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**Policy 17**

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## **ACCUMULATED OPERATING SURPLUS AND INTERNALLY RESTRICTED FUNDS**

The Board is responsible for ensuring the District is protected financially from extraordinary circumstances which would negatively impact District operations and the education of students. To discharge this responsibility, the Board will maintain an accumulated operating surplus which shall be used to mitigate any negative impact on students. Furthermore, the Board will not unnecessarily restrict its operating reserves, in order to maintain flexibility in responding to such circumstances.

### **Specifically**

1. In order to respond effectively to unanticipated cost pressures, the Board shall make every effort to maintain an unrestricted operating surplus of between 1-3% when approving its Annual and Amended Budgets.
2. The Board may vary from this budgeted reserve of 1-3% in order to address the following circumstances:
  - The elimination of any deficit arising at the end of a fiscal year of operations;
  - The funding of new cost pressures in a fiscal year that were not known at the time of budget development;
  - The payment of severances (wages and benefits) upon termination of employment;
  - The settlement of any legal action that is not covered by insurance;
  - Initial one-time cost outlays for new education programs;
  - Coverage for disaster recovery expenditures;
  - Extraordinary utilities cost pressures;
  - Replacement of equipment deemed by the Superintendent essential to the continuation of educational programming in schools or District facilities;
  - To assist in balancing future years' budgets without reducing services.
3. The Board directs that any funds restricted for a particular purpose will be expended for that purpose, and that operating funds will only be restricted when there is a clear requirement to do so. All transfers to and from internally restricted funds must be authorized by a specific Board motion.
4. Any such transfers will be considered by the Board as part of the Board's annual budgeting process. The Board will not restrict funds with the intent of creating additional operating reserves beyond the 1-3% contemplated in this policy.

Legal Reference: Sections 65, 85.2, 110, School Act