



Memorandum

Date: June 13, 2025
To: Finance and Planning Committee
From: Kate Cumming, Assistant Secretary-Treasurer
Information Item: **2024/2025 Estimated Accumulated Operating Surplus**

1.0 RELEVANT BOARD MOTION/DIRECTION

Public Board Meeting – September 25, 2024

Main 24P-098

THAT: The Board of Education receive and approve the Accumulated Operating Surplus for the year ended June 30, 2024 as attached to the Agenda, and as presented at the September 25, 2024 Public Board Meeting.

2.0 BACKGROUND

Policy 161 – Accumulated Operating Surplus (Appendix A) was amended in December of 2021 following direction by the Ministry of Education and Child Care, to establish a policy to provide boards of education with guidelines and resources to ensure a clear, transparent understanding of the reasonable accumulation and planned use of operating surplus. This policy allows boards to restrict portions of their operating surplus for future use to address board priorities. This policy outlines circumstances in which boards can restrict operating surplus, transfer available operating surplus to local capital and defines the limits of these restrictions.

3.0 INFORMATION STATEMENT

Internally Restricted Operating Surplus – to support financial planning, boards can restrict operating surplus for use in future years. To increase transparency, appropriations require board motion. The three streams of internally restricted operating surplus are described below:

- (a) **Restricted due to the nature of constraints on the funds** – Boards receive Ministry of Education and Child Care special purpose grants for targeted purposes or have access to other revenue. Where these funds are not spent, the balance is internally restricted to be used for specific use in future years. These internal restrictions could be for categories such as:
- (i) Contractual obligations (i.e. professional development)
 - (ii) Funding required to meet the Indigenous education spending target; and
 - (iii) School generated funds (not externally restricted)

(b) **Restricted for anticipated unusual expenses identified by the board** – to support effective planning, there will be situations identified as one-time or intermittent projects that will not be funded by revenues in that year or where, if they are funded from the annual operating grants, may cause reductions in educational service levels. These one-time expenses may include:

- (i) Staffing needs that are short term and variable in nature,
- (ii) Implementation of new initiatives, and
- (iii) Impact of emerging events (i.e. COVID-19 pandemic, refugee students).

(c) **Restricted for operations spanning multiple school years** – to support effective operational planning, there will be situations where operating surplus funds may need to be carried over to future years. These situations could include:

- (i) Future years' operations or budget,
- (ii) Schools and departments surplus/carry forward balances,
- (iii) Operating projects in progress,
- (iv) Technology, utilities, equipment, capital projects,
- (v) Purchase order commitments, and
- (vi) Educational programs spanning multiple years.

Unrestricted Operating Surplus (Contingency) – to support effective planning, that includes risk mitigation, boards should maintain a reasonable amount of unrestricted operating surplus. This contingency may be required for unexpected increases in expenses and/or decreases in anticipated revenues.

Restricted for Future Capital Cost Sharing – to support major capital projects identified in the Board of Education's Five-Year Capital Plan, boards may restrict operating surplus to fulfil capital project cost sharing expectations.

Local Capital – transfers from operating funds to local capital (Appendix D) should be made:

- (d) For specific initiatives that are tied to the board's Strategic Plan (Appendix B),
- (e) To address capital asset investment, and
- (f) To meet specific needs of the district.

4.0 ASSISTANT SECRETARY-TREASURER'S COMMENTS

The above guidelines have been applied to the 2024/2025 estimated accumulated operating surplus and local capital fund (Appendix C and Appendix D).

5.0 NEXT STEPS

The Assistant Secretary-Treasurer will provide the Board of Education with a final report for approval, detailing the internally restricted operating surplus and unrestricted surplus, including inter-fund transfers, by September 30, 2025.

6.0 APPENDICES

- A. Policy 161 - Accumulated Operating Surplus
- B. Central Okanagan Public Schools 2021-2026 Strategic Plan
- C. Estimated 2024/2025 Accumulated Operating Surplus Planning & Reporting Template
- D. Estimated 2024/2025 Local Capital Surplus Planning & Reporting Template