



**School District 19**  
(Revelstoke)

# Revelstoke Board of Education

## Policy Manual

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### **4.18 Accumulated Operating Surplus and Inter-fund Transfer**

The Revelstoke Board of Education (the “Board”) is responsible for ensuring the district is protected financially from extraordinary circumstances that would negatively impact school district operations and the education of students.

Surplus balances provide flexibility to absorb future year one-time costs, unforeseen expenditures, or reduced revenue. Inter-fund transfers facilitate the allocation of funds to support capital purchases and improvements.

The reporting of surpluses and inter-fund transfers is publicly provided through both the financial statements 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.

#### **Guidelines**

The following guidelines form the basis for this policy:

1. Surplus levels are important for achieving and maintaining educational goals including financial health and stability.
2. Actual surplus balances are compared with those of other school districts, especially those with similar rural and remote context, on an ongoing basis to gauge whether financial health is being achieved.
3. The use of surplus is consistent with, and aligned to the long-term objectives of the School District.
4. The District should set aside a contingency to mitigate financial risk, unexpected costs, and unforeseen circumstances.

#### **Surplus**

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

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

An accumulated operating surplus indicates that a school district has net resources that can be used to provide future services or acquire assets. It is achieved by spending less than the revenue from all sources. The Board may approve restrictions on spending of surplus. Boards of education are required by legislation to prepare balanced annual operating budgets and this may include appropriation of prior year accumulated surplus.

An accumulated operating surplus represents the extent to which operating revenue from all previous years exceeds operating expenditures from all previous years after any inter-fund transfers. The use of an operating surplus enables the Board to engage in long-term planning, mitigate financial risk and support consistent programs and services to all students. Surplus balances provide flexibility to absorb future year one-time costs, unforeseen expenditures, or reduced revenue due to declining enrolment. To support long-term financial planning, the Board can restrict operating surplus for use in future years with consistent rules and guidelines in place.

#### Consultation and Engagement

Prior to approval of the Annual Budget, the Board will consult and engage with education partners including the Indigenous Education Advisory Committee and local First Nations and Metis Nation BC on proposed uses of the accumulated operating surplus. Consultation and engagement will include where, when, and how there will be opportunities to provide input, feedback and ask questions regarding the Board's annual budget and the Board's operating surplus accumulation, reporting and planned use.

This engagement will be consistent with the consultation processes outlined on the District's website ([www.sd19.bc.ca](http://www.sd19.bc.ca)).

#### Categories of Operating Surplus

##### Internally Restricted Operating Surplus

The Board may approve restrictions to set aside a portion of the operating surplus for items that are linked to multi-year strategic objectives and future operational needs. Such restrictions must be made only for defined operational needs within defined timelines, including services or purchases that are directly related to the Boards' Strategic Plan, operational needs, contractual obligations, or enhanced educational outcomes for students.

Three categories of Internally Restricted Operating Surplus include:

1. Restricted Due to the Nature of Constraints on the Funds:
  - a. The Board may receive grants or other revenue for specific or targeted purposes. If these grants/funds are not spent, the balance is internally restricted to be used for the specified use in future years. Examples include:
    - i. Contractual obligations (i.e. professional development);
    - ii. Indigenous Education targeted funding;
    - iii. School generated funds (not externally restricted).
    - iv. Professional Development obligations resulting from staff contracts.
2. Restricted for Anticipated Unusual Expenses Identified by the Board:
  - a. To support effective planning, there will be situations where management has identified one-time and intermittent projects that will not be funded by revenues in that year or where, if they are funded from annual Provincial Operating grants, this may cause fluctuations or reductions in educational service levels. Examples include:
    - i. Staffing needs that are short-term and variable in nature;
    - ii. Self-insurance for minor equipment loss and breakage;
    - iii. Implementation of new initiatives;
    - iv. Impact of emerging events (i.e. COVID-19 pandemic).
3. Restricted for Operations Spanning Multiple School Years
  - a. To support effective operational planning there will be situations where operating surplus funds may need to be carried over to future years, such as:
    - i. Future years' Operations/Budget;
    - ii. Schools and department surplus/carry forwards;
    - iii. Operating projects in progress;
    - iv. Technology, utilities, equipment and Capital projects, including amounts to be transferred to Local Capital;
    - v. Purchase order commitments;
    - vi. Educational programs spanning multiple years.

