



<b>Policy:</b>	6.5.1
<b>Approved By:</b>	Trust Council
<b>Approval Date:</b>	December 5, 1992
<b>Amendment Date(s):</b>	September 14, 2001; December 5, 2003; September 17, 2004; December 9, 2005; December 12, 2008; September 11, 2013; June 21, 2017
<b>Policy Holder:</b>	Director of Administrative Services

## RESERVES AND SURPLUS

### Purpose

To establish the framework for the use of reserves and managing annual year-end operating surpluses.

### A. Definitions

**Reserve** – Funds set aside for a specified purpose.

**General Revenue Surplus Fund** – The accumulated excess of revenue over expenditures from the operations of the Trust, excluding transfers to Specific Reserve Funds.

**Specific Reserve Fund** – A fund established for a specific purpose.

**Surplus** – Unappropriated funds in a Reserve Fund.

### B. Policy

1. All Reserve Funds must be established, maintained and used for a specified purpose.
2. Islands Trust will strive to develop appropriate reserves to meet future obligations and operating needs. Reserves may be established to (1) ensure predictable and stable taxation; (2) provide for operating emergencies; (3) finance new capital assets; and (4) safeguard and maximize existing assets.
3. General Revenue Surplus Fund
  - 3.1 The General Revenue Surplus Fund is created through a transfer of excess revenue over expenditures from the operations of the Trust. In addition, the annual budget may include a line item “Contribution to Surplus” to deliberately increase the amount in the General Revenue Surplus Fund.
  - 3.2 The General Revenue Surplus Fund may be used to fund significant and/or unanticipated general expenditures, for major emergent operating issues and for one-time and intermittent projects that would create a potential deficit situation at year-end. Trust Council must approve the amount of surplus to be used.
  - 3.3 The recommended minimum amount of money to be contained within the General Revenue Surplus Fund is three months of expenses net of three months of revenue, excluding revenue from property taxes or the provincial grant.
  - 3.4 Contributions to or withdrawals from the General Revenue Surplus Fund are approved through the annual Financial Plan Bylaw.

4. Specific Reserve Funds

- 4.1 In addition to the General Revenue Surplus Fund, Trust Council may approve the establishment of specific reserve funds, as recommended by the Chief Administrative Officer and approved by the Financial Planning Committee.
- 4.2 Specific Reserve Funds are established for a specific purpose and are created through a transfer from the General Revenue Surplus Fund.
- 4.3 These funds will be reviewed by the Financial Planning Committee on an annual basis during the budget process.

5. Special Property Tax Requisitions

- 5.1 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 B.6(c) and (d) of Islands Trust Council Policy 6.3.2.

6. Reporting

- 6.1 The balance in each of the funds identified in Sections 3., 4., and 5. will be reported to the Financial Planning Committee along with quarterly financial reports

**C. Legislated References**

*Islands Trust Act* Regulations, s.13

Policy and Procedures Manual:

Replaces Policy 6.5.1 (General Reserve), 6.5.2 (Capital Reserve), and 6.5.3 (Legal Reserve)

Policy 6.3.2 Special Property Tax Requisition

**D. Links to Supporting Forms, Documents, Websites, Related Policies and Procedures**

n/a