

## **SD42 POLICY: 4204**

### **ACCUMULATED SURPLUS**

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#### **POLICY STATEMENT**

The [School Act](#) requires the Board of Education ("Board") to prepare a balanced annual budget. Estimated spending in the annual budget must not exceed estimated revenue plus accumulated operating surplus (operating surplus). Operating surplus, with consistent rules and guidelines in place, enables the Board to engage in long-term planning, mitigate financial risk and support consistent service to all students.

#### **PURPOSE**

The purpose of this policy is to ensure a clear, transparent understanding of the reasonable accumulation and planned use of operating surplus. It also allows the Board to restrict portions of the operating surplus for future use to address board priorities.

#### **AUTHORITY**

The Board authorizes the Secretary Treasurer to develop and implement all procedures required for the implementation and management of the this policy.

#### **APPROPRIATED SURPLUS**

A 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 years.

#### **INTERNALLY RESTRICTED OPERATING SURPLUS**

The Board may set aside a portion of operating surplus 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 strategic plan, operational 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.

Restrictions can be made for items that are identified by the Board, have defined timelines, are directly related to a Board's goals outlined in their strategic, operational and financial plans, or that meet the specified needs of the school 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
- Restricted for operations spanning multiple school years

#### **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 shall maintain a contingency reserve of at least 1% of operating expenses and not exceeding 3% of operating expenses to mitigate any negative impact such circumstances might cause.

This contingency reserve is funded from available operating surplus, may be held in the Local Capital Fund, and may be used for operating and/or capital expenditures under the following circumstances:

- To eliminate any deficit arising at the end of a fiscal year of operations
- To fund new cost pressures arising in a fiscal year that were not known at the time of budget development
- To pay severances (wages and benefits) upon termination of employment
- To settle any legal action that is not covered by insurance
- To fund initial one-time cost outlays for new education programs
- To fund for disaster recovery expenses
- To fund extraordinary expenses incurred to ensure business continuity
- To replace equipment essential to the continuation of safe operations of school district facilities
- To cover unexpected additional major capital project costs not funded by the province
- To assist in balancing future years' budgets

As 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.

#### **INTERNAL RESTRICTED LOCAL CAPITAL RESERVE AND INTER-FUND TRANSFERS**

Inter-Fund Transfers are funds transferred from one fund to another (e.g. from the Operating Fund to the Local Capital Fund) and must be made through board motion. Approval of interfund transfers related to confidential matters or land, legal or personnel matters shall be considered in a closed board meeting.

Available accumulated operating surplus may be transferred to the Local Capital Fund by specifying the capital projects and purchases for which these restricted funds will be used.

**APPROVED: December 8, 2021**

**UPDATED: April 16, 2025**