

NORTH OKANAGAN-SHUSWAP SCHOOL DISTRICT NO. 83	4060
POLICY	Adopted: 2018-07-11

ACCUMULATED OPERATING SURPLUS (RESERVE)

The Board of Education of School District No. 83 (North Okanagan-Shuswap) recognizes the importance of ensuring that 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 restricted portion (contingency reserve) from available operating surplus which would be used to mitigate any negative impact such circumstances might cause.

The Board will be publicly transparent when allocating any surplus funds.

NORTH OKANAGAN-SHUSWAP SCHOOL DISTRICT NO. 83 REGULATION	4060.01R
	Adopted: 2018-07-10
<p style="text-align: center;">ACCUMULATED OPERATING SURPLUS (RESERVE)</p> <p>The School District’s objectives in terms of its accumulated operating surplus is set out in this regulation and accompanying policy. Through a clear understanding of its operating surplus objectives, and by continually measuring progress towards achieving those objectives, the School District can attain greater fiscal stability and better support educational goals.</p> <p>One of the key indicators of the financial health of a school district is the accumulated operating surplus. The accumulated surplus (or deficit) is comprised of all of the past operating surpluses and/or deficits.</p> <p>It is important to note that although accumulated surpluses can be a source of cash for spending, it cannot sustain on-going services. The ability to carry forward unspent operating funds helps school districts budget and spend their annual operating grants more effectively.</p> <p>INTERNALLY RESTRICTED OPERATING SURPLUS</p> <p>Unique to other organizations in the public sector, school districts are permitted to incur annual deficits as long as they have sufficient accumulated surplus to cover the annual deficit. An accumulated surplus indicates that a school district has net resources that can be used to provide future services. It is achieved by spending less than the revenue it earns.</p> <p>The Board may approve restrictions on the spending of the surplus. Boards of Education are required by legislation to prepare balanced annual operating budgets, which may include use of (appropriation of) prior year accumulated surplus.</p> <p>The following categories of internally restricted operating surplus have been established for the purposes(s) identified:</p> <p><u>Operations Spanning Future School Years</u></p> <p>To support effective planning, there will be situations where monies will need to be carried over to future years. These could be for the following categories:</p> <ul style="list-style-type: none"> • Future years’ operations/budget (not beyond the next two fiscal years) 	

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<ul style="list-style-type: none"> • Schools and department surplus/carry-forwards (not beyond the next two fiscal years); • Operating projects in progress; • Technology, utilities, equipment, and Capital projects (includes amounts to be transferred to Local Capital, but have not yet been identified for specific initiatives); • Purchase order commitments; and, • Distributed learning, International Program. <p>The amount of Accumulated Operating Surplus restricted for operations spanning future school years at the end of a fiscal year should be a minimum of 1.5% and a maximum of 3.0% of actual operating expenses of that fiscal year.</p> <p><u>Anticipated Unusual Expenses Identified</u></p> <p>To support effective planning, there will be situations where senior management has identified unusual/non-recurring expenses anticipated to be spent in the upcoming fiscal year that will not be funded by revenues of that year. These could be for categories such as:</p> <ul style="list-style-type: none"> • Staffing, labour relations, employee benefits, severance • Implementation of new curriculum <p>The amount of Accumulated Operating Surplus restricted for anticipated unusual expenses identified at the end of a fiscal year should be a minimum of 0.5% and a maximum of 1.0% of actual operating expenses of that fiscal year.</p> <p><u>Nature of Constraints on the Funds</u></p> <p>In recognition of some monies having constraints as to how they can be spent, funds may need to be internally restricted at the end of the fiscal year. Funds with external restrictions are to be included in Special Purpose Funds. These internal restrictions could be for categories such as:</p> <ul style="list-style-type: none"> • Contractual obligations (i.e. professional development) • Aboriginal education • School Generated Funds (not externally restricted) • Education Plan • Donator named funds (not restricted by the donor) 	