#### Unrestricted Operating Surplus (Contingency Reserve)

Unrestricted Operating Surplus (Contingency): means the accumulated Operating Surplus built up in the School District's Operating Fund that has not been designated for specific uses

The Board is responsible for ensuring the District is protected financially from extraordinary circumstances which would negatively impact operations and the education of students. In these circumstances, the Board needs to have access to enough funds to continue to provide educational services and maintain regular

operations without implementing one-time service cuts. To discharge this responsibility, the Board will establish a contingency reserve from available operating surplus which would be used to mitigate any negative impact such circumstances might cause.

The Board's target would be to carry a contingency reserve of a minimum of 1% and a maximum of 4% to provide support when dealing with challenges in operating expenditures. The target may be exceeded from time to time in order to support a specific situation(s).

The Board may approve the use of contingency reserve under the following circumstances:

1. **Emergent Operating Issues:** Major non-recurring costs related to emergency events or situations which cannot be anticipated and budgeted for and when it may not be feasible to absorb the cost of such events in other budget areas. Examples include:
  - a. Extraordinary costs associated with severe inclement weather, forest fires etc.
  - b. Payment of severances (wages and benefits) upon termination of employment;
  - c. Settlement of any legal action not covered by insurance;
  - d. Coverage for disaster recovery expenditures;
  - e. Replacement of equipment essential to the continuation of safe operations of District facilities;
  - f. Coverage for unexpected additional capital project costs not funded by the Ministry of Education; or
  - g. Extraordinary or unknown cost pressures not known at time of budget development.
  
2. **Offset Unrealized Revenues:** Some revenue sources are cyclical in nature and subject to downturns in the economy and other factors. The Board cannot always anticipate such fluctuations or rely on budgetary savings or other revenues to offset these shortfalls. In these cases, the Board can use contingency funds to continue to provide educational services and maintain operations without implementing one-time service cuts.

In recognizing that the use of the contingency reserve represents a one-time source of funding, the Board will incorporate into its future budget planning processes, strategies to re-establish the contingency reserve. Such strategies may be implemented over a period of more than one year.

### Operating Fund

The Revelstoke School District's accumulated operating surplus will include a

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contingency reserve for the risks associated with unexpected increases in expenses and/or decreases in revenues related to emergent operating issues, one-time costs, and intermittent projects.

When the use of the contingency reserve reduces the balance below what is determined to be sufficient, the district will adopt strategies for replenishing the contingency reserve.

Any accumulated surplus in the operating fund in excess of the contingency reserve, referred to above, restricted surpluses and inter-fund transfers, may be allocated by the Revelstoke Board of Education through the adoption of an annual budget.

#### Special Purpose Funds

Special Purpose Funds consist of targeted funding provided to the school district for a specific purpose. Pursuant to Sections 156(4) and (5) of the School Act, each special purpose fund must be accounted for in accordance with the terms of that special purpose fund. Treasury Board Restricted Contribution Regulation 198/2011, issued in November 2011, defines a restricted contribution as 'a contribution that is subject to a legislative or contractual stipulation or restriction as to its use'. Special purpose fund expenses are contingent on the amount of revenue received for the purpose of providing a specific service or program

The Board will maintain a surplus within a special purpose fund, where it is beneficial and is allowed to do so, in alignment with the intent of the special purpose fund.

#### **Capital Funds**

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

#### Restricted for Future Capital Cost Share

To support major capital projects that are identified in the Board's 5-year Capital Plan and approved by the Minister of Education for concept plan or business case development, the Board may restrict operating surplus to satisfy capital project cost share expectations at the time the project is brought forward for funding approval.

#### Local Capital

Annual inter-fund allocations to Local Capital will be established to support the ongoing projects necessary to maintain district vehicles, equipment, technology and capital projects that are not supported by the government through the Ministry of Education's Capital Plan funding. Unused funds will remain in the local capital account and carried forward to next year.

Local Capital includes funds from the sale of assets and transfers from other funds.

Therefore, the Board will:

- establish a local capital fund;
- annually approve a capital plan;
- approve, through inclusion within the adopted annual budget, the transfer of sufficient amounts from the operating and special purpose funds to the local capital fund; and
- approve, through the approval of the annual financial statements, other transfers to support approved capital projects.

### 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. Transfers between funds may be necessary to allocate the financial resources to the applicable fund for the budgeted and actual expenses.

To enhance transparency, all surplus appropriations require board resolution in a public meeting. Approval of appropriations related to confidential matters or land, legal or personnel matters shall be considered in a closed board meeting.

### General

For further information on the Financial Surplus and Inter-Fund Transfer Policy, please see the Ministry of Education K-12 Public Education Accumulated Operating Surplus Policy Companion Guide as amended from time to time. [Policy Companion Guide](#)