

**NANAIMO LADYSMITH PUBLIC SCHOOLS
BOARD OF EDUCATION
PUBLIC MEETING
INFORMATION SHEET**

DATE: August 27, 2025
TO: Board of Education
FROM: Mark Walsh, Secretary-Treasurer and Taunia Sutton, Associate Secretary-Treasurer
SUBJECT: 2024-25 Preliminary year-end accumulated operating surplus position

Background

This information sheet is to provide the preliminary 2024-25 year-end financial results with regards to the accumulated operating surplus. Included within the memo are the items that have been restricted for a particular purpose, commitment, or initiative, leaving the remaining unrestricted balance which is available to support future operations.

At the September Strategic Directions Committee Meeting the draft financial statements will be presented, along with the accumulated operating surplus schedule once again, as well as recommendations for use of a portion of the unrestricted balance in support of district operations. It should be noted that recommendations for surplus expenditures will be related to key actions to support the implementation of the Strategic Plan.

Discussion

In order for the district to be in a position to respond to unforeseen financial pressures it is appropriate for the Board to maintain a reasonable operating surplus, in accordance with Policy 304 Accumulated Operating Surplus (Reserves). The Policy, in conjunction with Administrative Procedure 304.1AP provides guidelines for which to manage financial risk by ensuring there are reserves available to meet both planned and unplanned obligations, while spending most of the district's surplus resources on current or multi-year programs, services, or initiatives aligned with board goals and operational plans.

District surplus is categorized as either internally restricted for particular use, or unrestricted. Under restricted surplus there are three unique categories:

- **Anticipated Unusual Expenses:** Identified one-time or intermittent projects not able to be funded by current year revenues.
- **Financial Constraints/Targeted Funds:** Grants, revenues, or financial commitments that extend beyond the current fiscal year are restricted for future use.
- **Operations Spanning Multiple School Years:** Situations where operating surplus funds may need to be carried over to future years.

Accumulated surplus can also be transferred to the districts Local Capital Fund in support of specific capital initiatives that have clear linkage to the Board's strategic goals. As well, to support major capital projects that are identified in the board's 5-year Capital Plan and approved by the ministry for concept plan or business case development, boards may restrict operating surplus to satisfy capital project cost share expectations at the time the project is brought forward for funding approval.

For the 2024-25 fiscal year, the district completed operations on June 30th with an annual surplus in the amount of \$793,488. As noted in the preliminary Financial Statement Schedule 2 below, this amount adds to the districts accumulated operating surplus balance, increasing it from \$11.6 to \$12.4 million.

Draft Financial Statements - Schedule 2

School District No. 68	2025	2024
Schedule of Operating Operations	Actual	Actual
Year Ended June 30, 2025	\$	\$
Revenues		
Provincial Grants - Ministry of Education and Child Care	175,116,838	166,835,735
Provincial Grants - Other	257,741	321,813
Tuition	6,394,970	5,897,720
Other Revenue	3,619,459	3,198,755
Rentals and Leases	901,378	643,617
Investment Income	1,086,942	1,320,701
Total Revenue	187,377,328	178,218,341
Expenses		
Instruction	153,225,060	144,354,389
District Administration	7,209,117	7,090,453
Operations and Maintenance	19,196,534	18,678,427
Transportation and Housing	2,170,905	2,129,310
Total Expense	181,801,616	172,252,579
Current Yr Operating Surplus (Deficit); pre transfers	5,575,712	5,965,762
Net Transfers (to) from other funds		
Tangible Capital Assets Purchased	(853,732)	(805,301)
Tangible Capital Assets - Work in Progress	(228,584)	
Local Capital	(3,540,000)	(2,000,000)
Other	(159,908)	(146,583)
Total Net Transfers	(4,782,224)	(2,951,884)
Total Current Yr Operating Surplus (Deficit), for the year	793,488	3,013,878
Accumulated Operating Surplus (Deficit), beginning of year	11,593,188	8,579,310
Add (Subtract) Current Year Surplus (Deficit)	793,488	3,013,878
Total Accumulated Operating Surplus (Deficit), end of year	12,386,676	11,593,188

At the September Strategic Directions Committee meeting a detailed presentation of the districts draft Financial Statements, along with the Financial Statement Discussion and Analysis companion document, will include more in depth information with regards to the year-end financial position.

Following preliminary confirmation of the Accumulated Operating Surplus position the resulting balance (\$12.4M) is presented within a Note in the districts Financial Statements, and includes all applicable financial obligations, commitments, and future priorities and initiatives against the carrying balance, leaving an unrestricted balance. The unrestricted balance is available to support future operations, district priorities, local capital needs, and may also be used to address unforeseen risks or circumstances that have a financial impact on the district.

