 2,000 and fewer, the percentage limit is **5.4%**;

If total net enrolled students are between 2,000 and 6,000, an arithmetical proration at 0.00045 per FTE applies. For example, 4,500 FTE =  $6,000 - 4,500 = 1,500 \times 0.00045 = 0.675\%$ , plus **3.6% = maximum expense limit of 4.275%**.

- ▶ **Step 2:** Calculate the dollar amount limit for BSA expenses by applying the percentage calculated in step 1 to total jurisdictional expenses for the year.

Special consideration may apply for charter schools and small school boards (FTE enrolment under 3,000) based on their funding for the small board administration grant. The maximum limit of BSA expense will be the greater of the calculated amount following the above procedures or the small board administration allocation.

## APPENDICES

### I. Appendix B – Examples of Jurisdictions who provide direction on Administration Expenses Continued

#### 1. Alberta Education Funding and Expense Limit Calculation Continued

The formula for calculating the BSA Expense Limit is presented on page 22. The last worksheet of the 2013/2014 AFS Template electronic file is an electronic version of this file. **Please include the completed BSA Expense Limit calculation with your jurisdiction's Audited Financial Statements to Alberta Education by November 30, 2014. Input only the Blue cells on the Template as indicated above to calculate the school jurisdiction's BSA limit and whether the jurisdiction exceeds it.**

On the BSA Unaudited Schedule, enter only the following data:

- ▶ Number of Net Enrolled Students (Grades 1-12) (cell "I8");
- ▶ If the AFS is for a charter school, enter "C" in cell "H9", otherwise leave the cell blank.

If cell "I32" contains a value other than "0", the school jurisdiction has exceeded its Board & system administration expense limit.

Note that this schedule is unaudited but will be reviewed by Alberta Education for reasonability. This is a sample of the schedule.

#### Notes to the Financial Statements

The notes to the financial statements are an integral part of the audited financial statements and provide information required by internal and external users to understand the financial position of the school jurisdiction and to prepare the consolidated financial statements. *Appendix A* provides recommended standard notes to the financial statements which school boards should use, as applicable, maintaining the format and detail outlined in the Appendix. Additional notes may be added or deleted as required. An Excel spreadsheet with note templates has been provided to assist School Jurisdictions with their notes.

## APPENDICES

### I. Appendix B – Examples of Jurisdictions who provide direction on Administration Expenses Continued

#### 1. Alberta Education Funding and Expense Limit Calculation Continued

**TOTAL EXPENSES (From "Total" column of Line 30 of Schedule of Program Operations)**      \$0

**Enter Number of Net Enrolled Students: Enter "C" if Charter School**

**STEP 1**

**Calculation of maximum expense limit percentage for Board and System Administration expenses**

If "Total Net Enrolled Students" are 6,000 and over      = 3.6%      **5.40%**

If "Total Net Enrolled Students" are 2,000 and less      = 5.4%

The Maximum Expense Limit for Board and System Administration is based on an arithmetical proration for the TOTAL FTE count for grades 1 -12, net of Home Education AND Adult students, between 2,000 to 6,000 at .00045 per FTE (Example: 4,500 FTE count grades 1-12 = 6,000 - 4,500 = 1,500 X .00045 = 0.675% plus 3.6% = maximum expense limit of 4.275%).

**STEP 2**

**A Calculate maximum expense limit amounts for Board and System Administration expenses**

Maximum Expense Limit percentage (Step 1) x TOTAL EXPENSES      \$0

**B. Considerations for Charter Schools and Small School Boards:**

If charter schools and small school boards,

**The amount of Small Board Administration funding (Funding Manual Section 1.13)**      \$470,826

**2013/2014 MAXIMUM EXPENSE LIMIT (the greater of A or B above)**      \$470,826

**Actual Board & System Administration from Line 30 of "Schedule of Program Operations" (Board & System Administration Column)**      \$0

**Amount Overspent**



## APPENDICES

### I. Appendix B – Examples of Jurisdictions who provide direction on Administration Expenses Continued

#### 2. The Manitoba Provincial FRAME Reporting System

For Manitoba School Divisions and Districts:

##### Background

In 1983, the Government of Manitoba introduced a province-wide, uniform reporting structure for the education programs and related services of Manitoba public schools known as FRAME.

