

FINANCE

Policy 631-R

Accumulated Operating Surplus and Capital Reserves

By continually measuring progress towards achieving its accumulated operating surplus and capital reserves objectives, the School District can attain greater fiscal stability and better support the success of all students.

The Board will target to maintain an unrestricted accumulated operating surplus and local capital reserve balance of between 2% and 4% of the district's annual operating expenditures. Allocation of funds from the accumulated operating surplus and local capital reserves will be approved by the Board through the district's budget process. The projected accumulated operating surplus and local capital reserve will be reported to the Board, when presenting the Annual and Amended Annual Budgets, as well as, the year-end Audited Financial Statements.

Authority

Boards of Educations are required, by legislation, to prepare balanced annual operating budgets, which may include the use or appropriation of prior year accumulated surplus. The Secretary Treasurer shall be responsible for recommending the necessary increases/decreases and transfers so that the School District's accumulated operating surplus is maintained in accordance with this Policy and Regulation.

Accumulated Operating Surplus

The accumulated operating surplus allows the District to:

- Manage the District's financial risks and mitigate short-term volatility.
- Create a contingency fund for unforeseen circumstances. The Board recognizes that any operating revenue, not expended in a fiscal year, is added to the accumulated surplus which is presented as either internally restricted or unrestricted surplus.
- Budget for one-time and/or multi-year funding of student learning initiatives, operations projects and education programs.

The accumulated operating surplus can either be internally restricted or unrestricted. Internally restricted surplus is any accumulated operating surplus that has been designated, through a board motion or bylaw, for a specific purpose or uses. Unrestricted surplus is any accumulated operating surplus that has not been designated for a specific purpose or use.

Internally Restricted Operating Surplus

To support long-term financial planning the Board can restrict operating surplus for use in future years within ministry specified guidelines. Restrictions can be made for items that are identified by the Board, directly related to the Board's priorities and goals outlined in its Strategic Plan, or that meet the operational needs of the District. The three streams of internally restricted operating surplus are:

- Restricted due to the nature of constraints on the funds;
- Restricted for anticipated unusual expenses identified by the board; and
- Restricted for operations spanning multiple school years.

Examples of internally restricted surplus:

- School programs and school generated fund carry-forwards.
- Educational programs or initiatives.
- Purchase order commitments.
- Impact of emerging events.
- The elimination of any deficit arising at the end of a fiscal year of operations.

Transfer of Funds

It is expected that the annual operating budget will allow transfers to local capital which are sufficient to allow efficient acquisition and replacement of assets. Transfer to or from local capital shall be authorized through the budget bylaw process or by separate Board motion.

The Secretary Treasurer will recommend the necessary allocations and transfers so that the District's restricted operating surplus and unrestricted operating surplus are maintained in accordance with this Policy and Regulation.

Local Capital Reserve

Local capital reserve includes accumulated capital funds, generated from Board allocation by motion or through the budget bylaw process, and disposition of capital assets originally acquired with local capital funds and investment income generated on holding funds on deposit.

Local capital reserve funds support local capital expenditures as defined in the *School Act*, such as the following categories:

- Furniture and equipment acquisition.
- Technology equipment acquisition.
- Building improvements, renovations and additions.
- Vehicle acquisition.
- Other capital initiatives and projects.
- Contingency for unanticipated capital expenditures.

Restricted for Future Capital Cost Sharing

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

Unrestricting Internally Restricted Surplus Funds

Internally restricted surplus is any accumulated surplus that has been designated for a specific purpose or use. The Board shall have the authority to unrestrict surplus funds, that have been previously internally restricted, through the budget bylaw process or by separate Board motion.

Reporting

The Board will use the Ministry financial reporting framework and template to provide an annual report on the budget allocation decisions, including operating surplus and local capital, demonstrating that approved allocations support the Board's strategic objectives.