



## POLICY 611 ACCUMULATED OPERATING SURPLUS

The Board is required by legislation to prepare a balanced annual budget. As stipulated within the *School Act*, boards of education are not permitted to incur a deficit of any kind and therefore must plan appropriately. Estimated spending in the annual budget must not exceed estimated revenue plus any allocation of accumulated operating surplus.

An accumulated operating surplus represents the extent to which revenue from all previous years exceeds expenditures from all previous years. The use of an operating surplus enables the Board to engage in long-term planning, mitigate financial risk and support programs and services for students. Surplus balances provide flexibility to absorb future year one-time costs, unforeseen expenditures or reduced revenue due to declining enrolment. To support long-term financial planning the Board can restrict operating surplus for use in future years.

This policy ensures accountable and transparent financial planning; establishes procedures that guide the accumulation, spending and reporting of operating surplus funds; and outlines how the Board will engage with local community and education partner groups, including the local First Nations (Shackan, Nooaitch, Lower Nicola, Coldwater, Upper Nicola, Upper Similkameen), Métis Communities (Vermilion Forks Metis Association and Nicola Valley & District Metis Society), and Conayt Friendship Centre. This policy aligns with and ensures compliance with the Ministry of Education's Accumulated Operating Surplus Policy and Financial Planning and Reporting Policy.

To increase transparency, surplus appropriations require a Board motion in a public meeting, save for motions that are appropriately made in a closed Board meeting, such as matters related to land, legal or personnel matters.

The reporting of surpluses and inter-fund transfers are publicly provided through both the financial statement and budget reporting processes. The district budget reporting processes will outline the initial plan for surpluses and transfers. The financial statements will report on the actual surpluses and transfers in any given budget year.

### **Consultation and Engagement**

Prior to approval of the Annual Budget, the Board will consult and engage with education partners and the local First Nations (Shackan, Nooaitch, Lower Nicola, Coldwater, Upper Nicola, Upper Similkameen), Métis Communities (Vermilion Forks Metis Association and Nicola Valley & District Metis Society), and Conayt Friendship Centre on proposed result-based uses of the

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accumulated operating surplus. This engagement will be consistent with the consultation processes outlined within the Board's financial planning and reporting policy. Information regarding these processes will be provided on the district website.

Specifically, the Board will consult and engage local communities, education partner groups, the local First Nations (Shackan, Nooaitch, Lower Nicola, Coldwater, Upper Nicola, Upper Similkameen), Métis Communities (Vermilion Forks Metis Association and Nicola Valley & District Metis Society), and Conayt Friendship Centre about:

- where, when and how there will be opportunities to provide input, feedback, direction and ask questions regarding the Board's annual budget and Board's operating surplus accumulation, reporting and planned use;
- how the feedback will be used; and
- any specific opportunities to provide feedback.

### **Categories of Operating Surplus**

The Board uses the following categories to manage operating surplus.

#### Internally Restricted Operating Surplus<sup>2</sup>

The Board can make restrictions for items that are identified by the Board, have defined timelines, are directly related to the Board's priorities outlined in its strategic, operational and financial plans or 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; and
- restricted for operations spanning multiple school years.

#### Unrestricted Operating Surplus (Contingency Reserve)

The Board of Education is responsible for ensuring the district is protected financially from forecasted financial risk and unforeseen circumstances that could negatively impact the education of students. The district may require emergency funds from time to time or need contingency funds available for unexpected increases in expenses and/or decreases in anticipated revenues. To support effective planning that includes risk mitigation strategies, the Board will maintain a reasonable amount of unrestricted operating surplus. When this occurs, the Board will need to have access to enough funds to continue to provide educational services and operate the district.



To mitigate financial risk while ensuring that operating funds are used for the purpose they were meant to be used for (support programs and services for all students), the amount of Unrestricted Operating Surplus at the end of a fiscal year should be no less than 2% and no more than 4% of total operating budget. When use of the contingency reduces the balance below what is determined to be sufficient, the district will adopt strategies for replenishing the contingency reserve.

#### Restricted for Future Capital Cost-Sharing

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

#### Local Capital

Local Capital will include the Board's portion of any proceeds from the disposition of capital assets, transfers from operating funds and interest earned on Local Capital funds restricted for the purchase of tangible capital assets. Capital projects that are not supported by the government through the Ministry of Education's Capital Plan funding need to be funded through school district funds.

#### Special Purpose Funds

The Board of Education will maintain a surplus within a Special Purpose Fund where it is beneficial to do so in achieving the intent of that fund.

#### **Reporting Requirements**

The Board will provide the Ministry with an annual report on its budget allocation decisions (including operating surplus and Local Capital), demonstrating that approved allocations support the Board's strategic objectives.