The acronym, FRAME, stands for Financial Reporting and Accounting in Manitoba Education.

The use of FRAME is mandatory for each Manitoba school division and school district.

FRAME sets out a comprehensive reporting structure for the operating information of a school division and school district. As well it provides a budgeting and auditing system.

At the provincial level, the FRAME reporting format consists of the FRAME Annual Report of Final Budgets, identified as FRAME Report - Budget and the FRAME Annual Report of Audited Financial Statements, identified as FRAME Report - Actual.

At the school division and school district level, the FRAME reporting format consists of two parts in relation to each fiscal year. The first part, the Final Budget Report, is reported in a prospective manner to an approaching fiscal year which begins on July 1st. The second part, the Audited Financial Statement, is reported in a retrospective manner to the same fiscal year which concluded on June 30th.

The FRAME Final Budget Report requires the identification of the amount of funds voted and allocated by the school board to each education program and service in the operating budget authorized for the upcoming fiscal year as well as the student population and teacher population of each program.

The FRAME Audited Financial Statement identifies the actual operating expenditure by the school division or district on each education program and service during the completed fiscal year as well as the student and teacher populations of each program.

Manitoba law requires each public school board to provide a complete copy of FRAME.

## APPENDICES

### I. Appendix B – Examples of Jurisdictions who provide direction on Administration Expenses Continued

#### 2. The Manitoba Provincial FRAME Reporting System Continued

Final Budget Reports and FRAME Final Audited Statements to any member of the general public on request (The Public Schools Act - Section 41 - 1 - e).

##### Program and Service Reporting

The FRAME reporting structure consists of nine main education program and related service functions pertaining to public schooling. Each of these main functions bears an identifying number in a consecutive series of 100, 200, 300, and so forth.

- 100 Regular Instruction
- 200 Student Support Services (formerly the Exceptional Program)
- 300 Technology Education ( Vocational Instruction)
- 400 Community Education and Services
- 500 Central Divisional/District Administration
- 600 Instructional and Other Support Services
- 700 Student Transportation
- 800 Operations and Maintenance
- 900 Fiscal Services

The main functions are divided into a number of sub-functions. These sub-functions identify a total of 40 education programs and related services in detail under the relevant main function. Each of these programs and services bears an identifying number in the appropriate series, for example, 110, 120, and so on.

FRAME defines and reports on 40 education programs and related services in relation to the 9 main education program and service functions. The administrative areas are printed in this appendix.

##### 5.4.1 Regular Instruction Administration – 110

Consists of activities relating to Administration at the school level. Includes activities performed by Principals, Vice-Principals, Senior Years Technology Education coordinators, and related support staff. (Activities related directly to instruction, including clerks, graders, etc., should not be charged to this program but to the specific instructional program.)

## APPENDICES

### I. Appendix B – Examples of Jurisdictions who provide direction on Administration Expenses Continued

#### 2. The Manitoba Provincial FRAME Reporting System Continued

Technology costs related to school and student information systems maintained by school administrators (daily attendance, mark reporting, time-tabling, and school funds) are included here. Salary and other costs related to IT technicians working in schools and IT Services should be charged under here. IT Equipment is to be charged to individual instructional programs.

##### 5.5.1 Student Support Services Administration/Coordination - 210

Consists of activities related to the administration and co-ordination of this function. May include both school and division based positions related to the programs identified below.

##### 5.6.1 Adult Learning Centres Administration and Other - 310

Consists of all expenditures relating to the administration of the centre including activities performed by principals and administrative support staff, and any administration fees charged by the school division; all costs related to ALC premises such as rent, utilities, custodial care, and insurance; costs of day cares operated for the benefit of the ALC students; and any other costs related to an ALC that is not included under Program 320, Instruction.

