1.0 PURPOSE

This policy presents an overview of the financial management framework within which a school district will operate, and also ensures compliance with financial standards and consistency of reporting practices.

2.0 APPLICATION

This policy applies to all school districts and schools.

3.0 DEFINITIONS

Capital budget refers to proposed expenditures for the acquisition, construction, or renovation of physical assets. This includes assets such as land, government buildings, schools, and equipment as defined in AD-6203 – Classification of Expenditures.

Educational use refers to a purpose related to education and includes co-curricular activities, extra-curricular activities, scholarships, prizes and equipment or materials that are not a part of the fundamental program provided by the Minister as free school privileges, as defined in the Education Act.

Extra-curricular activities refers to activities endorsed by the school, organized for students by persons who may or may not be employed by the school, may or may not contribute to curriculum objectives, and normally are conducted outside the instructional day. Examples include interscholastic sports, travel excursions, recreational trips, winter carnivals, and school dances.

Projects, for the purpose of this policy, refers to activities that are funded through sources external to the provincial government and are usually short-term in nature.

Provincial Administration Manual refers to the general manuals of administration published by the Department of Finance to provide current and comprehensive information on government policies, directives, guidelines and procedures.

School-raised funds refer to monies raised by school personnel, parents, students, volunteers, or donations from the community, for the use and benefit of the students of the school. School-raised funds are not intended to be used for items financed under the operating budget.
School District Accounting Manual is a collection of administrative procedures published by the Department of Education and Early Childhood Development (EECD) to provide school district personnel with detailed instructions for processing transactions specific to school districts.

School personnel, as defined in the Education Act.

Self-sustaining funds refers to accounts for specific activities that generate their own revenues through fees or special grants to recover their costs. Sources of monies to be earned and retained as self-sustaining funds are from the operation of a cafeteria, school property rentals, driver education program, day care, from fees obtained from an international student, or from or in support of extra-curricular activities or pupil activities.

Special purpose funds, in accordance with the Financial Administration Act section 1, includes all money paid to a public officer under a statute, trust, treaty, undertaking or contract, to be disbursed for a purpose specified in such statute, trust, treaty, undertaking or contract. Special purpose revenues include specific revenues designated for special purposes through government policy decisions; and revenues received for specific purposes from entities external to the Provincial Consolidated Fund. Special purpose revenues do not include funds budgeted for ordinary revenues, capital revenues or loans and advances recoveries through the normal budgetary process. Special purpose funds are accounted for separately from the operating fund and include, but are not limited to, projects, trust funds and self-sustaining funds.

Trust funds are established by legal or contractual arrangement and represent funds held in trust donated by a third party for an educational use, normally of a continuing nature. The principal amount of the trust investment is usually restricted, and recurring payments, such as student scholarships, are made from the interest earned. The contract instructions for other trusts, such as a library trust fund, may contain conditions under which the principal can be expended as well as the interest.

4.0 Legal Considerations and Authority

Education Act, section 6
The Minister...
(b.2) may establish provincial policies and guidelines related to public education within the scope of this Act [...]

Education Act, Sections :
- 28(2)(g),(h) Duties of principals
- 36.9 Authority and responsibility of the District Education Councils
- 40.1(2), (3) Provision of information to the Minister
- 48 Duties of superintendents
- 50.1 Application of legislation
- 50.2 School district budgets and expenditures
- 51(1) Authority to retain and expand funds
- 51.1 Audit of school districts
School Administration Regulation (97-150) under the Education Act, Sections:

- 8 Trust funds
- 9 Community use of school property
- 10 Sources of money to be earned and retained

### 5.0 GOALS / PRINCIPLES

5.1 The Department of Education and Early Childhood Development (EECD), school districts and schools have relevant, accurate and complete information in order to make sound financial decisions, and that they are able to report back to the public on how tax dollars have been expended.

5.2 School districts and schools have appropriate administrative and accounting processes and controls in place to provide safeguards of assets and clear accountability for revenues, expenditures, assets and liabilities of school raised fund activities.