A draft of this Note is presented below, and each restricted items listed has been categorized in alignment with the Accumulated Operating Surplus Policy and Administrative Procedure, both of which may be found on the district's website.

Note 13 Accumulated Surplus		
OPERATING FUND	2024-25	2023-24
Accumulated Operating Surplus	12,386,676	11,593,188
<u>Restricted Surplus Reserve for Anticipated Unusual Expenses:</u>		
Staffing costs (one-time anticipated expense)	616,680	500,000
Replacement costs	250,000	250,000
EA staffing supplement	50,000	150,000
Post budget unusual expenses	15,000	-
Communications	10,000	23,700
Trustee by-election costs	-	100,000
Total	941,680	1,023,700
<u>Restricted Surplus Reserve for Financial Constraints/Targeted Funds:</u>		
District benefit plans (premium balances)	2,705,527	2,124,518
Indigenous Education Program	388,502	290,414
NDTA Teacher mentorship grant	174,650	255,026
ICY Team	121,327	1,112,851
District BASC reserve	23,295	37,600
Trustee professional development/travel	24,340	29,355
Energy initiatives	-	50,000
Total	3,437,641	3,899,764
<u>Restricted Surplus Reserve for Operations Spanning Multiple School Years:</u>		
Transfer to Local Capital	1,800,000	-
Undelivered purchase orders	803,527	-
John Barsby turf field 10 year contractual term	560,000	-
School/district equipment costs	350,000	600,000
Child care reserve	281,846	75,000
School year-end balances	264,774	240,733
School opening costs	-	250,000
Total	4,060,147	1,165,733
Summary of Accumulated Operating Surplus		
Total Restricted Operating Surplus	8,439,468	6,089,197
Total Unrestricted Surplus	3,947,208	5,503,991
Total Accumulated Operating Surplus	12,386,676	11,593,188
CAPITAL FUND		
Investment in Tangible Capital Assets	28,182,930	29,644,677
Local Capital	6,322,323	4,210,696
Capital Surplus	34,505,253	33,855,373
TOTAL ACCUMULATED SURPLUS	46,891,929	45,448,561

Important to note that the districts benefit premium balance, held by a third party but accounted for within our financials, increased from \$2.1 million to \$2.7 million which required us to reduce our initial recorded benefit expense, thereby increasing our year-end surplus position and the associated financial restriction.

Accumulated Operating Surplus - Summary of Restrictions by Category

Anticipated Unusual Expenses – Items that have been identified as one-time or intermittent projects not being funded by ongoing annual operating revenues include the following:

Staffing costs - \$616,680 was appropriated for use in the 2025-26 Annual Budget (approved by the Board in May) to cover one time salary costs.

Replacement costs - \$250,000 has been reserved in the event that the 2025-26 replacement costs exceed budgeted levels due to continued inflationary pressures.

EA staffing supplement - \$50,000 has been reserved to cover the cost of the BEAM Program for the coming school year; this amount was also appropriated for use within the 2025-26 Annual Budget.

Post budget unusual expenses - \$15,000 has been set aside for unusual expenses that arise following completion of the 2025-26 Preliminary Annual Budget process.

Communications - \$10,000 has been restricted for the costs associated with rolling out the districts new tagline.

Financial Constraints/Targeted Funds – Items applicable to specific grants or revenue that are targeted, and/or financial commitments that extend beyond the current fiscal year but are restricted for future use include the following:

District benefit plan premium balance - \$2,705,527 has been reserved per our benefit carrier's confirmation of premiums contributed by the board over claims paid to employees as well as to cover claims incurred but not yet recorded.

Indigenous Education Target - \$388,502 was the 2024-25 Indigenous Education Program year-end balance, which carries forward for use in 2025-26. As a reminder, it was noted during the 2025-26 Budget process that there was historic FTE that was not in use, which was removed in order to ensure the Target reflected only the actual staffing supporting the Program. The 2024-25 year-end surplus is predominantly a result of the unstaffed FTE.

NDTA Teacher mentorship grant - \$174,650 remains unspent for use in 2025-26. For additional relevance, this is the carrying balance of the \$280,000 Grant provided by BCPSEA in 2020-21 for Teacher Mentorship, managed by the NDTA.

Integrated Child and Youth Team (ICY Team) - \$121,327 is the year-end balance which will be available for use in 2025-26.

District Before and After School Care Reserve (BASC) – Programming costs in 2024-25 exceeded revenues collected by \$220,673 which were partly offset by Special Purpose Funds provided to support Child Care such as Seamless Day K and an Early Learning Capacity Grant, as well as surplus from the prior year. The remaining deficit was \$104,378 which was covered by a reserved Special Purpose Fund meant to only be used if total costs exceeded all other combined revenues provided. However, in amongst the multi-Fund program entries at year-end there was a small accounting error that resulted in \$23,295 being miscoded in the Operating Fund instead of the reserved Special Purpose Fund. The amount is therefore an Operating restriction which will be available to offset program costs in the 2025-26 fiscal year.

