

Reserves, Surpluses and Deficits



March 2026

Background

The long-term financial health of the Division is critical to ensuring a strong education system. The Division will maintain reserves and working capital within the prescribed Alberta Education mandate. This is to ensure the Division can meet its obligations, smooth out short term fluctuations in revenues and provide a safety net in case of unexpected emergencies, which would otherwise put the Division in an undesirable financial position.

Definitions

Capital Reserves are funds set aside which will ensure the timely purchase and/or replacement of capital assets (goods valued in excess of \$5,000.00).

Operating Reserves are funds set aside for operational purposes. This includes school specific operating reserves.

Division Operating Reserves are defined by the Alberta Education funding manual as operating reserves which include the sum of Unrestricted Surplus and Total Operating Reserve balances less School Generated Funds.

Total Expenses are those expenses reported in the Audited Financial Statements, as of August 31st of the previous year.

Surplus is that amount by which a site budget allocation plus term 4 Credit Earned Unit's (CEU's) exceeds its actual expenditures, as of August 31 of the current school/fiscal year.

Deficit is that amount by which a site budget allocation plus term 4 CEU's is less than its actual expenditures, as of August 31 of the current school/fiscal year.

Procedures

1. The Board will maintain an Operating Reserve balance between a minimum of 1% of Total Expenses, to a maximum of 6% of Total Expenses, as per the funding manual. Operating reserves that fall below the 1% threshold will be made up in the following year.
2. Principals will prepare a balanced budget each year, which will prudently expense funds allocated to the school on a yearly basis.
3. School surpluses will be centrally managed to support the Division's operating

reserves. Schools may request approval from the Superintendent to carry forward surplus funds to support multi-year projects or planned capital purchases. Approved carryforward amounts will be tracked in a separate GL to ensure alignment with designated future expenses.

4. Schools will retain 50% of Term 4 CEU revenue, net of any expenses incurred to generate that revenue. The remaining 50% will be allocated to the Division's operating budget. School-retained funds may be expended in the year the revenue is generated or in the subsequent fiscal year, when the funds are received by the Division.
5. School deficits will be carried forward, to be eliminated in the following year.

Reference: Sections 52 and 53 *Education Act*
Funding Manual – Operating Reserves

Reviewed: June 2007
June 2016
August 2023

Revised: April 2011
August 2016
August 2025
March 2026