

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. 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:
 - Identified carry forward balances for schools and district sites,
 - Operations spanning future school years,
 - Education stabilization reserve,
 - Staffing stabilization reserve.
- 3.3 The Board will endeavor to maintain an 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 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 – Policy Making and will be sent to all partner groups for feedback.
- 3.5 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.
- 3.6 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:
 - 3.6.1 School carry forward balances as well as other approved district level carry forward balances will be restricted and allocated to the same account for use in the subsequent fiscal year.
 - 3.6.2 Operating surplus funds up to \$3,750,000 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.
 - 3.6.3 An Education Stabilization Reserve Account is to be established at an amount that shall not exceed \$4,000,000.
 - 3.6.3.1 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. These funds will only be accessed to deal with unusual or unexpected expenses in a given fiscal year

3.6.4 A Staffing Stabilization Reserve Account is to be established at an amount that shall not exceed \$1,000,000.

3.6.4.1 Use of funds from this reserve is subject to Superintendent approval and Board notification. These funds will only be accessed to deal with extenuating staffing circumstances, typically during school start up.

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

3.7 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.

Board Minutes

June 25, 2020 Meeting

October 26, 2021 Meeting

March 1, 2022 Meeting

October 17, 2023 Meeting