

## TOWN OF HIGH PRAIRIE

<b>Policy Number</b> No. 55-2013	<b>Approval Date</b> May 22, 2013	<b>Resolution Number</b> Motion 316/13
<b>Supersedes</b> N/A	<b>Effective Date</b> May 22, 2013	<b>Legal Authority</b>
<b>Amendments:</b>	<b>Amendment Date</b>	<b>Amendment Resolution Number</b>

**TITLE:        Restricted Accumulated Surplus Policy**

**Definition of a Policy:**

A policy is a formalized written plan of action on what to do in a given circumstance or situation.

**Purpose of this Policy:**

To ensure there are clear guidelines for transfers to and from Restricted Accumulated Surplus Accounts.

**1.0    Accumulated Surplus Account – Unrestricted**

- 1.1    The net surplus from the Statement of Operations at year end shall be closed out (transferred) to the account 400997000000 ACCUM SURPLUS-unrestricted.
- 1.2    The amount in this account shall be used primarily to fund working capital (day to day cash needs) and secondarily to fund capital purchases. The balance in this account shall remain equal to or greater than \$2.7 million (the minimum necessary for day to day cash needs).
- 1.3    The \$2.7 million amount is deemed necessary to fund working capital and day to day cash needs.
- 1.4    Amounts in this account over 2.7 million dollars are eligible for transfer to the Restricted Accumulated Surplus Accounts.

**2.0    Accumulated Surplus Accounts – Restricted – Transfers to**

- 2.1    These accounts are designated by Council for the funding of capital purchases and capital projects.
- 2.2    All existing restricted surplus accounts as at June 1, 2013, shall be closed except for account number 423760100000 RESTRICTED SURPLUS-FIRE EQUIP CAPITAL (this account shall remain open to satisfy the requirements of the inter municipal agreement ending 2014).
- 2.3    New restricted accumulated surplus accounts shall be created, one for the current fiscal year and one for each year thereafter. These accounts shall

hold a balance equivalent to the equity funding required in the capital budget for that year (or capital plan if no capital budget exists) to the extent there is accumulated surplus available to transfer to the account. These accounts shall be filled sequentially until the balance equals the amount of equity funding required in the capital budget or capital plan for that year. The new restricted accumulated surplus accounts shall be identified as follows:

400998201300 RESTRICTED SURPLUS-CAPITAL BUDGET 2013

400998201400 RESTRICTED SURPLUS-CAPITAL PLAN 2014

400998201500 RESTRICTED SURPLUS-CAPITAL PLAN 2015

400998201600 RESTRICTED SURPLUS-CAPITAL PLAN 2016

400998201700 RESTRICTED SURPLUS-CAPITAL PLAN 2017

etc.

- 2.4 The words "Capital Plan" in the above descriptions may be changed to "Capital Budget" once the capital budget for that year is approved.
- 2.5 The balances in the closed accounts shall be transferred to the new restricted accumulated surplus accounts beginning with the account RESTRICTED SURPLUS-CAPITAL BUDGET 2013.
- 2.6 Transfers to a restricted surplus account for a fiscal year shall be made at year end or at the very latest after the year has been audited.
- 2.7 The amount of unrestricted accumulated surplus that exceeds 2.7 million dollars at the end of a fiscal year may be transferred to a restricted accumulated surplus account provided there is cash available in the operating bank account after operating needs are considered to transfer to the restricted surplus bank account.

### **3.0 Accumulated Surplus Accounts – Restricted – Transfers From**

- 3.1 Transfers from a restricted surplus account for a fiscal year shall be made at year end, or at the very latest after the year has been audited, for capital purchases made in that fiscal year that are to be funded by restricted accumulated surplus. The transfer shall be made from the restricted surplus account to the account "Equity in Tangible Capital Assets"
- 3.2 Restricted surplus accounts that still contain a balance after all the capital projects for that year are completed and amounts transferred shall have the balance transferred to the next restricted surplus account that needs to be filled.

### **4.0 Initial Accumulated Surplus Balances**

- 4.1 The initial set up of the new restricted accumulated surplus accounts (as at June 1, 2013) and their balances and associated cash balances is illustrated in Appendix A.
- 4.2 The balance in the restricted surplus bank account shall equal the sum of the balances in the restricted surplus accounts less any cash payments made for capital projects and purchases in the fiscal year that are to be funded from the restricted surplus account.



**5.0 Interest on Restricted Surplus Bank Account**

5.1 The interest earned on the restricted surplus bank account shall be recorded as operating revenue and the cash transferred to the operating account (this way the restricted surplus accounts will stay balanced with the approved capital budget or capital plan).

