

# School District No. 22 (Vernon) **POLICY**

Please file in By-Laws, Policy & Procedure Manual

**No. 2.22.0**

**Adopted: June 2018**

## **Financial Surplus and Inter-Fund Transfer Policy**

Surplus balances provide flexibility to absorb future year one-time costs, unforeseen expenditures, or reduced revenue due to declining enrolment. Inter-fund transfers facilitate the allocation of funds to support capital purchases and improvements.

The reporting of surpluses and inter-fund transfers are publicly provided through both the financial statement and budget reporting processes. The budget reporting processes outline the initial plan for surpluses and transfers and the financial statements report on the actual surpluses and transfers.

Budgets and Financial Statements will include additional supporting information that provide details outlining the nature and scope of surpluses and inter-fund transfers.

### **Surplus**

The Board manages its financial resources in three distinct areas: the operating fund, special purpose funds, and capital funds. The Board's annual budgets and financial statements encompass all three of these areas.

Under the School Act, Boards of Education are not permitted to incur a deficit of any kind and therefore must plan appropriately. This results in accumulated surpluses being realized at the end of each year.

The accumulated surplus of a fund represents the extent to which revenues from all previous years exceeds expenditures from all previous years.

An accumulated surplus within a fund allows a School District to budget for expenditures in excess of revenues in a given year, and also serves to reduce the financial risk that results from financial forecasting uncertainty and unforeseen circumstances.

Surpluses shall only be budgeted for use to cover one-time costs.

## **Inter-fund Transfers**

The Board of Education may transfer amounts between funds, unless a third party has placed a conflicting restriction on the use of those funds.

Purchases for computers, equipment, furniture, vehicles, and other improvements that are required to be capitalized, funded out of operating or special purpose fund revenues, need to be purchased through the Capital Fund. Transfers between funds are necessary to allocate the financial resources to the applicable fund for the budgeted and actual expenses.

## **Operating fund**

The Board of Education is responsible for ensuring the district is protected financially from financial forecasting risk and unforeseen circumstances which could negatively impact the education of students. To discharge this responsibility, the Board will establish a restricted portion of its accumulated operating fund surplus and/or its annual operating fund budget as a contingency reserve to be used to mitigate any negative impact such circumstances might cause.

When use of the contingency reserve reduces the balance below what is determined to be sufficient, the district will adopt strategies for replenishing the contingency reserve.

Any accumulated surplus in the operating fund in excess of the contingency reserve, restricted surpluses and inter-fund transfers will be allocated by the Board of Education through the adoption of an annual budget.

## **Special purpose funds**

The Board of Education will maintain a surplus within a special purpose fund where it is beneficial to do so in achieving the intent of the special purpose fund.

## **Capital funds**

The Board of Education is responsible for ensuring the district maintains adequate and safe capital assets.

Annual inter-fund allocations to Local Capital will be established to support the ongoing projects necessary to maintain our vehicles and equipment and the capital and technology plans. Unused funds will remain in each local capital account and carried forward to the next year.

Local Capital includes funds from the sale of assets and transfers from other funds. Capital projects that are not supported by the government through the Ministry of Education's Capital Plan funding need to be funded through school district funds.

Therefore, the Board will

- Establish a local capital fund;
- Annually approve a capital plan;
- Approve, through inclusion within the adopted annual budget, the transfer of sufficient amounts from the operating and special purpose funds to the local capital fund; and
- Approve, through the approval of the annual financial statements, other transfers to support approved capital projects.