##### 5.8 Divisional Administration - Function 500

Consists of costs related to the administration of the school division including the board of trustees and the superintendent's and secretary-treasurer's departments.

##### Board of Trustees - 510

Includes all activities related to the board of trustees, its members, secretarial and clerical staff. Includes professional services rendered to the board, travel, conventions, membership in school board organizations, and other expenses related to the official duties of the Board. Also includes expenses relating to school trustee elections.

## APPENDICES

### I. Appendix B – Examples of Jurisdictions who provide direction on Administration Expenses Continued

#### 2. The Manitoba Provincial FRAME Reporting System Continued

##### Instructional Management and Administration - 520

Includes activities performed by the superintendent of schools and related support staff, in general direction and management of all affairs of the school system.

##### Business and Administrative Services - 530

Activities related to business and administrative services provided at the central office level. Includes business services such as budgeting, accounting, auditing, payroll, purchasing, property management, warehousing, inventory, distribution and other fiscal services as well as administrative activities such as information services, personnel services, advertising, central secretarial services applicable to administration function, legal services, facilities development, printing, publishing and duplicating.

General liability insurance is charged here. See Allocation Rule #2 in Section 11 for assistance about where to record other insurance.

##### Management Information Services - 550

Consists of activities related to the centralized data management requirements of a school division at the school board office location. Includes computer hardware, system software, computer repairs, related staff salary and benefit costs and out-sourced data management costs such as contracted services through computer service bureaus. The salaries of directors/managers that have overall responsibility for information technology services in their school division should be allocated here.

Computer costs related to the student learning process or another discrete function/program elsewhere in FRAME are excluded from this program category and are to be included in the appropriate program.

## APPENDICES

### I. Appendix B – Examples of Jurisdictions who provide direction on Administration Expenses Continued

#### 2. The Manitoba Provincial FRAME Reporting System Continued

##### Curriculum Consulting and Development Administration - 605

Consists of expenditures for the administration, supervision and coordination of the Curriculum Consulting and Development Program. Administrators or curriculum coordinators who have supervisory responsibilities for personnel in Program 610, Curriculum Consulting and Development, are recorded here in accordance with the allocation rules.

##### 5.10 Transportation of Pupils - Function 700

Consists of all costs, including supervisory and clerical personnel, related to the transportation of pupils. Does not include the purchase of school buses over \$20,000 per unit as they are recorded in the Capital Fund.

##### 5.10.1 Administration - 710

Consists of expenditures for administering and supervising this function.

##### 5.11 Operations and Maintenance - Function 800

Consists of all costs, including supervisory and clerical personnel, related to the upkeep, maintenance, and minor repair of all school division buildings and grounds. Includes utilities, taxes, insurance, and supplies. Does not include capital costs. Desks, chairs, tables and computer equipment are to be included in the instructional functions, not in Function 800.

##### 5.11.1 Administration - 810

Consists of expenditures for administering and supervising this function.

## APPENDICES

### I. Appendix B – Examples of Jurisdictions who provide direction on Administration Expenses Continued

#### 2. The Manitoba Provincial FRAME Reporting System Continued

##### **ALLOCATION RULES**

In order to maintain comparability of costs reported in a standardized accounting system, it is necessary to have rules governing where costs will be charged or allocated.

##### **11.1 Salaries**

- ▶ Costs of staff directly involved in program delivery will be charged to the program based on the percentage of time spent on each program. This can be accomplished by either of two methods:
  - allocation by payroll distribution based on a fixed proration. The proration should be reviewed periodically (twice a year minimum) or when it is known that the conditions have changed.
  - allocation by a journal adjustment for staff not assigned on an on-going basis but occasionally involved in different programs.

NOTE: In some cases it may be necessary to distribute salary costs to a program based on factors other than time (e.g. number of pupils taught). This practice should be kept to a minimum and used only where necessary.

