

### **ACCUMULATED OPERATING SURPLUS**

The Board has the responsibility under the School Act to prepare balanced budgets, where Board revenues plus appropriated surpluses fully fund the annual operating, special purpose and capital fund expenses, tangible capital asset acquisitions and planned reductions of prior year deficits. The Board is also responsible for ensuring that the District is protected from extraordinary circumstances which would negatively impact District operations and the education of students.

This policy outlines:

- the purpose and use of operating surplus funds,
- the way in which the Board restricts operating surplus,
- how inter-fund transfers to local Capital are managed, and
- defines how financial risk will be mitigated by establishing contingency surplus funds subject to certain limits and criteria.

District revenues consist of funding from the Ministry of Education, International Student Programs (ISP) and other miscellaneous sources. Due to the performance of the ISP, the Board has been, and continues to be, able to annually spend in excess of Ministry funding on educational programs to support Delta students. Given the uncertain nature of the global economy, the Board takes a conservative approach to forecasting ISP revenues by spending the majority of the earnings only in the following year's budget. As a result, the District often ends the year with a surplus.

The Board is committed to providing stable, multi-year, educational programming with a strong focus on powerful and inspiring learning environments for students, strong foundations in literacy and numeracy, and on graduation for all in this environment of uncertainty. Accumulated surplus funds will be used in a strategically aligned manner with district operational goals and, wherever possible, will be directed to areas of the greatest need in the most efficient manner possible.

An accumulated surplus indicates that a school district has net resources that can be used to provide future services. It is achieved by spending less than the revenues it earns and represents the extent to which operating revenues from all previous years exceeds operating expenditures from all previous years.

It is important for boards to maintain reasonable operating surplus funds to manage financial risk and maintain services for students for more than one year. Boards of education have the authority to approve restrictions on spending of surplus funds and to incur annual deficits where sufficient accumulated surplus funds exist to cover annual deficits.

It is understood that, due to their one-time nature, accumulated surplus funds cannot sustain on-going services.

The ability to carry forward unspent operating funds provides the Board with the flexibility to spend district operating funds more effectively and to plan and sustain

services for a longer period of time. It also enables the Board to set aside unrestricted contingency funds for unexpected costs, to cover decreases in anticipated revenues, or for unforeseen circumstances.

Guiding principles for the use of surplus funds:

- Emphasis will be placed on identifying, analyzing and reporting changes in the composition of surplus funds in order to maintain the long-term financial health of the District.
- Trustees will approve accumulated surplus restrictions based on management recommendations and will review accumulated surplus activity at least quarterly. Wherever possible, motions to appropriate surplus funds will be made in public. Exceptions include where appropriations are made for land, legal, or personnel matters.
- The Board will conduct annual public engagement sessions with local community members, education-partner groups, and local First Nations on why boards have an operating surplus and how the surplus will be used to support the Board's strategic plans, operational needs and enhanced educational outcomes for students.
- A reasonable, K-12 standard practices aligned, unrestricted balance will be maintained to guard against deficits in the event of the unforeseen. This balance may be revised from time to time to keep in line with inflation and changes in the overall Operating Budget value.
- Accumulated operating surplus funds earmarked for capital initiatives not yet begun and funds not yet utilized at June 30, will be maintained in the accumulated operating surplus, not in the capital fund.

In restricting accumulated operating surplus funds, aside from ensuring strategic alignment, priority will first be given to:

- legislative requirements and financial regulation, then
  - operational necessity, then
  - operational aspiration.
- Further, accumulated surplus funds shall be earmarked in the following priority sequence:
    - Funds internally restricted due to an imposed constraint, including but not limited to contractual obligations, Ministry targeted Indigenous funds and Ed Plan funds, School Generated Funds and donor named funds.
    - Funds required to balance an approved budget.
    - Funds internally restricted due to anticipated unusual expenses identified by the Board including but not limited to the settlement of legal actions, implementation of new initiatives, short-term staffing needs, to mitigate one-time financial impacts and emerging events.

- Funds internally restricted for operations spanning one or multiple school years, including but not limited to, funding needed to:
  - balance the upcoming budget,
  - operating or capital projects in progress,
  - purchase order commitments,
  - technology,
  - equipment and capital projects essential to the continuation of education programming in schools or District facilities,
  - funding for mid-year education initiatives not yet budgeted, and
  - for one-time initiatives to improve education excellence and student success.

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