



## Administrative Procedures

<b>AP-707</b>  SURPLUS PLANNING	<b>Date of implementation:</b> October 2011 <b>Date of update:</b> May 15, 2019
	<b>Related Administrative Procedures:</b>

**Purpose:** The Board is responsible for ensuring the Division is financially protected from extraordinary circumstances which would negatively impact school division operations and the education of students. The Board establishes several funds for the purpose of planning for expenses which will occur in the future, mitigation of short-term volatility and future financial risk.

**Procedure:**

1) Internally Restricted Surplus Planning

- a) A surplus for operating expenditures may be established upon recommendation to the Board.
- b) A surplus for capital expenditure may be established upon recommendation to the Board. The purpose of the surplus is to fund:
  - Purchase of land
  - New buildings
  - Renovations and additions
  - Furniture and equipment
  - Major building repairs; and
  - Programs funded by targeted grant funding.
- c) Other surpluses may be established from the proceeds of the disposal of land and buildings as required by the Minister of Education and reported according to Public Sector Accounting Board (PSAB).
- d) Contributions to and transfers from surpluses are to be approved by the Board annually in conjunction with the adoption of the budget and/or annual audited financial statements.
- e) The prior year's surplus is to be transferred into the unrestricted surplus fund unless approved as an internally restricted surplus by the Board.
- f) The Board will generally retain the following operational reserves balances:
  - i) An Unrestricted Surplus between 0.5% and 2% of the Adjusted Annual Operating Revenue.
  - ii) Internally Restricted Reserves between 1% and 10% of the Adjusted Annual Operating Revenue. This amount does not include Internally Restricted Reserves designated for capital expenditures, facility related projects and school generated funds.

- iii) No limit on Externally Restricted Reserve balances as those categories are managed by agreement between the Board and another organization.
- iv) If the school division retains reserve balances that exceed the targeted levels, the Board would approve a detailed plan to spend the excess funds.

2) Trust Funds

- a) The CFO is authorized to receive donations for the purpose of establishing scholarships and student bursaries. Funds are to be held in trust for the purposes intended.
- b) The CFO is to make every effort to comply with the conditions specified by the donor if aligned with Division values.
- c) The CFO may recommend to the Director that funds be held in trust by the Board for purposes other than student scholarships and bursaries.