

POLICY 611 ACCUMULATED OPERATING SURPLUS

The Board of Education is responsible for ensuring the district is protected financially from forecasting risk and unforeseen circumstances that could negatively impact resources available for the education of students. The Board is required by legislation to prepare a balanced annual budget. As stipulated within the *School Act*, boards of education are not permitted to incur a deficit of any kind and therefore must plan appropriately. Estimated spending in the annual budget must not exceed estimated revenue plus any allocation of accumulated operating surplus.

An accumulated surplus represents the extent to which revenue from all previous years exceeds expenditures from all previous years. The use of an operating surplus enables the Board to mitigate financial risk and support programs and services for 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.

This policy, in conjunction with Policy 610 – Financial Planning and Reporting, ensures accountable and transparent financial planning; establishes procedures that guide the accumulation, spending and reporting of operating surplus funds; and outlines how the Board will engage with students, parents/guardians/caregivers, staff, First Nations and Métis Nation BC, community members and organizations. This policy aligns with and ensures compliance with the Ministry of Education and Child Care’s [Accumulated Operating Surplus Policy](#) and [Financial Planning and Reporting Policy](#).

To increase transparency, surplus allocations will be specifically identified and approved as part of the budget approval process. Surplus allocations not contained in the budget will require a Board motion in a public meeting, save for motions that are appropriately made in a closed Board meeting such as matters related to land, legal or personnel matters.

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.

Consultation and Engagement

Prior to approval of the Annual 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 accumulated operating surplus. This engagement will be consistent with the consultation processes outlined in Policy 610 – Financial Planning and Reporting. Information regarding these processes will be provided on the district website.

Specifically, the Board will consult and engage local communities, education partner groups, local First Nations and Métis Nation BC about:

- opportunities to provide input, feedback and ask questions regarding the Board's annual budget and Board's operating surplus accumulation, reporting and planned use;
- how the feedback will be used; and
- any specific opportunities to provide feedback.

Categories of Operating Surplus

The Board uses the following categories to manage operating surplus.

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.

Chilliwack School District's accumulated operating surplus will serve as a contingency reserve for the risks associated with unexpected increases in expenses and/or decreases in revenues related to major emergent operating issues, one-time costs and intermittent projects. The Board will attempt to maintain a contingency reserve of 3.5 percent of annual operating expenses.

Restricted for Future Capital Cost-Sharing

To support major capital projects that are identified in the Boards' five-year Capital Plan and approved by the Ministry for concept plan or business case development, the Board may restrict operating surplus 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.

Special Purpose Funds

The Board of Education may maintain a surplus within a Special Purpose Fund where it is beneficial to do so in achieving the intent of that fund.