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<p>The amount of Accumulated Operating Surplus restricted for nature of constraints on the funds at the end of a fiscal year cannot be quantified as a range of minimum to maximum.</p> <p>CONTINGENCY RESERVE</p> <p>To support effective planning, there will be situations where contingency funds need to be available for unexpected increases in expenses and/or decreases in revenues. Budgeted annual operating expenses should be reflective of actual estimated costs or, where applicable, contractual expenditure requirements. The contingency reserve mitigates the risk of actual costs being greater than estimated. These could be for categories such as:</p> <ul style="list-style-type: none"> • For major emergent operating issues – the School District is exposed to major non-reoccurring costs related to various emergency events or situations, e.g. inclement weather, forest fires, etc. These emergent situations cannot be anticipated and budgeted for and may not be feasible to absorb the cost of such events in other budget areas in any given year. • For one-time and intermittent projects – the School District undertakes certain one-time and/or intermittent projects that are larger in terms of costs. If these projects were funded from annual per-pupil based operating grants from the Ministry of Education, annual fluctuations in educational service levels may result; therefore, it is not prudent to fund these projects from current annual per-pupil based operating grants from the Ministry of Education. • To offset unrealized revenues – some of the School District’s revenue sources, e.g. off-shore student enrolment, rentals, etc., are cyclical in nature and thus are subject to downturns in the economy. The School District tries to anticipate economic downturns by budgeting for a base dollar amount of these revenues in its general operations. Despite its best efforts, the School District is exposed to the possibility of unrealized revenues and/or to declines in base revenues from year to year. • The amount of Accumulated Operating Surplus restricted for Contingency Reserves at the end of a fiscal year should be a minimum of 0.5% and a maximum of 1.0% of actual Operating Expenses of that fiscal year. 	

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<p>UNRESTRICTED OPERATING SURPLUS</p> <p>The School District will maintain Unrestricted Operating Surplus balances for working capital purposes, i.e. to provide for operating expenditures before operating grants from the Ministry of Education are received. Maintaining minimum working capital levels eliminates or reduces the need to borrow externally and/or internally for operations. The School District may require emergency funds from time to time, from its Unrestricted Operating Surplus balance, for unforeseen costs. When this occurs the School District needs to rely upon sufficient balances being available.</p> <p>Also included in the Unrestricted Operating Surplus are funds that may be used in budget years beyond the next two fiscal years.</p> <p>The amount of Unrestricted Operating Surplus at the end of a fiscal year should be a minimum of 0.5% and a maximum of 1.5% of actual Operating Expenses of that fiscal year.</p> <p>INCREASES TO RESTRICTED SURPLUS</p> <p>Annual and/or periodic increases to the restrictions on the Accumulated Operating Surplus shall be specific to each category of restriction, as approved by the Board through the School District's annual financial planning/budgeting process.</p> <p>RESPONSIBILITIES</p> <p>The School District's Secretary-Treasurer shall be responsible for:</p> <ul style="list-style-type: none"> • Recommending the necessary increases/decreases and transfers so that the School District's Restricted Operating Surplus and Unrestricted Operating Surpluses are maintained in accordance with this Policy; • Conducting an annual review of all restricted Operating Surplus balances, and Unrestricted Operating Surplus balances including comparing actual levels with the established minimum and maximum levels within this Policy and with other school district and jurisdiction benchmarks, and reporting the results of such a review to the Board of Education; and, • Recommending any revisions or amendments to this Policy, as may be required from time to time, as a result of changes in applicable Ministry of Education directives, accounting standards, economic conditions, etc. 	

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<p>RESTRICTION INCREASES/DECREASES AND TRANSFER OF FUNDS</p> <p>Increases/decreases in Internally Restricted Operating Surplus in excess of \$20,000 will be considered by the appropriate Standing Committee and approved by the Board of Education.</p> <p>The Secretary-Treasurer has the authority to approve increases/decreases in Internally Restricted Operating Surplus up to and including \$20,000. Any such increases/decreases will be reported to the Finance Committee.</p> <p>Any transfer of funds between the Operating Fund and Capital Fund not included in the Annual Budget, or Amended Annual Budget, will be considered by the Finance Committee and approved by the Board of Education.</p> <p>It is expected that the annual operating budget will allow transfers to local capital which are sufficient to allow efficient replacement or acquisition of assets consistent with the School District's capital plan. Transfers to local capital should be authorised through the budget bylaw or by separate board motion. They should be supported by a planned use of the local capital balance.</p>	