- ▶ If supervisory staff is involved in more than one function, the salary cost will be charged firstly to the function for which the individual is primarily responsible and then the following shall apply:
  - if involved in supervision, cost **must** be allocated between functions supervised if the time involved in an individual function, on a continuing basis, is more than 25%, and **may** be allocated if the time involved is more than 10%. Supervisory costs may be allocated only when there is a direct reporting relationship and there is no other management layer between the position being allocated and the function supervised.

e.g. A Secretary-Treasurer that has direct responsibility for the transportation function, and where there is no director/manager/coordinator/supervisor residing in the transportation function, must (may) be allocated if the time spent in the function is more than 25% (10%).

## APPENDICES

### I. Appendix B – Examples of Jurisdictions who provide direction on Administration Expenses Continued

#### 2. The Manitoba Provincial FRAME Reporting System Continued

- if involved in direct program delivery, then (a) above will apply to portion of time spent in direct delivery, even if less than 25%.
- Any allocation of salaries (e.g. library, counselling etc.) should be supported by verifiable evidence, especially where grant monies are involved. An example of verifiable evidence is a document, signed by a supervisor, stating how much time the individual, whose salary is being allocated, worked in each area.
- Activities relating to supervision of students such as lunchroom supervision, home room supervision and playground supervision will be charged to Regular Instruction under the appropriate instructional program.
- Principal and vice-principal salaries should be included in Object Code 320, unless the principal and vice-principal are directly involved in classroom instruction. If this is the case, then the portion of time spent in direct classroom instruction should be charged to Object Code 330.
- Instructional related staff normally referred to as coordinators, consultants, directors or supervisors will normally be performing activities which would require their inclusion in programs under the Instructional and Other Support Services function.
- Salaries for substitute teachers replacing regular instruction teachers for such reasons as illness should be reported in Object Code 330, Function 100. **Do not** report time of substitute teachers in the full-time-equivalent count.
- Salary costs for substitute teachers required for regular staff involved in professional development activities should continue to be reported under
- Professional and Staff Development in Function 600.

## APPENDICES

### I. Appendix B – Examples of Jurisdictions who provide direction on Administration Expenses Continued

#### 3. Saskatchewan Education Funding Allocations for Administration

##### 1) Governance

The governance component allocates funding for costs associated with boards of education, conseil scolaire and School Community Councils executing their fiduciary responsibilities and duties, as well as, costs that are incurred primarily for governance purposes such as elections, membership fees and dues, negotiating fees, public relations, Saskatchewan School Boards Association research and costs of other governance activities and initiatives such as policy and program decision making.

Total provincial funding allocated for governance in 2014-15 is \$11.5M, or 0.6% of the total provincial funding recognition.

##### a) Funding Formula and Rates

For example: Governance funding is calculated using the following allocation formula:

- ▶ Governance Funding = Base Funding + Per-School Funding + Per-Student Funding + Distance Funding

Distance funding is calculated as follows:

- ▶ Distance Funding = 2 (Average distance from division office to division borders) + Distance from division office to funded schools × Mileage Rate × Standard Number of Board Meetings.

The following table provides a summary of the 2014/15 factors and rates used in the calculation:

Base Funding Board remuneration, pro d and school community councils	\$12,185 per Chair + \$10,154 per Member + \$2,031 per Chair and Member+ \$2,031 per Council
Per School Funding	\$4,037 per school + \$403.70 per school for languages
Per Student Funding	\$23.25 per K-12 student
Mileage for Board Meetings	\$.403 per Km for 15 meetings



## APPENDICES

### I. Appendix B – Examples of Jurisdictions who provide direction on Administration Expenses Continued

#### 3. Saskatchewan Education Funding Allocations for Administration

##### 1) Administration

The administration component allocates funding to boards of education for conducting the business administration functions of the school division. These functions relate to the responsibility for the education and business administration of the school division (including administrative salaries and non-salary items such as travel costs, computer supplies and software programs).

Some of the personnel considered through this component include the director of education, chief financial officer, superintendent, and support staff such as accounting/payroll/human resource managers and clerks, information technology personnel, etc. Total provincial funding allocated for administration in 2014-15 is \$68.7M, or 3.8% of the total provincial funding recognition.

