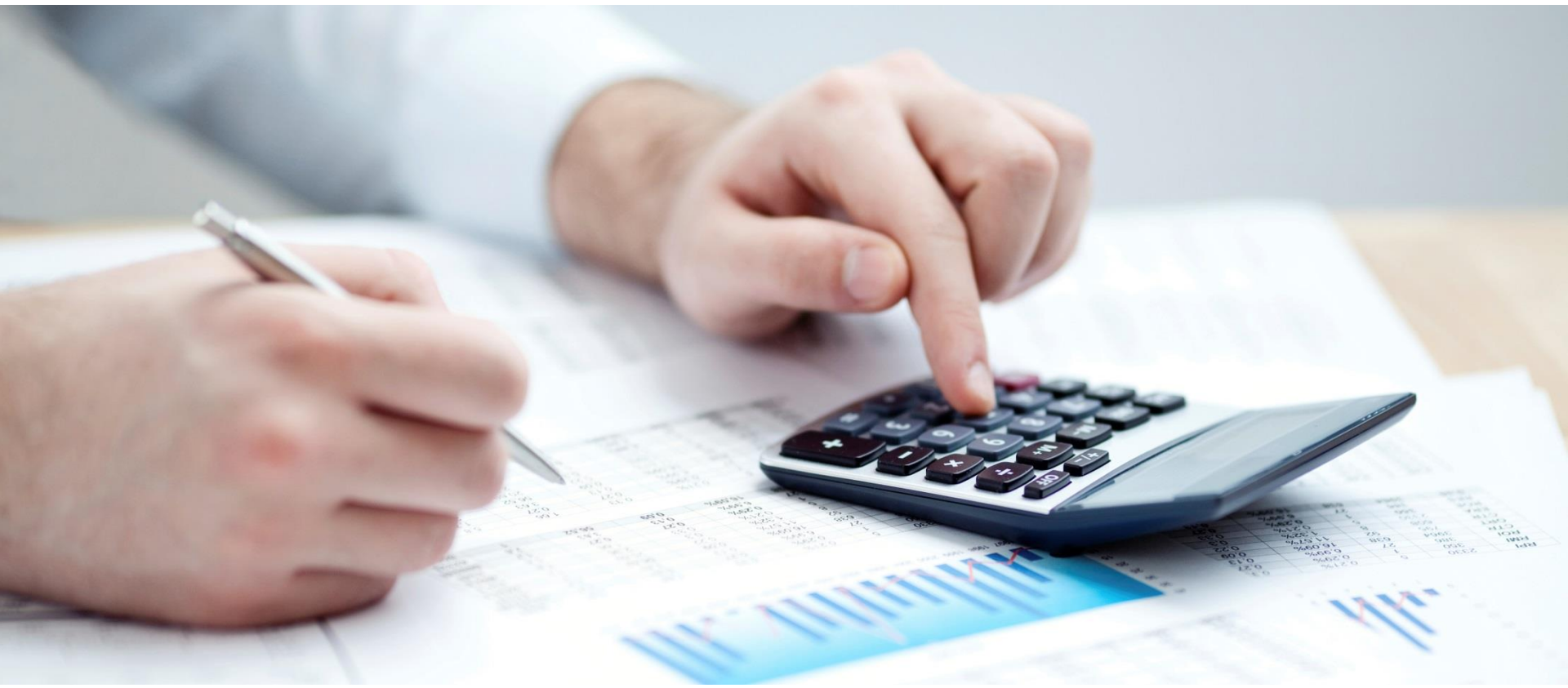


Financial Accountability & Assurance

Developing A Common Understanding to Support Student Learning



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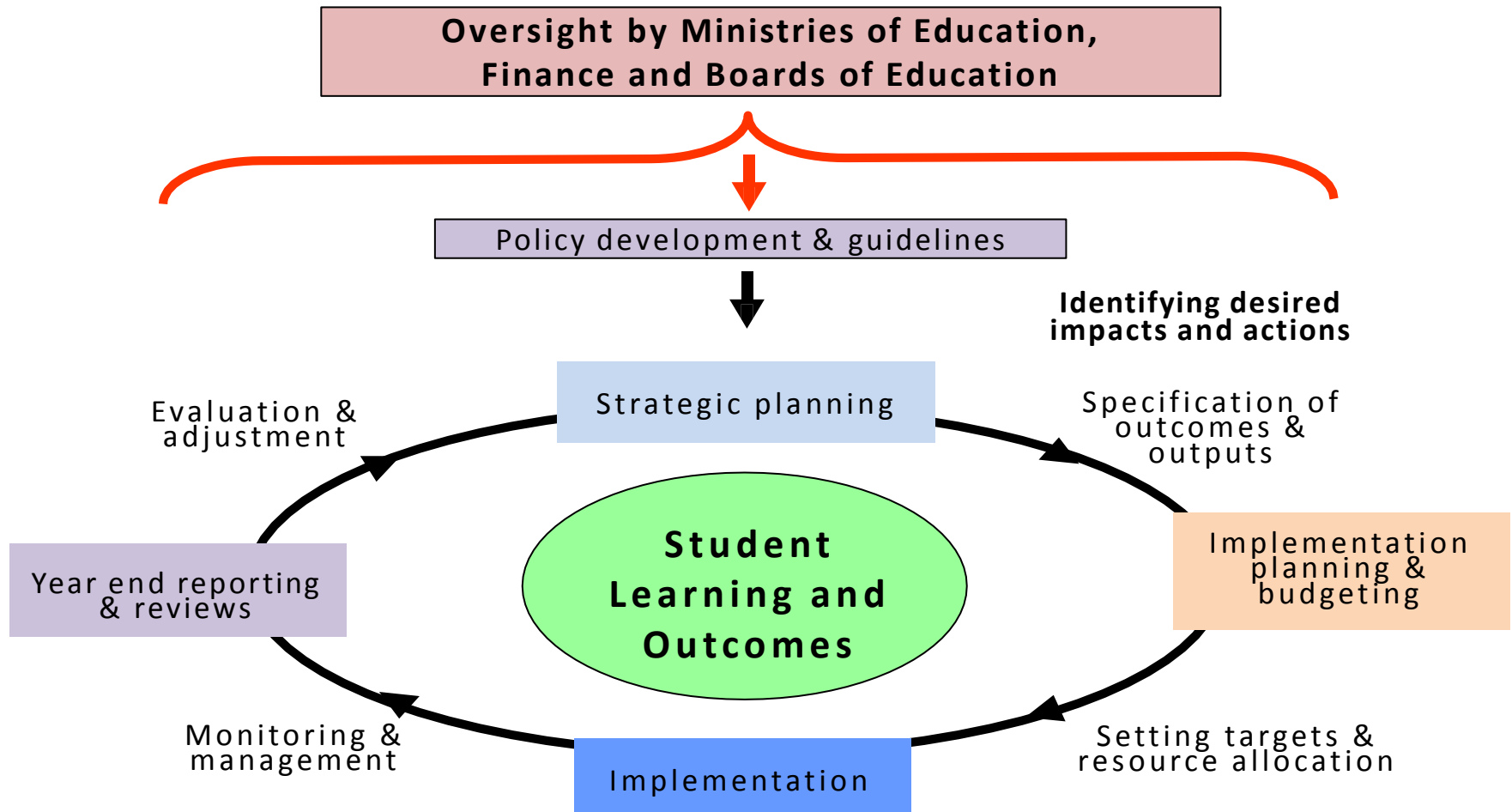


1. Financial Accountability Framework
2. Key Measures of Financial Health
3. District Perspectives and Research
4. Reporting, Reviews and Benchmarking
5. Questions at Tables





Financial Accountability Framework





Accountability

Auditor General of Canada:

- Accountability is a relationship based on obligations
- To ensure accountability, there is a need for transparency

Boards of Education are:

- Accountable to the Province – provides > 92% of school district revenue
- Accountable to the Community/taxpayer/students and parents



Principles

Province of BC - Taxpayer Accountability Principles

- Transparently manage responsibilities according to a set of common public sector principles in the best interest of citizens of the province
- By enhancing organizational efficiency and effectiveness in planning, reporting and decision making, public sector organizations will ensure actions are aligned with government's strategic mandate

