

# Surplus Policy

## 7215 | Surplus Policy

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The Board of Education believes in the appropriate management of operating surplus funds to address both short-term and long-term needs of the school district. The management of accumulated operating surplus recognizes that it is an indicator of the district's financial health.

During the annual budget consultation process the Board will consider the availability of accumulated operating surplus funds and the allocation of those funds between internally restricted surplus and unrestricted surplus (including contingency funds).

### Internally Restricted Surplus

There are three categories under which the Board may designate internally restricted surplus funds:

1. Funds with external constraints that do not meet the criteria for Special Purpose Funds  
e.g. Aboriginal Education funds; Special Education funds; School Generated funds
2. Funds for anticipated unusual expenses  
e.g. Ministry projects; Employee benefits; Emergent events
3. Funds for items requiring more than one year  
e.g. Future years' budgets; School and Department surpluses carried forward; School replacement studies; Capital projects

### Local Capital

There are three sources of local capital:

1. The Board's portion of any proceeds from the disposition of capital assets;
2. Transfers from operating funds; and
3. Interest earned on local capital funds.

Transfers of operating funds to local capital will be for specific initiatives related to the Board's strategic plan or other operational needs of the district. Examples include vehicle replacement, computer system upgrades, and renovation or replacement of administrative and operational buildings.

### Future Capital Cost Share

Treasury Board requires the Ministry of Education to review district surplus funds and determine funds that are available to contribute towards major capital projects. When a project has been approved for concept plan or business case development, the Board may restrict operating surplus funds for that project.

### Inter-Fund Transfers

In some cases funds need to be transferred between the operating fund, special purpose funds and the capital fund. These transfers are authorized through a Board motion. In some cases this approval will be done through the approval of a budget or the annual financial statements. Approval of inter-fund transfers related to confidential matters (such as land, legal or personnel) will be considered in an in-camera board meeting.

#### Funding Protection

The district recognizes that funding protection is a temporary resource for the district. Ministry of Education policy will result in the eventual elimination of funding protection and, therefore, the district will move towards an operating budget that will not include these funds. As a result the district will, during the annual budget consultation process, consider the allocation of spending from funding protection for items which are not ongoing costs.

#### Unrestricted Surplus (Contingency)

Any surplus funds which have not been restricted by the Board are unrestricted surplus funds. The Board will consider the use of such funds in subsequent budget approvals.

The allocation of surplus towards contingency is a prudent measure which will enable the district to manage unexpected costs and reduced revenue that may arise during a school year. Contingency funds should be maintained at a value between 2% and 4% of the district's operating budget.

#### REFERENCES

6310 – Role of the Board Policy

7210 – Annual Budget Policy