#### 43. Funding Formula

Administration funding is calculated using the following allocation formula:

Administration Funding = Base Funding + School Funding + Student Funding + Dispersion Funding.

The base funding in 2014/15 was \$494,735 per school division plus \$10,500 per school plus \$285 per student plus dispersion allowances.

**The result of the formula is to provide administration and governance funding of 4.26% of total funding.**

## APPENDICES

### J. Appendix C – Operating Reserves – Reporting and Accountability

#### 1. British Columbia

Financial Statement instructions for BC school districts outline the requirements for reporting the accumulated operating reserves.

#### 42- Schedule 1 – Schedule of Changes in Accumulated Surplus (Deficit) by Fund

This schedule is used to present the interfund transfers between funds, the net revenue (expense) for each fund and the resulting closing accumulated surplus (deficit) by fund that cannot be presented on Statements 1 and 2 per PSAS. Districts must not report an accumulated deficit in any fund unless prior permission from the Minister has been received. The opening accumulated surplus (deficit), or fund balance, for each fund will populate through links to Schedules 2, 3 and 4 and should agree to the district's June 30, 2014 audited financial statements.

The net revenue (expense) for the year, restatement for Employee Future Benefits, and interfund transfers between funds will populate through links to Schedules 2, 3 and 4.

Total accumulated surplus (deficit) includes accumulated remeasurement gains (losses) reported on Statement 3 that should be allocated amongst funds on Schedule 1 on the line provided.

#### 43- Statement 1 – Statement of Financial Position

**Financial Assets – Liabilities = Net Financial Assets (Debt)**

**Net Financial Assets (Debt) + Non-Financial Assets = Accumulated Surplus (Deficit)**

## APPENDICES

### J. Appendix C – Operating Reserves – Reporting and Accountability

#### 2. Alberta

##### Alberta Description and Reporting

**Accumulated surplus:** This item represents the jurisdiction’s residual interest in its assets after deducting its liabilities. The balances of the various accumulated surplus accounts (“net asset accounts” under NPO accounting) are automatically referenced from the Schedule of Changes in Accumulated Surplus. Accumulated surplus components are as follows:

- ▶ **Unrestricted surplus** represents the portion of accumulated surplus that has no designated restriction by Board or Management as to use;
- ▶ **Operating reserves** are funds restricted for specific operating purposes;
- ▶ **Accumulated surplus (deficit) from operations (ASO / ADO)** is the subtotal of unrestricted surplus and operating reserves. ASO / ADO, adjusted for School Generated Funds and certain employee future benefits, represents a key financial health indicator;
- ▶ **Investment in tangible capital assets** represents the unamortized portion of the unsupported tangible capital assets (i.e. financed internally by the jurisdiction) less related debt.
- ▶ **Capital reserves** is the segment of accumulated surplus that will be used for future capital acquisitions;
- ▶ **Endowments** represents the principal amounts received for the benefit of third-parties which must be held in perpetuity in accordance with stipulations placed by the contributor.
- ▶ **Accumulated remeasurement gains (losses)** represents unrealized gains and losses due to changes in fair value that are calculated on the Statement of Remeasurement Gains (Losses).

## APPENDICES

### J. Appendix C – Operating Reserves – Reporting and Accountability Continued

#### 2. Alberta Continued

##### Schedule of Changes in Accumulated Surplus

Financial statement users require information about changes in accumulated surplus attributable not only to operations, but also to tangible capital assets and funds that are restricted. The Schedule of Changes in Accumulated Surplus (SCAS) provides this information and shows the extent to which the jurisdiction's activities have resulted in an increase or decrease in the various components of net assets.

The SCAS summarizes changes within each component of accumulated surplus. Each column on the first page of the SCAS represents a specific component of accumulated surplus. A breakdown by program is required for the operating and capital reserves on the second page of the document.