Trustee professional development/travel - \$24,340 represents an amount of unspent funds from the 2024-25 year being provided for use by Trustees for additional leadership opportunities in 2025-26.

Operations Spanning Multiple School Years – To support effective operational planning, surplus may need to be carried over to future years for item such as school rollovers, purchase order commitments, operating projects in progress and educational programs spanning multiple years such as the International Student Program.

Transfer to Local Capital – Pursuant to long term local capital planning, \$1.8M is necessary to support district priorities and initiatives over the next three years. The transfer was not included in the Annual Budget in order to ensure that operating dollars supported direct district operations and student learning, however, with the surplus balance confirmed, the necessary transfer has been restricted accordingly.

Undelivered purchase orders - \$803,527 has been restricted to cover the cost of items that were ordered within the 2024-25 school year, but not received so not able to be recorded. The residual expense will be recorded in 2025-26 once the items are received, however the funds were within the prior year budget which went unspent and rolled into surplus, the restriction mitigates the timing issue.

John Barsby turf field - \$560,000 remains restricted to cover the long term obligation of the Contract. Note that \$70,000 is the appropriated budget amount per year until the amount is exhausted, in order to cover the annual expense.

School/district equipment costs - \$350,000 has been set aside to support the purchase of district and classroom equipment.

Child Care Reserve - \$281,846 is the accumulated reserve related to the district Child Care sites operated by third party providers (Revenues over Expenses, year-over-year). These funds are reserved for future capital upgrades.

School year-end balances - \$264,774 reflects the consolidated amount of year-end school balances that will carry forward for their use in 2025-26.

Accumulated Operating Surplus – Unrestricted balance

After identifying all the restricted items noted with the Schedule above, the remaining balance of almost \$4M Accumulated Operating Surplus is unrestricted and available for future use, or retention in order to respond to unforeseen events or circumstances. Staff will provide the Board with recommendations to utilize some of the balance for strategic priorities in support of the coming school year at the September Strategic Directions Committee meeting.

Policy alignment

In order to comply with Policy 304 - Accumulated Operating Surplus (Reserves), and Ministry of Education and Child Care's directive with regards to financial transparency, the district must have a supportive financial schedule that includes a list of surplus reserves, the timelines associated with planned expenses (1 or more years), and which identifies a direct link to a Board goal, or either the districts Strategic or Operational Plan.

The Schedule on the following page presents this information, along with multi-year planning based on the estimated usage over the next two fiscal years, pending finalization of the audited 2024-25 financial statements:

Accumulated Operating Surplus Schedule 2024-25 to 2026-27			
	2024-25YE	Timeline/Notes:	Board Goals/Plan
<u>Accumulated Operating Surplus</u>	12,386,676		
<u>Restricted Surplus Reserve for Anticipated Unusual Expenses:</u>			
Staffing costs (one-time anticipated expense)	616,680	2025-26	1,2
Replacement costs	250,000	Potential cost escalation mitigation	1,2
EA staffing supplement	50,000	2025-26	1,2
Post budget unusual expenses	15,000	2025-26	1,2
Communications	10,000	2025-26	1,2
Total	<u>941,680</u>		
<u>Restricted Surplus Reserve for Financial Constraints/Targeted Funds:</u>			
District benefit plans (premium balances)	2,705,527	Balance subject to fluctuations (+/-) per usage/costs	
Indigenous Education Program	388,502	2025-26	1,2
NDTA Teacher mentorship grant	174,650	2025-26	1,2
ICY Team	121,327	2025-26	1,2
District BASC reserve	23,295	2025-26	CCP
Trustee professional development/travel	10,000	2025-26	2
Total	<u>3,423,301</u>		
<u>Restricted Surplus Reserve for Operations Spanning Multiple School Years:</u>			
Transfer to Local Capital	1,800,000	Supports three year planning	1,2,3, LRFP
Undelivered purchase orders	803,527	2025-26	1,2
John Barsby turf field 10 year contractual term	560,000	2025-26, plus 7 yr remaining commitment	1,2,3
School/district equipment costs	350,000	2025-26	1,2,3
Child care reserve	281,846	Future capital upgrades TBD	CCP
School year-end balances	264,774	2025-26	1,2
Total	<u>4,060,147</u>		
<u>Summary of Accumulated Operating Surplus</u>			
Total Restricted Operating Surplus	8,425,128		
Total Unrestricted Surplus	<u>3,961,548</u>		
Total Accumulated Operating Surplus	<u>12,386,676</u>		
<u>Multi Year Financial Planning</u>			
<u>2025-26 Fiscal Year - Opening</u>	12,386,676		
Estimated appropriation of restricted surplus to be used in 2025-26	4,697,755	Benefit\$/ChildCare\$/TurfField<\$70K/Replacement Costs carried	
Estimated appropriation/use of Unrestricted Surplus in 2025-26	1,500,000	Pending recommendations/Board approval	
Total estimated retained surplus balance at June 30, 2026	<u>6,188,921</u>		
2025-26 year-end annual operating surplus	-	Assumes no surplus or deficit	
<u>2026-27 Fiscal Year - Opening</u>	6,188,921		
Estimated appropriation of restricted surplus to be used in 2026-27	3,100,000	Estimated usage of regularly restricted items; balance carried	
Estimated appropriation/use of Unrestricted Surplus in 2026-27	1,500,000	Pending future recommendations/Board approval	
Total estimated retained surplus balance at June 30, 2027	<u>1,588,921</u>	Future Balance/Planning TBD	