Approved by Council:

May 22, 2013

Date



Mayor



CAO

## Appendix A

**TOWN OF HIGH PRAIRIE  
MUNICIPAL EQUITY (unconsolidated)  
Before and After adoption of Policy**

GL ACCOUNT	DESCRIPTION	Balance as at June 1, 2013	ADJUSTMENT	New Balance after adjustment	Capital Budget / Capital Plan Equity funding required	Additional surplus required
400997000000	ACCUM SURPLUS-unrestricted	(4,015,141.26)	1,291,640	(2,723,501)		
412760000000	RESTRICTED SURPLUS-ADMIN CAPITAL	(7,013.31)	7,013.31	0		
423760000000	RESTRICTED SURPLUS-FIRE PROTECT CAPITAL	(141,609.51)	141,609.51	0		
423760100000	RESTRICTED SURPLUS-FIRE EQUIP CAPITAL <sup>1</sup>	(254,395.00)	0	(254,395)		
426760000000	RESTRICTED SURPLUS-BYLAW CAPITAL	(2,500.00)	2,500.00	0		
431760000000	RESTRICTED SURPLUS-EQUIP POOL CAPITAL	(110,000.95)	110,000.95	0		
432760000000	RESTRICTED SURPLUS-ROADS CAPITAL	(239,686.88)	239,686.88	0		
441760000000	RESTRICTED SURPLUS-WATER CAPITAL	(99,999.55)	99,999.55	0		
442760000000	RESTRICTED SURPLUS-SEWER CAPITAL	(89,299.60)	89,299.60	0		
472760100000	RESTRICTED SURPLUS-WALK TRAIL CAPITAL	(21,382.00)	21,382.00	0		
491760000000	RESTRICTED SURPLUS-N GAS EQUIP CAPITAL	(109,999.88)	109,999.88	0		
400998201300	RESTRICTED SURPLUS-CAPITAL BUDGET 2013	-	(863,000.00)	(863,000)	863,000	-
400998201400	RESTRICTED SURPLUS-CAPITAL PLAN 2014	-	(1,250,132.00)	(1,250,132)	1,250,000	(132)
400998201500	RESTRICTED SURPLUS-CAPITAL PLAN 2015	-	-	0	1,038,000	1,038,000
400998201600	RESTRICTED SURPLUS-CAPITAL PLAN 2016	-	-	0	1,382,000	1,382,000
400998201700	RESTRICTED SURPLUS-CAPITAL PLAN 2017	-	-	0	1,123,368	1,123,368
400998201800	RESTRICTED SURPLUS-CAPITAL PLAN 2018	-	-	0	961,632	961,632
400998201900	RESTRICTED SURPLUS-CAPITAL PLAN 2019	-	-	0	246,632	246,632
400998202000	RESTRICTED SURPLUS-CAPITAL PLAN 2020	-	-	0	543,632	543,632
400998202100	RESTRICTED SURPLUS-CAPITAL PLAN 2021	-	-	0	1,086,132	1,086,132
400998202200	RESTRICTED SURPLUS-CAPITAL PLAN 2022	-	-	0	654,632	654,632
400998202300	RESTRICTED SURPLUS-CAPITAL PLAN 2023	-	-	0	663,632	663,632
	ACCUM SURPLUS-restricted	(1,075,886.68)	0.00	(2,367,527)	9,812,660	7,699,528
	TOTAL ACCUMULATED SURPLUS	(5,091,027.94)		(5,091,027.94)		
497800000000	EQUITY IN TANGIBLE CAPITAL ASSETS	(34,073,158.78)		(34,073,158.78)		
	TOTAL MUNICIPAL EQUITY	(39,164,186.72)		(39,164,186.72)		

**TOWN OF HIGH PRAIRIE  
CASH BALANCES  
AS AT may 9  
2013**

	Balances	ADJUSTMENT	New Balance after adjustment	Notes
300121000000	RBC - GENERAL OPERATING ACCT	2,477,000	(1,284,527)	1,192,473 required minimum balance for operations
300127000000	RBC - RESTRICTED SURPLUS ACCT	1,083,000	1,284,527	2,367,527 agrees with restricted surplus accounts
300128000000	RBC - DEFERRED GRANTS ACCT	1,135,000		1,135,000 agrees with deferred grant revenue
	<b>4,695,000</b>	<b>-</b>	<b>4,695,000</b>	

**Footnotes**

<sup>1</sup> Left in place to meet the requirements of the Inter Municipal Agreement regarding Fire Rescue call out revenue