- 1) **Capital reserves** represent the portion of accumulated surplus designated for future board- funded tangible capital asset acquisitions (TCA). The balance is increased through either a decision by the board & management to target funds toward future TCA purchases or through proceeds on the sale of board-funded TCA. Funds may not be transferred from unrestricted surplus to capital reserves if doing so would cause or increase a negative Unrestricted Surplus. However, the proceeds on the disposal of board-funded (unsupported) tangible capital assets **MUST BE** credited to capital reserves. Capital reserves can only be discharged through the purchase of Board funded tangible capital assets or may be transferred back to unrestricted surplus through special approval from the Minister of Education.
- 2) **Operating reserves** represent funds designated for specific purposes by board & management. If any school generated funds are included in the school jurisdictions' accumulated surplus, they should be included in operating reserves. **Both capital and operating reserves must be designated by Program (Instruction (ECS – Grade 12), Plant Operations & Maintenance, Transportation, Board & System Administration, or External Services) on second page of the SCAS.**

## APPENDICES

### J. Appendix C – Operating Reserves – Reporting and Accountability Continued

#### 2. Alberta Continued

- ▶ **Unrestricted surplus** is the portion of accumulated surplus that is unspent and unencumbered by the school jurisdictions as at year-end. School jurisdictions may use these funds for operational or capital purposes as permitted under the applicable acts, guidelines, and the Funding Manual to education students. Unrestricted Surplus (US) may be negative only when there are no operating reserves. Otherwise, operating reserves must be returned to US, either in full or to the extent required to eliminate the negative balance.
- ▶ **Endowments** are funds held for the benefit of third parties for specific purposes as stipulated by the donor. The principal may not be expended, as stipulated by the contributor, but the investment income of the funds (or a portion thereof) may be used (for scholarship or bursary funds, for example). Upon receipt, an endowment contribution should be credited directly to Accumulated Surplus under the Endowments column of the Schedule of Changes in Accumulated Surplus. If the school jurisdiction is permitted to spend the principal, funds are to be treated as **Trusts under Administration** as described.

## APPENDICES

### K. Appendix D - Audited Financial Statements and Schedules to the Financial Statements

1. Alberta provides a consolidated Province-wide Financial Statement to the Public

Audited Financial Statements presents the individual audited financial statements and schedules to financial statements for each of the school jurisdictions in the province for the fiscal years ending August 31 of 2011, 2012, 2013 and 2014. These individual school jurisdiction files contain the information within the individual jurisdiction statements and schedules submitted to Alberta Education in accordance with the requirements of the School Act.

In addition, there are ten combined financial statements (providing roll-up provincial totals) and three summary reports by school jurisdiction compiled from information reported within the individual statements and schedules.

	<b>2013/2014</b>	<b>2012/2013</b>	<b>2011/2012</b>	<b>2010/2011</b>
<b>Combined Financial Statements</b>				
Statement of Financial Position	(12 kb)	(12 kb)	(12 kb)	(13 kb)
Statement of Operations	(10 kb)	(13 kb)	(14 kb)	(14 kb)
Statement of Cash Flows	(11 kb)	(11 kb)	(9 kb)	(9 kb)
Statement of Changes in Net Debt	(8 kb)	(8 kb)	(12 kb)	(13 kb)
Statement of Remeasurement Gains and Losses	(7 kb)	(7 kb)	N/A	N/A
Statement of Changes in Accumulated Surplus	(15 kb)	(17 kb)	N/A	N/A
2012 Statement of Changes in Accumulated Surplus	N/A	(17 kb)	N/A	N/A
Schedule of Capital Revenue	(12 kb)	(11 kb)	N/A	N/A

## APPENDICES

### K. Appendix D - Audited Financial Statements and Schedules to the Financial Statements Continued

1. Alberta provides a consolidated Province-wide Financial Statement to the Public Continued

2012 Schedule of Capital Revenue	N/A	(11 kb)	N/A	N/A
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Schedule of Plant Operations and Maintenance Expenses	(12 kb)	N/A	N/A	N/A
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#### **Summary Reports**

