

POLICY 110 ACCUMULATED OPERATING SURPLUS

The Board believes that the maintenance of appropriate operating surpluses or reserves contributes to the District's financial health and stability. The Board achieves an operating surplus when its annual revenue exceeds annual expenses. An operating surplus means that the Board has financial resources that can be used to operate schools for a period longer than one year. The ability to carry forward unspent funds enables the Board to effectively plan for future school years. Such operating surpluses may be restricted, which means the Board has designated such funds to be expended for a particular purpose in the future. Reserves which are not restricted are referred to as unrestricted operating surpluses.

The *School Act* requires Boards of Education prepare a balanced annual budget. Estimated spending in the annual budget must not exceed estimated revenue and may include the use or appropriation of prior years' accumulated operating surplus to balance the budget.

Regular board monitoring of restricted and non-restricted surplus balances is required to assess the appropriateness of such operating surplus balances and to determine if the financial health of the District is being achieved. To that end, quarterly financial reports shall include the status of all operating surplus balances. For restricted surpluses the status shall include the balance and the purpose for which the Board, through motion, has restricted those funds.

This policy is designed to meet the following objectives:

- To comply with Ministerial direction in regard to accumulated operating surpluses.
- To the extent possible, assist the Board in expending the current budget to support students.
- To provide for the long-term financial health of the District so a strong educational system is maintained for the benefit of current and future students.
- To protect the District from extraordinary financial circumstances which would negatively impact the education of students.

1. Internally Restricted Operating Surplus Funds

The Board may set aside a portion of operating surplus funds to support long-term financial planning and for items that are linked to multi-year strategic objectives and future operational needs. Restrictions are made only for defined operational needs with defined timelines, including services or purchases that are directly related to the Board's District Strategic Plan, operations needs, and enhanced educational outcomes for students.

To increase transparency, every appropriation requires a board motion. Approval of appropriations related to confidential matters or land, legal or personnel matters shall be considered in a closed board meeting.

2. Unrestricted Operating Surplus or Local Capital Surplus (Contingency Reserve)

The Board is responsible for ensuring the District is protected financially from extraordinary circumstances which would negatively impact school district operations and the education of students. To discharge this responsibility, the Board will establish a contingency reserve with available

The Board of Education of Kwátsalktnéws ne Secwepemcúl'ecw School District No. 83

operating surpluses, if applicable, which would be used to mitigate any negative impact such circumstances might cause.

The Board shall maintain a contingency reserve of operating expenditures at a minimum of 1%, if available, and shall not exceed ~~3%~~ 2.5% of operating expenditures.

3. Restricted for Future Capital Cost Sharing

To support major capital projects that are identified by the Boards' 5-year Capital Plans, and approved by the Ministry for concept plan or business case development, the Board may restrict operating surplus to satisfy capital project cost share expectations at the time the project is brought forward for funding approval.

4. Use of Appropriated Surplus and Contingency Reserve

The Board may approve the use of Appropriated Surplus or Contingency Reserve under the following circumstances **such as, but not limited to:**

- The elimination of any deficit arising at the end of a fiscal year.
- Funding for new cost pressures in a school year that were not known at the time of budget development.
- Unanticipated utility cost pressures.
- The payment of severance (wages and benefits) upon termination of employment.
- The settlement of any legal action that is not covered by the School Protection Plan.
- Continuity of District or school-based projects that span more than one school year.
- Coverage for disaster recovery expenditures.
- Extraordinary expenses incurred to ensure business continuity.
- Coverage for unexpected additional major capital project costs not funded by the Ministry of Education and Child Care.
- To assist in balancing annual budgets for future school years.

In recognizing that the use of the contingency reserve represents a one-time source of funding, the Board will incorporate into its future budget planning processes, strategies to re-establish the contingency reserve. Such strategies may be implemented over a period of two years.

5. Interfund Transfers

Interfund transfers are funds transferred from one fund to another (e.g., between the Operating fund and the Capital Fund). All transfers to and from Operating Surplus Reserves or Capital Surplus Reserves must be authorized by specific Board motion.

Transfers will normally be considered by the Board as part of the Board's approval of the Annual Budget or Amended Annual Budget.

Transfers from operating surpluses to the Local Capital reserve will be considered by the Board as part of the Board's review of the draft audited financial statements and must be supported by a plan detailing the proposed use of the Local Capital balance.

6. Local Capital

Local Capital includes the Board's portion of any proceeds from the disposition of capital assets, transfers from operating funds and interest earned on Local Capital funds restricted for the purchase of tangible capital assets. Transfers from operating funds to Local Capital must be made only for specific initiatives that have a clear linkage to the District's Strategic Plan, or that address capital assets investment, or that meet the specified needs of the school district.

References: School Act [RSBC 1996, Part 4, Division 6, Section 52(2)]

Date Adopted: July 11, 2018

Date Amended: