

SD 42 POLICY: 4204

ACCUMULATED SURPLUS

Policy statement

The School Act requires the boards 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 the Accumulated Surplus Policy is to ensure a clear, transparent understanding of the reasonable accumulation and planned use of operating surplus, contingency reserve and local capital surplus.

Authority

The Board authorizes the Secretary Treasurer to develop and implement all procedures required for the implementation and management of the Board's accumulated operating surplus 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 a boards' 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.

Contingency Reserve (Unrestricted Operating Surplus or Local Capital Surplus)

The Board of Education 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 will establish a contingency reserve from available operating surplus which would be used to mitigate any negative impact such circumstances might cause.

The Board shall maintain a contingency reserve of at least 1% of operating expenditures and not exceeding 3% of operating expenditures.

Use of Appropriated Surplus and Contingency Reserve

The Board may approve the use of appropriated surplus or contingency reserve under the following circumstances:

- The elimination of any deficit arising at the end of a fiscal year of operations;
- The funding of new cost pressures in a fiscal year that were not known at the time of budget development;
- Extraordinary unknown utilities cost pressures;
- The payment of severances (wages and benefits) upon termination of employment;
- The settlement of any legal action that is not covered by insurance;
- Initial one-time cost outlays for new education programs;
- Coverage for disaster recovery expenditures;
- Extraordinary expenses incurred to ensure business continuity;
- Replacement of equipment essential to the continuation of safe operations of school district facilities;
- Coverage for unexpected additional major capital project costs not funded by the province;
- To assist in balancing future years budgets.

In recognizing that the 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.

Inter-Fund Transfers

Inter-Fund Transfers are funds transferred from one fund to another (e.g. between Operating Fund and Capital Fund). Inter-fund transfers require 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.

APPROVED: December 8, 2021