

# SCHOOL DISTRICT No. 69 (QUALICUM)

## ADMINISTRATIVE PROCEDURE

### ACCUMULATED OPERATING SURPLUS

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#### **Purpose**

The Accumulated Operating Surplus will be comprised of the following three components:

- Contingency Reserve
- Appropriated Operating Surplus
- Unrestricted Operating Surplus

In conjunction with the Board of Education's review and approval of the annual financial statements, the Board of Education will restrict a portion of accumulated operating surplus for the purpose of forming a Contingency Reserve.

The Contingency Reserve will be sufficient to reduce, to an appropriate level, financial risk that results from financial forecasting risk and/or unforeseen circumstances.

Effective multi-year funding of projects and programs requires the allocation of prior year revenues to fund future expenditures and is achieved through budgetary appropriation of accumulated operating surplus.

The balance of the accumulated operating surplus will be held as unrestricted operating surplus.

The Contingency Reserve is to be used only to fund additional cost pressures that result from circumstances beyond the School District's control or, with the Board of Education's approval, in response to unforeseen circumstances.

Examples for use of the Contingency Reserve may include

- a. Elimination of any deficit arising at the end of the fiscal year
- b. Incurring of new cost pressures in a fiscal year that were not known at the time of budget development
- c. Settlement of legal action that is not covered by the School Protection Program
- d. Initial one-time cost outlays for new educational programs
- e. Coverage for disaster recovery expenditures
- f. Extraordinary unknown utilities cost pressures
- g. To appropriate to balance the next year's budget

When use of the Contingency Reserve reduces the balance below what is determined to be sufficient, the Board of Education will adopt strategies for replenishing the Contingency Reserve within an appropriate timeframe.

#### **Process**

1. In conjunction with the Board of Education's review and approval of the financial statements, the Secretary Treasurer will present for the Board of Education's review and approval the internal restriction of accumulated operating surplus for:
  - a. Contingency Reserve; and,
  - b. Multi-year funding of projects and programs.
2. Prior to adoption of each annual budget and amended budget, the Secretary Treasurer will present for the Board of Education's review and approval, allocation of budget for the purpose of Contingency Reserve, and when applicable, strategies for replenishing the Contingency Reserve, or opportunities for allocation of accumulated surplus to support annual program expenditures.

#### **References:**

- *Board Policy 4006: Accumulated Operating Surplus*