Ministry of Education Responsibilities

- Ensure boards of education meet legislative and government policy based financial responsibilities
- Ensure school district budgetary and financial information is available, comparable and audited

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Focus Today - 3 Key Measures of Financial Health

1. Reserves (Surpluses/Deficits)
2. Cash balances
3. Administrative and overhead costs





Although every district is different, at a summary level, these key indicators show the K-12 Education sector is managing finances well:

- \$271 million accumulated operating surplus
- No district in deficit as at June 30, 2015
- Cash and short-term investments exceeding \$1.4 billion





Accumulated Surplus (Reserves)

- Represents accumulated Operating Fund revenue in excess of expenses over time (or expenses in excess of revenues in an accumulated deficit situation)
- Primary indicator of financial resources that the school district has available to provide future services:
 - Total for all school districts has increased from approximately \$18 million in 2001 to over \$271 million in 2015
 - Accumulated surplus as a percentage of total operating expenditures was 5.5% in 2015 – this has more than doubled in the past 10 years
 - Recent Ernst & Young review recommended operating reserves from accumulated surplus of between 2 to 3% as compared to expenditures
 - 17 school districts had an accumulated deficit in 2001
 - 0 school districts have an accumulated deficit in 2015



Cash Balances

- Total cash on hand was almost \$1.4 billion at June 30, 2015
- Cash and short-term investments have doubled in the past 10 years
- Cash balances in 2015 represented over 29% of total Operating grants, this increased from 16% in 2004
- October 2015, fifty-six school districts have \$673M on deposit with Ministry of Finance's Central Deposit Program
- Districts have earned more than \$23 million of interest revenue since inception of CDP. Rate of interest: 1.7% (Prime less 1%)



Administration Expenses

- School district budgets and financial statements reflect standardised presentation of financial activity, based on defined financial account structure
- Six categories of administration and overhead spending
 - School administration
 - Operations and maintenance administration
 - Transportation and housing administration
 - Business administration
 - Education administration
 - School district governance



Administration Expenses

- Based on audited financial statements, the 6 categories of administration expenses account for 6.95% (~ \$342 million) of total spending in 2014/15. This compares to 5.2% in 2001/02.
- Definitions of all expense categories are detailed in the Instructions and Guidance provided to school districts which is available on the Ministry's website.
- Budgets and financial statements could be expanded to include additional schedule focusing on administration expenses or administration and overhead, which is approximately 24% - 25% of budget on average.



What the Ministry is Hearing from School Districts

- Administration
 - Increasing costs outside of control
 - Increasing expectations
 - Not a decision of Boards to add administrative services
- Cash
 - Factors such as late release of holdback, sale of surplus local assets
- Reserves
 - Required for long-term sustainability

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BCASBO

- School districts are doing a good job of managing their finances and have made difficult decisions
- Our cash balances are assisting the Province reduce their debt financing through increased CDP deposits
- Reserves provide us with the ability to plan and sustain services over time and to provide one time services that would not be affordable within current budgets



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BCASBO

- Comparable, understandable and transparent reporting is in all our interests
- Clearer definitions and cost allocation guidelines will ensure comparability year over year and between districts
- Guidelines around appropriate reserve levels and descriptions in financial reporting and budgets will encourage planning and allow for a fuller understanding
- Comparable and understandable reports will allow for benchmarking our services and help Boards and senior staff to evaluate their spending
- Allow for discussions around funding, financial management and accountability in our sector to begin from common understandings