*Board Goals

1 Student Success

2 Student and Employee Wellness

3 Truth and Reconciliation

* Long Range Facilities Plan = LRFP

*Child Care Programming = CCP

In addition to Policy 304 - Accumulated Operating Surplus (Reserves) is Policy 303 - Financial Planning, which requires the district to maintain a multi-year Local Capital Schedule that must include all proposed projects over the term along with any interfund transfers to support long-term planning. As noted above, staff are recommending a \$1.8 million dollar transfer for 2025-26, and additional transfers of \$1.8 million in each of the following two years.

The transfer includes the amount required to support the annual Information Technology Plan that is not included in the Annual Budget in order to ensure all available resources can support direct school-based and district operations, as well as the continuation of capital upgrades throughout the district that are not covered by Ministry Capital dollars.

2025-26 Local Capital Schedule				
July-25				
<u>Revenue</u>	2025-26 Budget	2026-27 Planning	2027-28 Planning	2028-29 Planning
Deferred Revenue per Financial Statements/Future Estimates	6,322,323	2,712,323	1,827,323	917,323
<u>Operating Fund and/or Accumulated Surplus Transfers</u>				
Transfers necessary to support three-year planning	1,100,000	1,100,000	1,100,000	1,100,000
Technology / Infrastructure Upgrades	700,000	700,000	700,000	700,000
Unrestricted Surplus Allocations (Capital)	-	-	-	-
Total Transfer from Operating	1,800,000	1,800,000	1,800,000	1,800,000
Investment Income	150,000	125,000	100,000	100,000
Total Revenue	8,272,323	4,637,323	3,727,323	2,817,323
<u>Local Capital Priorities - Current and Future Years</u>				
Board Goal - Student Success				
Equitable Access to Technology (Wi-Fi/Phones)	500,000	500,000	500,000	500,000
Technology Plan	750,000	750,000	750,000	750,000
Learning Studios	300,000	300,000	300,000	300,000
School Capacity	400,000	400,000	400,000	400,000
Outdoor Learning Fund	50,000	50,000	50,000	50,000
Board Goal - Student and Employee Wellness				
Accessibility Projects	100,000	100,000	100,000	100,000
Environmental Upgrades	50,000	50,000	50,000	50,000
School-based Projects/Equipment	200,000	200,000	200,000	200,000
Long Range Facilities Plan (LRFP)				
Vehicle/Asset Replacement Program	275,000	275,000	275,000	275,000
School Opening/Capital Project Synergy	75,000	75,000	75,000	75,000
AFG Contingency	50,000	50,000	50,000	50,000
Support of Pending/New Capital Projects	60,000	60,000	60,000	60,000
Capital Cost-Share Contribution (Priority Future Planning)	2,750,000	-	-	-
Total Projects/Expenses	5,560,000	2,810,000	2,810,000	2,810,000
<u>Fund Balance</u>	2,712,323	1,827,323	917,323	7,323

Note1: The Schedule is contingent on YE Financial positions and Board's support of recommended future transfer amounts

Note2: The Schedule is subject to change pursuant to emergent needs/competing priorities

Note3: Capital cost-share showing relates to LIS/LPS; it is also subject to change per Ministry directive

Summary:

This memo is intended to provide the Board with preliminary financial and accumulated operating surplus information pending completion of the audit. A fulsome 2024-25 Financial Report which will include the draft Financial Statements, the Financial Statement Discussion and Analysis (FSD&A) companion document, and recommendations with regards to the unrestricted surplus balance will be presented at the Strategic Directions Committee meeting in September.