

Subject: Financial Responsibilities of School Districts
Effective: August 1981
Revised: June 1994; July 1, 2001; July 2002

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.

This policy replaces the old Policy 103 – Write-off/Uncollectable Accounts Receivable.

2.0 APPLICATION

This policy applies to all school districts.

3.0 DEFINITIONS

Capital budgets refer 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 means 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.

Projects are activities that are funded through sources external to the provincial government and are usually short-term in nature.

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.

Self-sustaining funds are accounts for specific activities that generate their own revenues through fees or special grants to recover their costs. Examples include the Rental Fund and the Extra-curricular Fund.

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School-raised funds are monies that are raised within the school by various groups, from or in support of, extra-curricular activities, or pupil activities (i.e., monies raised from school-wide projects such as dances or concerts, student council activities, classroom sponsored hot lunch programs, athletic group events, or other group fun-raising events, such as chocolate bar sales, car washes).

Trust funds are established by legal or contractual action 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.

Provincial Administration Manual consists of general manuals of administration published by the Department of Finance to provide current and comprehensive information on government policies, directives, guidelines and procedures. **Administrative Directive** is the term used to refer to each section or subject in the Administration Manual System (i.e. AD-6301). The electronic version of the administration manual system is accessible at <http://intranet.gnb.ca/intellinet/adminman/>.

School District Accounting Manual is a collection of administrative procedures published by the Department of Education to provide school district personnel with detailed instructions for processing transactions specific to school districts.

4.0 LEGAL AUTHORITY

4.1 [Education Act](#) – Sections:

- 36.9 Authority and Responsibility of the District Education Councils
- 40.1(2) A District Education Council, through the superintendent of the school district, shall provide to the Minister, at such times and in such format as determined by the Minister, such information as the Minister considers necessary.
- 40.1(3) The Minister may require that such information systems and data standards are specified by the Minister be used in schools and school districts if, in the opinion of the Minister, such are required to facilitate information sharing, data transfer, technical support and reporting requirements.
- 48 Duties of superintendents
- 50.1 Application of Legislation
- 50.2 School district budgets and expenditures
- 51(1) Authority to retain and expend funds

51.1 Audit of school districts

4.2 [School Administration Regulation \(97-150\)](#) under the **Education Act** – Sections:

8.1 Trust funds administered by the District Education Council

9 Community use of school property

10 Sources of money to be earned and retained

4.3 [Financial Administration Act](#) – Sections:

1(1) Definitions (of financial terms)

5 Powers of Board of Management

12 Duties of the Comptroller

13 Powers of the Comptroller

23 Public money

24 Fiscal year

29 Forgiveness of debt

30, 33 Payment out of Consolidated Fund

59 Recoveries by the Province

5.0 GOALS / PRINCIPLES

It is important that the Department of Education and school districts have relevant, accurate and complete information in order to make sound financial decisions, and that they be able to report back to the public on how tax dollars have been expended.

6.0 REQUIREMENTS / STANDARDS

6.1 Budget and Expenditures

6.1.1 Capital Budgets

6.1.1.1 The school district must prepare and submit major project recommendations in order of priority to the Director of Educational Facilities at the Department of Education 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 at the Department of Education on an annual basis as requested.

6.1.1.3 The Department of Education will advise school districts of their approved capital projects for that fiscal year.

6.1.2 Operating Budget

The Department of Education 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

School districts 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, school districts must submit the budget expenditure plan to the Department of Education 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, up to \$100,000, 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.

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.
- 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.
- 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 the province's [Administration Manual](#), policies AD-6302 to AD-6306 "accounting for revenue and receivables", and the procedures for "cash receipts and banking" set out in the School District Accounting Manual.

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 the Department of Education.

6.2.1.4 Borrowing of Funds / Loans Prohibited

- School districts are prohibited from borrowing funds.
- School districts and schools 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 contracts that meet one or more of the major financial implications outlined below, school districts must submit the proposed initiative to the Assistant Deputy Minister of Finance and Administration for the subsequent approval of Board of Management.

Criteria for major financial implication:

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 contract 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, the Department of Education, other departments, the government as a whole or any stakeholder

Long term financial implications

- any contract 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 the Department of Education.

6.2.1.7 Purchasing and Accounts Payable

School districts must follow the standards set out in Policy 107 Purchasing and the procedures for payment set out in the School District Accounting Manual.

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;
- ensuring the financial administration policies of the Department of Education and of Province of New Brunswick are followed; and
- 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 Department of Education, District Financial Services, at the end of each fiscal quarter.

The Department of Education will provide school districts with the format in which the quarterly financial reports are to be submitted.

6.3.2.2 Year-End Reports

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 the Department of Education. 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 the Department of Education.

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.

6.4.2.3 School districts must follow the Payroll System User Manual, and the payroll accounting procedures in the School District Accounting Manual.

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. Examples of externally funded projects are the Co-op Education (HRDC), Youth Internship (HRDC), and District Global Education (NBTA).

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 [School Administration Regulation \(97-150\)](#).

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 [School Administration Regulation \(97-150\)](#) which are as follows:

- community use of school property;
- operation of a cafeteria;
- operation of a driver education program;
- operation of a daycare;
- fees obtained from an international pupil;
- from or in support of extra-curricular activities and;
- from or in support of pupil activities.

6.6 School-Raised Funds

6.6.1 School-raised funds are not recorded in the accounts of the Province.

6.6.2 School districts must ensure that appropriate administrative and accounting procedures are in place and are consistent with [Policy 133](#) – School Raised Funds.

6.7 Financial Reviews and Audits

6.7.1 Comptroller And Auditor General Audits

6.7.1.1 School districts must accommodate 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 The Department of Education 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.

7.0 GUIDELINES / RECOMMENDATIONS

7.1 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 Policies and Procedures:

- [Policy 407](#) – Community Use of Schools
- [Policy 107](#) – Purchasing
- [Policy 112](#) – Extra-curricular Funding
- [Policy 127](#) – Food Services
- Department of Education Policy Manual 100 series – Administration and Finance
- [Provincial Administration Manual](#) – 6000 series
- [Policy 133](#) – School Raised Funds
- School District Accounting Manual
- School District Payroll User Manual

10.0 CONTACTS FOR MORE INFORMATION

Department of Education – District Financial Services Branch (Anglophone)
(506) 453-6533

Persons without access to the Provincial Administration Manual System on the government's intranet site may obtain a copy of a Provincial Administrative Directive by contacting the Department of Finance – Management Services – (506) 453-8014.

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