### 6.0 REQUIREMENTS / STANDARDS

#### 6.1 Budget and Expenditures

**6.1.1 Capital Budget**

6.1.1.1 The school district must prepare and submit major project recommendations in order of priority to the Director of Educational Facilities and Pupil Transportation at EECD as requested.

6.1.1.2 The school district must prepare and submit a list of capital improvement projects in order of priority to the Director of Educational Facilities and Pupil Transportation at EECD on an annual basis as requested.

6.1.1.3 EECD will advise school districts of their approved capital projects for that fiscal year.

**6.1.2 Operating Budget**

EECD will provide an annual operating budget to the school district based on budget guidelines and norms, and will provide supplementary budget revisions.

**6.1.3 Budget Expenditure Plan**

District Education Councils (DEC) must ensure that the Expenditure Plan is prepared taking into consideration the approved education plan and the school improvement plans. After receipt of the school district's operating budget, DECs must submit the budget expenditure plan to EECD by July 1st.
6.1.4 Retention of Operating Surplus

6.1.4.1 School districts must operate within budget; however, an accumulated operating surplus, as described in Section 10.1 of Regulation 97-150 (School Administration) under the Education Act can be retained and expended in the subsequent year.

6.1.4.2 School districts cannot incur deficits in either the capital or operating budgets.

6.2 Accounting

6.2.1 School District Accounting Manual

School districts must follow the processes and procedures in the School District Accounting Manual, including those for school raised-funds.

6.2.1.1 Banking Arrangements

- Sums of money provided in the budget will be drawn upon the Province’s consolidated bank account through the Province’s accounts payable system.

- A school is permitted to maintain a bank account for the purpose of holding school-raised funds subject to District Education Council policy and approval by the superintendent or delegate.

- With the exception of school-raised funds, school districts are only to hold bank accounts approved by the Minister of Finance. Generally, an operating “transit” account and one or more trust accounts are sufficient. The transit account is to be used to deposit funds locally until those funds are transferred to the Province.

- No school or school district bank account shall ever be in a deficit position with respect to its funds.

- With the exception of trust funds and school-raised funds, all school district revenues, including interest, must be transferred from the operating “transit” account for deposit to the Province’s consolidated bank account.

6.2.1.2 Accounts Receivable

School districts must follow the standards set out in policies AD-6302 to 6306 of the Provincial Administration Manual, and the procedures for

6.2.1.3 Write-Off of Non-Collectable Accounts Receivable

- School districts are to follow the procedures for deletion of non-collectable accounts and advances as set out in AD-6307 – Deletion of Debts.

- Requests and reports respecting the deletion of non-collectable accounts are to be submitted as required to the Director of Finance and Services at EECD.

6.2.1.4 Borrowing of Funds / Loans Prohibited

- Schools and school districts are prohibited from borrowing funds.

- Schools and school districts are not to incur bank overdrafts nor obtain funding from lending institutions on a direct or indirect basis.

6.2.1.5 Leasing

6.2.1.5.1 The use of operating funds for leasing must comply with AD-6701 – Present Value Analysis Of Expenditure Decisions and AD-6203 – Classification Of Expenditures, Appendix B – Classification Of Leases as Capital or Operating.

6.2.1.5.2 Prior to entering into agreements that meet one or more of the major financial implications outlined below, school districts must submit the proposed initiative to the Assistant Deputy Minister – Corporate Services for the subsequent approval of Board of Management.

Criteria for major financial implication are the following:

Materiality

- Where the projected annual ordinary account expenditure, including financing costs, is in excess of $500,000 or the present value of all payments exceeds $2 million.

- Where the agreement may have financial implications to other departments or agencies of government to which they have not agreed.

Exceptional circumstances or sensitivity

- Where the initiative is outside the normal course of business or way of doing business for the school district.
• Where the initiative may be one that is sensitive to the school district, EECD, other departments, the government as a whole or any stakeholder.

Long term financial implications
• Any agreement anticipated to be signed for longer than five years.

6.2.1.6 Spending and Payment Authority

• School districts must ensure that the process for delegating signing authorities for budget spending, payment of expenditures, and the release of cheques is established and documented in a manner consistent with AD-6402 – Approval of Payments.

