

POLICY 710: ACCUMULATED OPERATING SURPLUS

ADMINISTRATIVE PROCEDURES

Purpose

The purpose of the Administrative Procedures are to provide guidance with respect to how the Board of Education will manage the Accumulated Operating Surplus. The Administrative Procedures outline:

1. Public participation;
2. Eligible restrictions to support strategic priorities and other operational objectives;
3. Target balances; and
4. Approval process and public reporting.

Definitions

- **Accumulated Operating Surplus** means the accumulated excess of Operating Revenues over Operating Expenses less Inter-Fund Transfers from current and prior years.
- **Inter-Fund Transfer** means a transfer between the school district's Operating Fund and Capital Fund.
- **Internally Restricted Operating Surplus** means an appropriation of Accumulated Operating Surplus that has been approved by a Board motion for specified use in future years.
- **Local Capital** is comprised of previous years' available operating surpluses, which are transferred to Local Capital with Board approval; revenues from sale of capital assets; and investment income earned on these funds.

Public Participation

Prior to approval of the Preliminary Annual Budget, the Board of Education will engage with the education partners and local First Nations and Métis Nation BC on all proposed uses of the Accumulated Operating Surplus.

Engagement with education partners can be addressed through the budget development consultation process approved at the November Public Board Meeting. Consultation with the local First Nations and Métis Nation BC can be done through the School District's Indigenous Education Council.

The process must support the Board of Education requirement of a collaborative process that is transparent, inclusive and timely. Collaborative achieves the public participation goal and promise to the public as adopted by the Board of Education. Further information can be found at: [Public Participation - North Vancouver School District \(sd44.ca\)](#)

Engagement will be reviewed on an on-going basis. This includes a post-mortem of the process to identify lessons learned and revisions for future consideration.

Eligible Restrictions of Accumulated Operating Surplus by Category

The Accumulated Operating Surplus may be subject to internal restrictions for use in future years. Restrictions can be made for items that are identified by the Board of Education, have defined timelines, and must be directly related to the Board of Education strategic plan and priorities, or meet the specified needs of the school district. Internal restrictions will be approved by separate Board motion, and should be classified under the following categories:

1. Restricted due to the nature of constraints on the funds; such as
 - Contractual obligations (e.g., professional development);
 - Unspent Targeted Grant funds; or
 - School generated funds.

2. Restricted for anticipated unusual expenses identified by the Board of Education. This includes one-time expenses such as:
 - Specified short-term, variable staffing needs;
 - Equipment loss and breakage reserves;
 - Implementation of specified new initiatives; or
 - Impact of specified emerging events (e.g., COVID-19).
3. Restricted for operations that span multiple school years, such as:
 - Revenues are not received in the same school year in which expenses are incurred;
 - Unspent school block funds;
 - Unspent Holdback funding from Ministry of Education; or
 - Designated funds to support future obligations, programs or services.
4. Restricted for transfer to Local Capital to create a reserve fund for:
 - Significant investments in technology, furniture and equipment, and fleet, that align with the Board of Education strategic plan and priorities;
 - School district contributions to capital construction projects not funded by the Ministry of Education; or
 - Capital Assets funded by the school district (e.g. Educational Services Centre, Maintenance yard, etc.).
5. Restricted for future capital projects:
 - To satisfy Ministry requirements to contribute to major capital projects.

Target Balance

The target balance for the Unrestricted Accumulated Operating Surplus is established in the range of 2 – 4 percent of operating expenses as approved in the Preliminary Annual Budget.

Should the Unrestricted Accumulated Operating Surplus balance decline below the target balance, a replenishment strategy will be developed and approved by the Board of Education. Restoration of the balance may be implemented over a three-year period or an alternate approved timeline.

Timing on the planned use of the Accumulated Operating Surplus may include the upcoming fiscal year or the following three years.

Approval and Reporting

Prior to bringing forward the Preliminary Annual Budget, the Amended Annual Budget or the Audited Year End Financial Statements for approval by the Board of Education, the Secretary-Treasurer will present a report to the Audit Committee that includes utilization of the Accumulated Operating Surplus and Local Capital.

The report will include the opening balance, planned uses, actual uses and closing balances by the categories of use identified above, as well as the expected timelines for use.

The report prepared on the Preliminary Annual Budget will include the input received from education partners, First Nations and Métis Nation BC on the planned utilization of Accumulated Operating Surplus, and communicate how that input has been considered in its development.

The Audit Committee will provide a recommendation on the reports prior to consideration by the Board of Education.

The Board of Education will approve recommendations for utilization of Accumulated Operating Surplus or transfers to Local Capital by way of separate motions. The motions will include the purpose, timeline and amount to be restricted.