

6.5.i. Policy

GENERAL REVENUE FUND SURPLUS POLICY

Trust Council: December 5, 1992

Amended: September 14, 2001; December 5, 2003;

September 17, 2004; December 9, 2005; December 12, 2008; September 11, 2013

A: PURPOSE:

1. To establish the framework for managing annual year end operating surpluses.

B: REFERENCES:

1. *Islands Trust Act* Regulations, s.13
2. *Local Government Act*: Divisions (1), (2) and (5) and Section 496
3. Policy Manual:
 - 3.1. replaces Policy 6.5.i (General Reserve), 6.5.ii (Capital Reserve), and 6.5.iii (Legal Reserve)
 - 3.2. Policy 6.3.ii Special Property Tax Requisition

C: DEFINITIONS:

1. **General Revenue Fund** – The General Revenue Fund holds the accumulated excess of revenue over expenditures from the operations of the Trust, excluding transfers to the capital fund.
2. **Surplus** – The Surplus represents all unappropriated funds in the General Revenue Fund.
3. **Reserve** – A Reserve is a vehicle for appropriating a portion of the General Revenue Fund for future use. General Revenue Fund Reserves are established for specific and identified future uses.

D: POLICY:

1. The Islands Trust will endeavour to balance its annual budget. The *Islands Trust Act* requires that a deficit that is incurred must be carried forward as an expenditure in the next year, or funded through additional revenue.
2. The General Revenue Fund is created through a reduction in budgeted operating expenditures or by increasing revenues above the budgeted amount. Also, the annual budget can include a line item “Contribution to Surplus” to deliberately increase the amount in the General Revenue Fund.
3. The General Revenue Fund may consist of Surplus and Reserves. Trust Council has decided (September 2005) that Reserves with specified purposes will not be created.

4. A surplus can be used to fund significant and/or unanticipated general expenditures that would create a potential deficit situation at year-end. Trust Council must approve the amount of surplus to be used. Notwithstanding this, the Executive Committee may, where expediency is necessary, approve adjustments to the budget of up to \$20,000 per instance. Any such adjustment must be reported to Trust Council at the next scheduled Trust Council meeting.
5. Surpluses shall be included and reported within the General Revenue Fund, and any changes to the surpluses will be indicated in the notes to the Financial Statements.
6. Despite sections D.3 and D.4 of this policy, any funds generated through a special tax requisition within a local trust area which are unspent at the conclusion of the fiscal year will be held in reserve for the use of the relevant local trust committee in the subsequent fiscal year, as indicated in section C.6(c) and (d) of Islands Trust Council Policy 6.3.ii.
7. The Financial Planning Committee recommends to Trust Council that the minimum amount of money that should be contained within the General Revenue Fund Surplus is three months of expenses net of three months of revenue, excluding revenue from property taxes or the provincial grant.