

POLICY

POLICY #630 Financial Surplus/Reserve and Inter-Fund Transfer

RATIONALE

The Board of Education is responsible for managing its financial resources to provide educational services to its students while maintaining a sound financial position.

POLICY

The Board of Education objectives in terms of its accumulated surplus is set out in this policy. By reaching a clear understanding of surplus objectives and by continually measuring progress towards achieving those objectives, that may include inter-fund transfers, the District can attain greater fiscal stability and better support educational goals.

Surplus (interchangeable with the term “reserve”) balances provide flexibility to absorb future year one-time costs, unforeseen expenditures, or reduced revenue due to declining enrolment. Inter-fund transfers facilitate the allocation of funds to support capital purchases and improvements.

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

Budgets and Financial Statements will include additional supporting information that provide details outlining the nature and scope of surpluses and inter-fund transfers.

ADOPTED: June 25, 2018

Reviewed/Revised:

Statutory Reference:

REGULATIONS AND PROCEDURES

POLICY #630 Financial Surplus/Reserve and Inter-Fund Transfer

1. SURPLUS

The Board manages its financial resources in three distinct areas: the operating fund, special purpose funds, and capital funds. The Board's annual budgets and financial statements encompass all three of these areas.

Under the *School Act*, Boards of Education are not permitted to incur a deficit of any kind and therefore, must plan appropriately. This results in accumulated surpluses being realized at the end of each year.

The accumulated surplus of a fund represents the extent to which revenues from all previous years exceeds expenditures from all previous years.

An accumulated surplus within a fund allows a School District to budget for expenditures more than revenues in a given year, and also serves to reduce the financial risk that results from financial forecasting uncertainty and unforeseen circumstances.

Surpluses shall only be budgeted for use to cover one-time costs.

2. INTER-FUND TRANSFERS

The Board may transfer amounts between funds, unless a third party has placed a conflicting restriction on the use of those funds.

Purchases for computers, equipment, furniture, vehicles, and other improvements that are required to be capitalized, funded out of operating or special purpose fund revenues, need to be purchased through the Capital Fund. Therefore, transfers between funds are necessary to allocate the financial resources to the applicable fund for the budgeted and actual expenses and occur on an annual basis.

3. OPERATING FUNDS

The Board is responsible for ensuring the district is protected financially from financial forecasting risk and unforeseen circumstances which could negatively impact the education of students. To discharge this responsibility, the Board may establish a restricted portion of its accumulated operating fund surplus and/or its annual operating fund budget as an operating reserve to be used to mitigate any negative impact such circumstances might cause.

3.1 Internally Restricted Accumulated Surplus

In recognition of some monies having constraints as to how they can be spent, funds may need to be internally restricted at the end of the fiscal year. These internal restrictions include the following:

- a) Reserves
 - i. General Operating Reserve
 - ii. International Student Program Reserve

- b) Surplus Carry Forwards
 - i. Aboriginal Education
 - ii. BC Education Plan
 - iii. Districts In-Service
 - iv. Flex Funds
 - v. Implementation
 - vi. Learning Resources
 - vii. School Based Funds
 - viii. Through A Different Lens (TADL)

New categories may be added annually as recommended by the Secretary Treasurer and/or Superintendent, or by external restrictions by ministries of government, the Board will be informed during the review and passing of the Annual Financial Statement.

Should use of internally restricted accumulated surplus', as indicated above, reduce the District to a deficit or balance below what is determined to be sufficient, the district will adopt strategies to reduce the above restricted contingencies.

3.2 Unrestricted Accumulated Surplus

Any accumulated surplus in the operating fund in excess of the internally restricted surpluses, reserves and inter-fund transfers will be classed as unrestricted surplus and will not exceed 2% of the annual budget. Unrestricted accumulated surplus may be placed into a reserve or will be allocated through the adoption of the amended annual budget.

4. SPECIAL PURPOSE FUNDS

The Board will maintain a surplus within a special purpose fund as restricted by the purpose of the fund and/or the external funder.

Endowment funds shall be maintained at the level of the original revenue and invested as per the Board's investment policy. Only the interest/gains from the investment will be allocated on an annual basis for the intended purpose of these Special Purpose Funds.

5. CAPITAL FUNDS

The Board is responsible for ensuring the district maintains adequate and safe capital assets.

Annual inter-fund allocations to Local Capital will be established to support the ongoing projects necessary to maintain our vehicles and equipment and the capital and technology plans. Unused funds will remain in each local capital account and carried forward to the next year. Local Capital includes funds from the sale of assets and transfers from other funds. 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.

The District will maintain the Local Capital fund for technology (known as the ATG fund) at a level no less than \$1.75 million, as this fund is intended as a long term investment for the maintenance of the District fiber technology and data center. The revenue supporting this fund is through inter-fund transfer from the shared services provided to external customers that includes the Ministry of Education NGN plan. Should use of the Local Capital Fund for Technology fall below \$1.75 million the district will adopt strategies to rebuild the fund over time if necessary, that will include the above mentioned revenue stream and/or may include inter-fund transfer of unrestricted operating surplus by direction of the Board or other means.

ADOPTED: June 25, 2018

Reviewed/Revised:

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