BCASBO wants to work with the Ministry staff on this

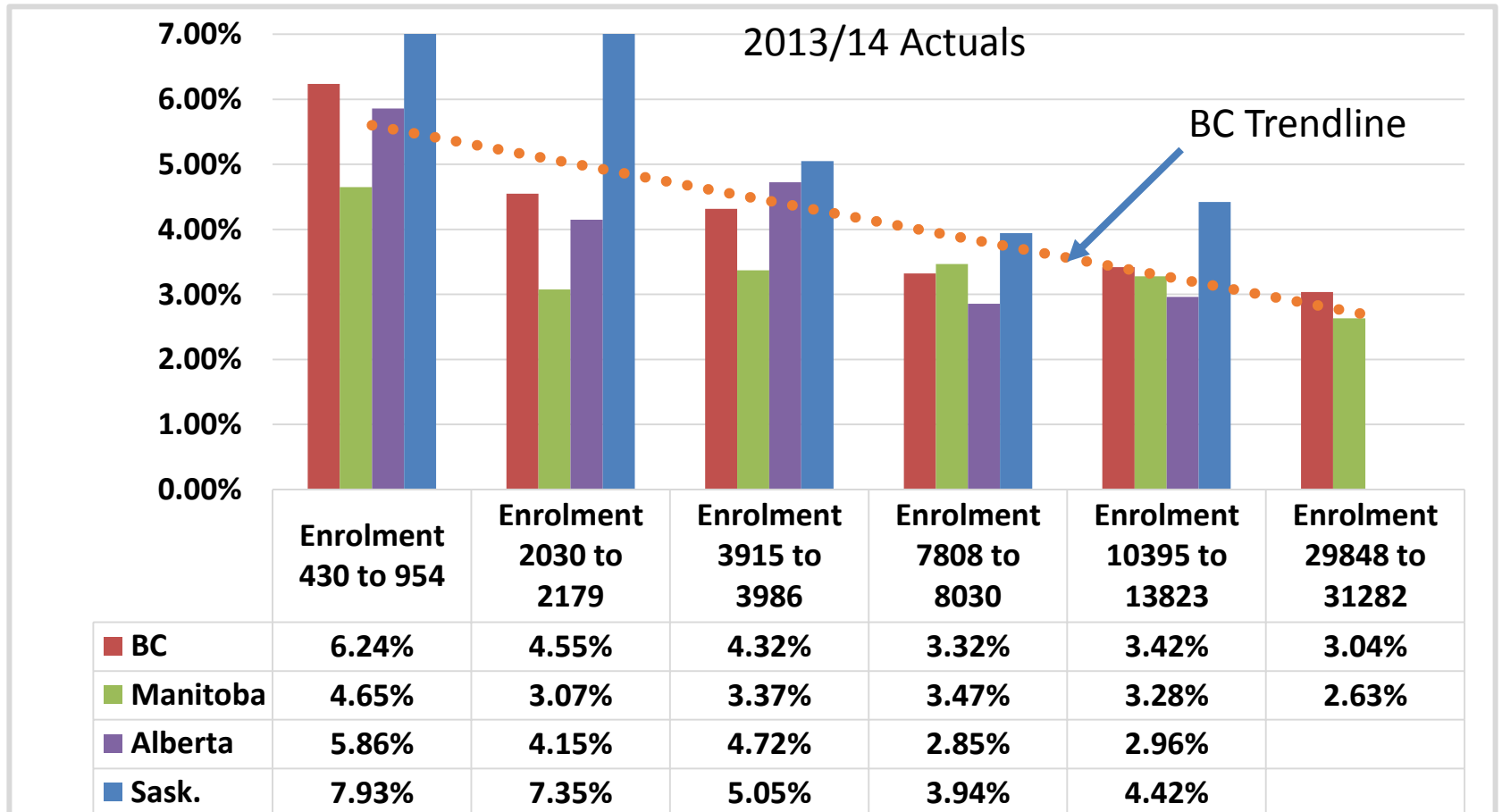
BCASBO has commissioned a review of:

- Administrative cost levels, definitions and reserve balances in other provinces and jurisdictions as well as other public sector organizations
- Information sharing and Reporting options for the areas of administration and reserves
- Next slide is an example of some of this work





District Administration as a % of Operating Costs by Enrolment Size – Comparison between Western Provinces





How can we improve the understanding of school district financial health indicators?

- Definitions and standards?
- Reporting?
- Reviews?
- Benchmarking?





Please discuss these questions at your table and record your thoughts and suggestions:

1. Should there be policies and standards for appropriate levels of cash, reserves and administration costs, and if so what might they be?
2. How could financial reporting be amended to provide more transparent information to the Province and your community?
3. How could the financial accountability framework and assurance be strengthened through the use of reviews and external advice?
4. What comparable and transparent information is required for your district to better evaluate spending and financial health?