• School district “Authority Delegation Approval” forms must be approved by the superintendent and submitted to EECD.

6.2.1.7 Purchasing and Accounts Payable


6.3 Monitoring and Reporting

6.3.1 Internal Controls

The superintendent has the overall responsibility for the following:

• Organizing the development, implementation and maintenance of an effective internal control system that achieves, as far as practical, the orderly and efficient conduct of operations including revenue and expenditure control, the safeguarding of assets, the reliability of accounting records and the preparation of financial information. The system of internal control also governs school-raised funds;

• Ensuring that school districts periodically review the school-based accounting records for school funds in all schools, including when there is a permanent change in school principal, to ensure adequate controls are followed (refer to Appendix A);

• Ensuring that the minimum internal control requirements as provided in Appendix A are followed for school-raised funds;

• Planning and controlling budgets by establishing procedures for monitoring revenue and expenditure transactions.
6.3.2 Financial Reporting

6.3.2.1 Quarterly Reporting

School districts must ensure that quarterly financial reports are submitted to the appropriate EECD's District Financial Services branch, at the end of each fiscal quarter.

EECD will provide school districts with the format in which the quarterly financial reports are to be submitted.

6.3.2.2 Year-End Reporting

School districts are to submit year-end financial and reconciliation reports as specified in the year-end procedures contained in the School District Accounting Manual.

6.3.2.3 Other Reports

School districts are to submit other statements and reports as required by EECD. These may include reports on school funds, replies to Legislative Notices of Motions, and requests from the Public Accounts Committee, Auditor General, Office of the Comptroller, Statistics Canada, etc.

6.4 Financial Systems

6.4.1 Accounting Systems

School districts must use the financial information systems prescribed by EECD.

6.4.2 Payroll Systems

6.4.2.1 Payment of salaries, wages, and other compensation for services to all school district employees and staff must be made through the personnel and central payroll systems.

6.4.2.2 Claims for honorariums or other compensation for services paid to either permanent, supply, or casual staff must not be submitted for payment on a travel claim nor on a vendor invoice for payment through the accounts payable system. These types of claims are to be submitted and paid through the central payroll system.

6.5 Special Purpose Funds

6.5.1 Special purpose funds must be recorded in the accounts of the Province. Special Purpose Funds must not be in a deficit position, but school districts can carry forward surplus balances from fiscal year to fiscal year. Revenues are not to be netted against expenditure accounts. Expenditures will be recorded on a 'gross' basis, rather than on a net of recovery basis.

6.5.2 Details specific to the individual funds for projects, trusts, and self-sustaining funds are outlined below. School districts must also follow the accounting procedures for special purpose funds set out in the School District Accounting Manual.

6.5.3 Projects

Only that portion of expenditures on a project that are recovered from a third party or external source are to be recorded under projects in special purpose funds. Additional expenditures paid for through the operating budget must be recorded in the appropriate account in the operating fund.

6.5.4 Trust Funds

6.5.4.1 Trust funds that have been donated to a District Education Council, a school district or a school are the responsibility of the District Education Council.

6.5.4.2 School districts are to administer trust funds in accordance with the terms of the trust and section 8.1 of Regulation 97-150 (School Administration).

6.5.5 Self-Sustaining Funds

School districts are permitted to earn, retain, and expend funds from the sources cited in sections 9, 10 and 13 of Regulation 97-150 (School Administration)

6.6 School-Raised Funds

6.6.1 The superintendent must ensure that any policies, procedures, and internal controls related to school-raised funds are communicated to school principals and other persons responsible for fundraising activities. This includes a periodic review of these funds, or when there is a permanent change in school principal.

6.6.2 The school principal must approve all fundraising activities, including those where funds will be raised or collected in the name of the school or any school groups, such as student councils, teams or clubs, and parent committees.
6.6.3 The school principal must ensure that school-raised funds are retained and used for the purpose for which they were raised, that proper accounting procedures, internal controls and reporting processes are in place. Proper financial disclosure must be made upon a request from people involved in the fund raising activity.

