



School District No. 23 (Central Okanagan)

Policies And Procedures

## Section One: Board of Education

*“Together We Learn”*

### 161 – ACCUMULATED OPERATING SURPLUS

#### Introduction

The Board of Education is responsible for ensuring the District is protected financially from extraordinary circumstances which would negatively impact District operations and the education of our students while ensuring that the District's resources are spent as much as possible on the current year's programs and services. To discharge this responsibility, the Board have established an accumulated operating surplus policy.

Accumulated operating surplus allows the District to budget for expenditures in excess of revenues in a given year, and also serves to reduce financial risk that can result from financial forecasting uncertainty and unforeseen circumstances.

#### Definitions

The following terms used in this Policy are defined as follows:

**Accumulated Operating Surplus** – means the accumulated excess of operating revenues over operating expense from prior years.

**Internally Restricted Operating Surplus** – means a portion of the accumulated operating surplus that has been set aside through a Board of Education motion for specified use in future years.

**Unrestricted Operating Surplus** – means the accumulated operating surplus built up in a School District's Operating Fund that has not been designated for specific uses.

**Inter-Fund Transfers** – means the transfer of funds from one fund to another (i.e. Operating fund to Capital fund).

#### Policy

Use of the internally restricted portion of the Board's accumulated operating surplus may be used under the following circumstances, subject to the Board of Education's approval:

1. The elimination of any deficit arising at the end of a fiscal year of operations.
2. The incurring of new cost pressures in a fiscal year that were not known during the budget development process.
3. The settlement of any legal action that is not covered by the School Protection Program.
4. Initial one-time cost outlays for new education programs or operational needs.
5. Coverage for disaster recovery expenditures.
6. To support unspent allocations that are required by outside agencies or collective agreements to be carried forward.
7. To support unspent school discretionary resource budgets committed to future years or dedicated to enhancing staff allocations.



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8. To assist in balancing future years' budgets.

### Objectives

The District's objectives are set out in this Accumulated Operating Surplus Policy. With a clear understanding of the accumulated operating surplus monitoring objectives and continually measuring process to achieve those objectives, the District can attain greater fiscal stability and better support students.

To fulfill this responsibility, the Board will:

1. Maintain and replenish restricted and unrestricted accumulated operating surplus as outlined below:
  - a. Unrestricted Operating Surplus – an unrestricted operating surplus of .5% to 1.5% of the total Amended Budget (Operating Expenses).
  - b. Restricted Operating Surplus – a restricted operating surplus of 2% to 3.5% of that year's total Amended Budget (Operating Expenses).
2. Monitor potential operating deficit by reducing expenses and/or applying unrestricted surplus where policy allows.

### Board Responsibilities

1. The Board of Education must comply with the Ministry of Education's expectations regarding financial governance and accountability.
2. The Board of Education is required by legislation to prepare an annual balanced budget which may include the use of restricted surplus funds.
3. The Board of Education must follow Public Sector Accounting Standards.

### Management Responsibilities

1. The Secretary-Treasurer/CFO will provide the Board of Education with a preliminary report for review detailing the recommended internally restricted operating surplus and anticipated unrestricted surplus before June 30<sup>th</sup> of each year.
2. The Secretary-Treasurer/CFO will provide the Board of Education with a final report for approval, detailing the internally restricted operating surplus and unrestricted surplus, including inter-fund transfers, by September 30<sup>th</sup> of each year.

In recognizing the use of the restricted portion of its accumulated operating surplus represents a one-time use of funding, the Board of Education will incorporate into its future budget planning process, strategies to re-establish the accumulated operating surplus. Such strategies may be implemented over several years.

Date Agreed: June 27, 2018

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Date Reviewed:

Related Document: Policy 160; Policy 140