

## School District #62 (Sooke)

<b>ACCUMULATED OPERATING SURPLUS</b>	No.: F-333
	Effective: Apr. 24/18 Revised: May 23/23 Reviewed: Feb. 19/18; Apr. 4/23; Apr. 25/23; May 23/23

### REGULATIONS

The Board of Education is responsible to ensure the District has strong financial management control of its resources. The Superintendent, through the Secretary Treasurer, is responsible for the overall financial management of the District's resources.

The accumulated operating surplus (operating surplus) represents the extent to which revenue from all previous years exceeds expenditures from all previous years. The use of the operating surplus enables the Board to engage in long-term planning, mitigate financial risk and support consistent services for students.

The Board will use the existing Ministry of Education and Child Care's financial reporting framework to report on the planned and actual use of operating surplus. The reporting of surpluses and inter-fund transfers are publicly provided through both the financial statement and budget reporting processes. The district budget reporting processes will outline the initial plan for surpluses and transfers and the financial statements will report on the actual surpluses and transfers in any given budget year.

Prior to the approval of the financial statements and budget, the Board of Education will consult and engage with education partners and local First Nations and Métis Nation BC on proposed uses of the operating surplus. The Board will provide public information as to where, when and how the community can provide feedback on the subject.

The Board uses the following categories to manage the operating surplus:

- Unrestricted Operating Surplus (Contingency)
- Internally Restricted Operating Surplus
- Restricted for Future Capital Cost-Sharing
- Local Capital

#### **Unrestricted Operating Surplus (Contingency)**

The District shall maintain records of all its revenues and expenditures in accordance with generally accepted accounting principles. The Board believes that the maintenance of a strong financial position is fundamental to the District's overall fiscal strategy, and as such, an appropriate level of contingency funds should be established.

Strong financial management practices include protecting the District financially from extraordinary circumstances which could negatively impact the education of students. The District shall build and maintain an accumulated contingency of 2% of operating expenses. In order to expend funds in the year received, it is understood that it will take a number of years for the District to reach the desired level.

This contingency will be created through the following mechanisms:

- Annually budgeting \$250,000 to be generated from Rental and Leases Revenue; and
- Retain any (unrestricted) annual operating excess in the contingency account.

These funds are to be used only for purposes as agreed upon by the Board. These purposes are to include:

- 1) unexpected occurrences having a negative financial impact on the current fiscal year;
- 2) extraordinary needs arising from the delivery of the Strategic Plan; and
- 3) the replacement of fixed assets.

The contingency can only be accessed by Board resolution and by inclusion in the annual budget of the Board.

The contingency will not be used for ongoing operating expenses, except as directed by Board motion.

### **Internally Restricted Operating Surplus**

The Board can make restrictions for items that are identified by the Board and have defined timelines. The three streams of internally restricted operating surplus are:

- Restricted due to the nature of constraints on the funds;
- Restricted for anticipated unusual expenses identified by the Board; and
- Restricted for operations spanning multiple school years.

### **Restricted for Future Capital Cost-Sharing**

To support major capital projects that are identified in the Board's five-year Capital Plan and approved by the Ministry for concept plan or business case development, the Board may restrict the Financial Reserve to satisfy capital project cost-share expectations.

### **Local Capital**

Local Capital will include the Board's portion of any proceeds from the disposition of capital assets, transfers from operating funds and interest earned on Local Capital funds restricted for the purchase of tangible capital assets. Capital projects that are not supported by the government through the Ministry of Education and Child Care's Capital Plan funding need to be funded through school district funds.