



## SCHOOL DISTRICT NO10 (ARROW LAKES) POLICY MANUAL

### 622 – Accumulated Surpluses Policy

*DRAFT FOR CONSIDERATION AT JUNE 21, 2022 BOARD MEETING*

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#### 1.0 General

- 1.1 Maintaining a reasonable level of operating surplus enables the Board of Education to engage in long-term planning, manage financial risks and support consistent services to all students.
- 1.2 The [School Act](#) requires boards of education to prepare a balanced annual budget. Estimated spending in the annual budget must not exceed estimated revenues plus accumulated operating surplus.
- 1.3 The Ministry of Education and Child Care’s [K-12 Public Education Accumulated Operating Surplus \(AOS\) Policy](#) and the [AOS Companion Guide](#) require that a board of education’s policies clearly explain the purpose of its operating surplus, how it will be used to support its strategic objectives and other operational priorities, how inter-fund transfers of surplus will be managed, and how operating surplus will mitigate financial risks.
- 1.4 This policy sets forth guidelines that provide for the accumulation of a reasonable level of operating surplus, and parameters for the use both operating and capital surpluses.

#### 2.0 Guidelines

- 2.1 The Board of Education shall maintain an appropriate level of operating surplus to assist in long-term financial planning, to manage financial risks, to mitigate short-term volatility in funding and expenditures, and to provide a contingency fund for unexpected costs.
- 2.2 The accumulation and use of accumulated operating surplus shall align with the Board of Education’s strategic plans, financial plans, and budgets, and it shall be clearly identified in these plans and budgets how the accumulation and use of accumulated operating surplus will support the Board of Education’s strategic plans and other operational priorities.

### 3.0 Types and Use of Accumulated Surpluses

- 3.1 Unrestricted Surplus (Contingency Fund) is that part of the accumulated operating surplus that is not restricted for any specific purpose (per Section 3.2 below), and is a contingency fund to manage financial risks, mitigate short-term volatility in funding and expenditures, to cover unexpected costs, and may be used for budgets beyond the next two fiscal years. The amount of Unrestricted Operating Surplus at the end of a fiscal year should be a minimum of 2% and a maximum of 5% of actual Operating Expenses of that fiscal year.
- 3.2 Internally Restricted Surplus is that part of the accumulated operating surplus that has been designated through a board motion for specified use in future years. These restrictions shall be made only for defined operational needs with defined timelines, including for services or purchases that are directly related to the Board's strategic plans, operational needs, and enhanced educational outcomes for students. For example, accumulated operating surplus may be restricted for, but not limited to:
- 3.2.1 Capital Projects (Including Major Capital Projects Cost Share)
  - 3.2.2 Contractual obligations
  - 3.2.3 Emergencies
  - 3.2.4 Equipment
  - 3.2.5 Indigenous Education (Including to meet spending targets)
  - 3.2.6 Long Range Facilities Plans
  - 3.2.7 Professional Learning
  - 3.2.8 Scholarship Funds
  - 3.2.9 Software Transitions
  - 3.2.10 Strategic Planning
  - 3.2.11 School Reconfigurations
  - 3.2.12 Student Learning
  - 3.2.13 Utilities
- 3.3 Local Capital Surplus is accumulated from the Board of Education's portion of the proceeds of asset or property sales, transfers from operating funds, plus any interest earned on these funds, and is to be used for capital asset purchases. Transfers from operating funds to Local Capital shall only be made for a specific capital investment or need, or for an initiative under the Board's strategic planning. Funds transferred from the Operating Fund to Local Capital must be used within the timelines for a capital initiative and/or linked to strategic goals of the Board, failing which the Ministry may require the Board to use the funds for other capital project priorities.
- 3.4 Restricted Capital Surplus is accumulated from the portion of the proceeds of asset or property sales deemed to be originally purchased using funding provided by the Ministry of Education, or from unused capital grants provided by the Ministry of Education. Use of Restricted Capital Surplus requires the approval of the Ministry of Education.

## **4.0 Inter-fund Transfers**

Inter-Fund Transfers are funds transferred from one fund to another. For example, a transfer of funds between the Operating Fund and Capital Fund. Inter-Fund Transfers shall only be made by a resolution of the Board of Education. Approval of Inter-Fund Transfers may be considered in a Closed Board meeting if the reason for the transfer requires confidentiality pursuant to the Board of Education's organization and operations bylaw.

### **5.0 Reporting and Communication to Public regarding Accumulated Surpluses**

- 5.1 Accumulated Surplus balances and a summary of changes in surpluses for all funds shall be reported in the Annual Financial Statements.
- 5.2 Accumulated Surplus balances and details of the changes in surpluses during the year for all funds shall be reported to the public annually in the Financial Statements Discussion & Analysis (FSD&A). The FSD&A shall also provide narrative-type information explaining these changes and how operating surplus was used to support board strategic plans, other operational needs of the school districts, and enhanced educational outcomes for students.
- 5.3 As part of its annual budget process, the Board will engage in public discussions with stakeholders and community/education partners, including local First Nations and Metis Nation BC, to discuss why boards have an operating surplus and how the surplus will be used. The board will provide public information, including on its website, as to where, when and how the community can provide feedback on the subject.

### **6.0 Authority**

- 6.1 The Secretary-Treasurer shall be responsible for:
  - 6.1.1 Recommending the appropriate balances to be maintained for Unrestricted Surplus (Contingency Fund) and Internally Restricted Surplus.
  - 6.1.2 Recommending any increases/decreases and transfers to/from the accumulated operating surplus.
  - 6.1.3 Recommending any revisions or amendment to this Policy, as may be required from time to time, including as a result of changes in Ministry of Education directives, accounting standards or economic conditions.
  - 6.1.4 Reporting to the public and Board of Education.