Details of Accumulated Surplus	(22 kb)	(22 kb)	(19 kb)	(19 kb)
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Report of Revenues by Program	(20 kb)	(20 kb)	(15 kb)	(16 kb)
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Report of Expenses by Program				
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2. UVic Reporting of Accumulated Reserves

University of Victoria Reporting of Accumulated Reserves in their Management Discussion and Analysis in their financial statement package is located on their web site at <https://www.uvic.ca/vpfo/accounting/resources/financial-statements.php>

## APPENDICES

### K. Appendix D - Audited Financial Statements and Schedules to the Financial Statements

#### 3. Manitoba Reporting of Accumulated Operating Reserves and Appropriations

Required Notes on Accumulated Surplus Reserves:

#### 4. **Accumulated Surplus** - *PSG-4 7-8 (Reference)*

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	-
Undesignated Surplus	-
	<hr/>
Capital Fund	
Reserve Accounts	-
Equity in Tangible Capital Assets	-
	<hr/>
Special Purpose Fund	
School Generated Funds	-
Other Special Purpose Funds	-
	<hr/>
Total Accumulated Surplus	<hr/> <b>\$ -</b> <hr/>

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.



## APPENDICES

### L. Appendix E – Information Sources

1. School Finance Branch, Ministry of Education, Administration Working Group, 1997
2. Resource Allocation Benchmarking Study, Canadian Colleges and Institutes, 2003 compared to 2002, KPMG
3. Operating Fund Account Descriptions, BC Ministry of Education
4. Alberta Ministry of Education, Alberta-Funding Allocation System Documents
5. Brandon School District – Web Site, Financial Statements, Organization Chart
6. BC EDAS data for September 2014
7. Revenue and Expenditure Tables for BC School Districts, Ministry of Education
8. Annual Financial Statements for Douglas College, University of Victoria, Fraser Health Authority, Okanagan College,
9. Statistical enrollment, budgets and financial statements for public school districts in Alberta and Manitoba
10. Ernst and Young Report re Vancouver School Board of Education, 2015
11. Ministry of Education-Administration Spending Calculation for Media Release provided by the School District Reporting Branch.
12. Support Systems for Learning: Governance and Administration, Commissioned Papers: Volume 6, May 1988, Vernon Storey, Elmer Froese, Arthur Kratzmann, Jack Peach
13. Summary of Key information published by the Ministry of Education for 1994/95, 1996/97, 2000/01, 2009/10
14. Auditor general of British Columbia | Aspects of financial Management | Management of Working capital by colleges and school district- August 2010
15. Report on the Vancouver School Board by the Office of the Comptroller General June, 2010
16. Statistics Canada Tables of Information:
  - A. Table 477-0059 1  
Financial information of universities and degree-granting colleges, expenditures by type of fund and function

## APPENDICES

### L. Appendix E – Information Sources Continued

17. Workbook, Board Development Program of Alberta Culture and Community Spirit in collaboration with The Muttart Foundation, Financial Responsibilities for Not for Profit Boards
18. Funding Allocations and Tables, BC Ministry of Education
19. Internet Sites:
  - a. Grant Thornton Presentation on PSAB Requirements and Implementation, 2008
  - b. [http://www.payscale.com/research/US/Job=School\\_Superintendent/Salary](http://www.payscale.com/research/US/Job=School_Superintendent/Salary)
20. BC Office of the Auditor General Report, 2008- Understanding Canadian Public Sector Financial Statements
21. Canadian Charity Law-Article by Mark Blumberg, How much should a Canadian Charity Spend on Overhead such as funding raising and administration, September 15, 2008
22. Measuring Financial Performance in Public Sector Financial Statements, Conceptual Framework Task Force, 2012, Consultation Paper, Public Sector Accounting Board (PSAB)
23. United Kingdom Department for Education, Accountability and Governance, April 2014
24. Charities Review Council, Accountability Standards, April 2014
25. Office of the Auditor General of Canada, Strengthening Accountability, Transparency and Governance Discussion Paper, House of Commons, 2013
26. Taxpayer Accountability Principles, Province of BC, June, 2014