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## ACCUMULATED OPERATING 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. Further, a level of financial reserves is an indicator of financial health and can contribute resources to provide for multi-year planning for future educational services or reduce financial risk. In order to provide increased financial stability, effective planning and support funding predictability, the Board has established this financial reserve policy with funds sourced from revenues that are in excess of expenditures.

### 1. Definitions:

- “Accumulated Operating Surplus” means the accumulated excess of operating revenues from all prior years over operating expenses from all prior years.
- “Accumulated Operating Deficit” means the accumulated excess of operating expenses from all prior years over operating revenues from all prior years.
- “Annual Operating Surplus” is the amount by which a fiscal year’s operating revenues exceed that same fiscal year’s operating expenses
- “Annual Operating Deficit” is the amount by which a fiscal year’s operating expenses exceed that same fiscal year’s operating revenues.
- “Operating Revenue” is the total of all revenue in the operating fund as disclosed on Schedule 2 of the financial statements
- “Operating Expense” is the total of all expenses in the operating fund as disclosed on Schedule 2 of the financial statements.
- “Unrestricted Operating Surplus” means that portion of the Accumulated Operating Surplus that has not been allocated by the Board for specific uses.
- “Restricted Operating Surplus” means that portion of the Accumulated Operating Surplus that the Board has designated, via Board motion, for specific uses.

### 2. Principles

2.1. An operating surplus represents the extent to which operating revenues in a fiscal year exceed operating expenditures in that year. Conversely, an operating deficit occurs when operating expenditures in a fiscal year exceed operating revenues in the same year. The School Act prohibits school districts from carrying an accumulated operating deficit, so if a deficit occurs in a fiscal year accumulated surplus funds must be used to balance it. If there are insufficient surplus funds to do so, the Board must allocate future revenues to address the shortfall.

2.2. The guiding principles of this approach are:

- To align financial reserves allocation with Policy 1 – *Learning Without Boundaries* and the school district’s strategic plan,
- To support resources that are focused to the greatest extent possible on programs/services to students with a focus on improving student achievement,
- To ensure an alignment with other relevant programs, policies and initiatives including the Framework for Enhancing Student Learning, targeted funding for Indigenous students, etc.
- To provide consistency in financial planning, including mitigation of short-term volatility, protection against future financial risk and unexpected costs.

3. Procedures

- 3.1. The Board may approve restrictions on the spending of accumulated operating surplus. Boards of Education are required by the School Act to prepare balanced annual operating budgets, which may require the appropriation of accumulated operating surplus.
- 3.2. Restrictions on the spending of accumulated operating surplus will be for the following purposes:
  - Operations spanning future school years;
  - Unusual or unexpected expenses in a given fiscal year;
  - Support for unfunded capital expenditures, primarily associated with technology, educational initiatives, deferred maintenance of facilities, and other unfunded capital needs as determined by the SD43 Board of Education;
  - Contingency reserve.
- 3.3 The Board will endeavor to maintain an unrestricted accumulated operating surplus balance that aligns with financial best practices. Restrictions on accumulated operating surplus will be made by Board motion at the time the Board reviews and approves the Annual Operating Budget, Amended Annual Operating Budget, and Financial Statements.
- 3.4 Nothing in this Policy prevents the Board from restricting operating surpluses for specific initiatives or other purposes as appropriately motioned at a duly constituted Board meeting.
- 3.5 This Policy will be reviewed annually by the Board. Prior to approval of any significant change to this policy, all amendments will be in accordance with SD43 Policy 10 – Decision Making and will be sent to all partner groups for feedback.
- 3.6 At least annually, the Board will receive and make publicly available, a report on the school district's financial reserves, the purpose for which they have been restricted, and how the reserves have been utilized during the year.
- 3.7 Specifically, to the extent that there is an excess of revenues to expenditures (operating surplus) in any fiscal year the Board will allocate these funds as follows:
- 3.8 An Education Sustainability Reserve Account is to be established over a five-year period beginning in 2021, at an amount that represents 15% of the average of the preceding three years total International Education revenues and funded through surplus in excess of 2% of total operating revenues until this objective is achieved.
  - a. Use of funds from this reserve is subject to Board approval as evidenced through the approval of the Preliminary or Amended Budget process or by specific Board motion.
- 3.9 25% of the balance of the operating surplus funds be directed and restricted for one-time opportunities primarily associated with technology, educational initiatives, and deferred maintenance of facilities. This amount will not exceed \$1.25 million annually.
- 3.10 The balance of operating surplus funds will be restricted and allocated equally over the subsequent three fiscal years, not including the immediately following year; the purpose of which is to support student success in alignment with the strategic plan.

3.11 The funding allocation shall not be more than the current year aggregate surplus budgeted in the year unless approved by the Board.

3.12 Any remaining unallocated surplus funds will be restricted and placed into a fiscal year following the three-year period noted above.

Board Minutes

June 25, 2020 Meeting

October 26, 2021 Meeting

March 1, 2022 Meeting