



## **Policy 19 – Accumulated Operating Surplus**

The Board of Education of School District No. 36 (Surrey) (the “Board”) is responsible for ensuring the long-term financial stability of the Surrey School District No. 36 (the “District”) and the responsible stewardship of public resources.

An accumulated operating surplus provides financial protection against unforeseen circumstances, supports responsible multi-year planning, and enables the District to address emerging operational and educational priorities.

The purpose of this policy is to provide clear, transparent guidance on the accumulation of surplus funds, how they are allocated for future spending and reporting requirements.

1. Authority
  - a. The Board of Education will approve all appropriations of surplus and local capital funds. This may be done as part of the annual budget process, financial statement approval or as required throughout the year.
  - b. The Secretary-Treasurer has responsibility for the implementation, management and reporting of the accumulated operating surplus as approved by the Board.
2. Accumulated Operating Surplus
  - a. An operating surplus means the Board has financial resources that can be used to provide services beyond the current year. A board achieves an operating surplus when its annual revenue exceeds annual expenses.
  - b. These resources are designed to help plan for extraordinary future expenditures and protect the district from unforeseen financial and operating events or circumstances to avoid affecting services to students. These resources are an important factor in determining the overall financial health of the District.
3. Structure of the Accumulated Operating Surplus

Accumulated operating surplus may include the following components:

  - a. Internally Restricted Operating Surplus
    - i. Boards can set aside a certain portion of operating surplus for items that are linked to the strategic plan and future operational needs. When funds are restricted for use in future years, the Board must ensure that the restrictions are made for defined operational needs with reasonable timelines.

- ii. Appropriations of surplus funds require Board approval and may be made as part of the annual budget process, through approval of the annual financial statements or as required throughout the year.
- iii. There are 3 categories of internally restricted surplus:
  - a. Restricted due to constraints on funds - This represents unspent funds that were provided for specific or targeted purposes by external sources.
  - b. For Planned Future operation spanning multiple years - This is for situations where operating surplus funds need to be carried over to future years for operating purposes beyond the current year. This includes school budget carry overs, operating budget projects in progress and future years' budget requirements.
  - c. For anticipated future requirements - This is for identified non-recurring or one-time projects or initiatives that cannot be reasonably funded within a current year.
- b. Unrestricted Operating Surplus (Contingency)
  - i. The Board is responsible for the financial stability and sustainability of the district and will maintain an unrestricted operating surplus (contingency) to address unforeseen events, emergent financial pressures, or revenue shortfalls.
  - ii. The Board shall maintain an unrestricted operating surplus within a range of not less than 1% and not more than 3% of operating revenues, to mitigate potential financial risks and support prudent financial management.
  - iii. Recognizing that any use of unrestricted operating surplus represents a one-time use of funding, the Board will incorporate into its future budget planning processes, strategies to ensure the unrestricted operating surplus remains within the range set out in subsection ii.

#### 4. Local Capital Reserve

- a. The Board may maintain funds for future capital expenditures not specifically funded by the Ministry of Education and Child Care. These funds should be sufficient to cover the requirements for specifically identified capital expenditures for the following three years.
- b. Local capital typically funds capital expenditures for building improvements, infrastructure upgrades, equipment and vehicle replacement or major/minor facility repairs.

#### 5. Interfund Transfers

- a. Interfund transfers are funds transferred from one fund to another (e.g., between Operating Fund and Capital Fund). Interfund transfers require Board approval.

Approved: June 10, 2026