



## School District No. 27 (Cariboo-Chilcotin)

### **OPERATING BUDGET and ACCUMULATED OPERATING SURPLUS**

**Policy No. 3110**

DRAFT: 2018.05.08 Effective: February 2014

Initial Adoption: August 1984

#### **Preamble**

The annual operating budget, including the Accumulated Operating Surplus, is a financial plan reflecting the objectives established by the Board of Education for the school/fiscal year to which the budget applies. It should further support the implementation and maintenance of the District's educational and operational plans. The budget should also be consistent with the Board's mission, vision and values statements.

#### **Policy**

**The Board of Education views the preparation and approval of the Annual and Amended Annual Operating Budgets as a major Board function. It believes that there must be opportunities for meaningful input from employees, parents and the community in the development of the budget.**

**The Board of Education recognizes that healthy Accumulated Operating Surplus levels are important in achieving educational goals including financial health and stability and are an integral part of the budget process.**

**The Board of Education is responsible for ensuring the School District is protected financially from extraordinary circumstances which would negatively impact the education of students. To discharge this responsibility, the Board will establish a restricted portion of its accumulated surplus which would be used to mitigate any negative impact such circumstances might cause.**

#### **Regulations**

##### **A. Definitions:**

1. School/Fiscal Year: The school year runs from July 1<sup>st</sup> to June 30<sup>th</sup>.
2. Budget Cycle: The budget cycle begins in January each year, with the Annual Budget being finalized in June for implementation in September, and continues through to February of the following year, with the finalization of the Amended Annual Budget.
3. Annual Operating Budget or Annual Budget: The Annual Budget is the preliminary budget that is prepared each spring for the next school year. It is based on estimated student enrolment, revenue and expenditures. The Annual Budget must be adopted by the Board and is currently due to the Ministry of Education by June 30<sup>th</sup> each year.

4. Amended Annual (Operating) Budget: Revisions to the Annual Budget, using confirmed student enrolment and provincial revenue and estimated other revenue and expenditures, form the Amended Annual Budget. The Amended Annual Budget must be adopted by the Board and is currently due to the Ministry of Education by February 28<sup>th</sup> each year.
5. Budget Bylaw: Annual and amended budgets are required by the *School Act* to be adopted by the Board through a bylaw. A bylaw requires three distinct readings before it is finally adopted by the Board.
6. Accumulated Operating Surplus: Is a term defined by the Public Sector Accounting Standards. It is the accumulated excess of operating revenues over operating expenses from prior budget years.
7. Internally Restricted Surplus: The accumulated operating surplus built up in the School District's operating fund that has been designated for specific uses eg. Utilities, Equipment and Capital Projects, Emergency, Professional Learning, Student Learning, Financial Software Transition, Strategic Planning/School Reconfiguration, Long Range Facilities Plan.
8. Unrestricted Surplus: The accumulated operating surplus built up in the School District's operating fund that has not be designated for specific uses.

#### **B. Budget Development**

1. The Board is required by the *School Act* to develop an annual operating budget and submit it to the Ministry of Education in a prescribed form by prescribed dates.
2. The Secretary Treasurer, as the Board's corporate financial officer, is specifically responsible for the financial management of the budget, and all financial reports and reports directly to the Board of Education in this capacity.
3. Responsibility for the overall management of the educational and operational programs that are supported by the annual budget is that of the Superintendent and Secretary Treasurer.
4. The Secretary Treasurer will lead the Board through a comprehensive review of the District's financial situation at least once during the term of the Board, generally after each general election of trustees.
5. The Board encourages input and consultation into the Annual Budget at appropriate times each year with stakeholders and the general public. The Board, in recognizing the vast geography of the school district, will do its best to ensure that opportunity is provided for meaningful input into

the budget. Opportunities may include physical and/or electronic meetings and any other avenues as deemed appropriate by the Board.

- 6. Each year, by December 31, the Secretary Treasurer will present, for the Board’s approval, a preliminary annual budget process timeline outlining meeting dates and times, including those times for public and stakeholder input and consultation.
- 7. The Secretary Treasurer will provide periodic financial information regarding the status of the budget to the Business Committee.
- 8. A typical Financial Cycle:



C. Accumulated Surplus

- 1. There are four categories of Accumulated Operating Surplus:
  - a. Internally Restricted due to nature of constraints on the funds, such as contractual obligations, Aboriginal education, School Generated Funds, Education, and Donator named funds.
  - b. Internally Restricted due to anticipated unusual expenses identified by the Secretary Treasurer, such as exempt staff compensation, staffing and labour relations, employee benefits, NGN implementation, anticipated severance, contingency reserve
  - c. Internally Restricted due to operations panning the school year, such as future years’ operations/budget (not beyond the next three fiscal years), Schools and Department surpluses/carry-forwards (not beyond the next three fiscal years), Operating projects in progress, Technology, utilities, equipment and Capital projects (including amounts to be transferred to Local Capital, but have not

- yet been identified for specific initiatives), purchase order commitments, distributed learning, summer school, International program, strategic planning, school reconfiguration.
- d. Unrestricted operating surplus (includes funds that may be used in budget years beyond the next three fiscal years).
2. A healthy Accumulated Operating Surplus should be in the range of 1%-4% of the Board's Operating Revenue. If the accumulated surplus is expected to be higher or lower than the range, the Board of Education must develop a plan of how to restore the accumulated surplus, to the specified range.
- a. The Internally Unrestricted Accumulated Operating Surplus should not exceed 10% of the total Accumulated Operating Surplus. If the amount exceeds 10%, a resolution of the Board of Education is required.
3. The Secretary Treasurer will annually assess each operating surplus item to determine if the amount is still valid. The assessment will include reviews of historical usage of operating surplus items. Amounts will not be internally restricted that will not likely be spent in the next three fiscal years, unless extraordinary circumstances occur.
4. Although accumulated surpluses can be a source of cash for spending, surpluses cannot be used to sustain on-going services.
5. The Board of Education will provide information in the Notes to the Financial Statements, itemizing what internal restrictions have been placed on the accumulated operating surplus. Further narratives explaining how the funds were accumulated and what the ongoing plan is for the use of these accumulated surpluses, in addition to how the surplus supports achievement of the goals of the School District in a Financial Statement Discussion and Analysis is encouraged.
6. Accumulated Operating surplus will not be transferred to Local Capital without supporting detail of what projects these Local Capital funds will be spent on. Until such time as the funds can be identified for a specific Local Capital funded project, the funds will be retained in accumulated operating surplus.
7. It is expected that the annual operating budget will allow transfers to local capital which are sufficient to allow efficient replacement or acquisition of assets. Transfers to local capital should be authorized through budget bylaw process or by separate Board resolution.

8. Any transfer of funds between the Operating Fund and Capital fund not included in the Annual Budget, or the Amended Annual Budget, will be considered by the Board, who may seek input from the Governance Committee prior to making its decision.