6.6.4 Conflict of interest provisions outlined in Policy 213 – Conflict of Interest, and government policy AD-2915 - Conflict of Interest must be followed, and school-raised funds cannot be used to:
   a) Compensate school personnel or volunteers for goods or services;
   b) Confer or appear to confer a benefit to any school personnel or volunteer, a family associate, friend or business associate.

6.6.5 Each school must maintain an appropriate accounting system with detailed financial records for each school-raised funds activity, including complete and accurate information as identified under section 6.7 respecting revenues, expenditures, and bank/cash balances. The school district will determine which accounting system is appropriate for schools to use.

6.6.6 Expenditures and revenues must be recorded separately.

6.6.7 A school must not be in a deficit position with respect to its accumulated school-raised funds. A school is permitted to carry forward any surplus in a school-raised funds account from year to year.

6.6.8 In instances where fraud or theft of school-raised funds are suspected, the school principal must report this suspicion to the superintendent without delay.

6.6.9 Upon request, the Superintendent must be given access to files, bank accounts, documents, and records relating to the accounts of the school district or one of its schools.

6.6.10 Upon request from the Parent School Support Committee, an update on its schools funds must be provided to the committee before the end of the school year.

6.7 Financial Reviews and Audits

6.7.1 Comptroller and Auditor General Audits

6.7.1.1 School districts must comply with the Office of the Comptroller and the Office of the Auditor General in the exercise of their right to perform audits, reviews, and examinations of accounting practices.

6.7.1.2 In compliance with section 51.1 of the Education Act, a school district must, within a reasonable period of time after receipt of the report on the
results of the audit, present the report to the public at an official meeting of the District Education Council.

6.7.2 Ministerial Reviews

6.7.2.1 To ensure compliance with the Education Act, regulations and departmental policies, the Minister may appoint a person to conduct a review into any matter connected with the management, administration or operation of a District Education Council, a school district or a school.

6.7.2.2 For purposes of the review, the Minister, or delegate, is entitled to free access to files, bank accounts, documents, and records relating to the accounts of any school district. The Minister, or delegate, is also entitled to inquire and receive such information, reports and explanations as considered necessary for the purpose of any review.

6.7.2.3 EECD will prepare a report on the results of a review, and may request the school district to take corrective action to comply with its obligations.

6.7.3 Accounting Records

6.7.3.1 All school-based accounting records are subject to reviews and audits by District and Departmental personnel, as well as assigned internal or external auditors. Districts must retain evidence of reviews and audits for use by assigned internal or external auditors.

7.0 GUIDELINES / RECOMMENDATIONS

Trust Fund Investments

The principal amount of a trust fund managed by a school district should be invested in secure financial instruments with a guaranteed redemption value. Where a donor wishes investments with increased risk, such as the stock market, the donor should appoint an investment firm to manage the trust as the school district should not take responsibility for the losses that could ensue.

8.0 DISTRICT EDUCATION COUNCIL POLICYMAKING

Schools and school districts may develop policies and procedures consistent with this policy in order to carry out their obligations under this policy.

9.0 REFERENCES

Related Acts, Policies and Procedures:

Department of Education and Early Childhood Development policies:
  • Policy 107 – Purchasing
• Policy 127 – Management of Food Services in Schools
• Policy 132 – Contribution of Resources by Parents
• Policy 213 – Conflict of Interest
• Policy 407 – Community Use of Schools
• Policy 708 – Fundraising Involving Door-to-Door and Public Solicitation

Financial Administration Act, Sections:
• 1 Definitions
• 5 Powers of the Board
• 14 Duties of the Comptroller
• 15 Powers of the Comptroller

• Provincial Administration Manual – AD-2915 Conflict of Interest
• Provincial Administration Manual – 6000 series
• School District Accounting Manual
• School District Payroll User Manual

10.0 CONTACTS FOR MORE INFORMATION

Department of Education and Early Childhood Development – District Financial Services Branch (Anglophone) – 506 453-6533

Department of Education and Early Childhood Development, Policy and Planning Division, 506 453-3090