

## **ACCUMULATED OPERATING SURPLUS**

Accumulated Operating Surplus represents the extent to which operating revenues from all previous years exceeds operating expenditures from all previous years. Accumulated Operating Surplus allows the District to budget for expenditures in excess of revenues in a given year and also serves to reduce financial risk that can result from unforeseen circumstances.

The Board of Education is responsible for ensuring the district is protected financially from extraordinary circumstances which would negatively impact the education of students. To discharge this responsibility, the Board will maintain a restricted portion (equal to 1.5% - 2.5 % of annual revenue) of its Accumulated Operating Surplus which shall be used to mitigate any negative impact such circumstances might cause.

Specifically

1. The first priority for the use of these funds shall be:
  - 1.1 The elimination of any deficit arising at the end of a fiscal year of operations.
  - 1.2 The incurring of new cost pressures in a fiscal year that were not known at the time of budget development that are in excess of \$250,000.
  - 1.3 The payment of severance (wages and benefits) in excess of \$100,000 upon termination of a non-union employee without cause.
  - 1.4 The settlement of any legal action that is not covered by the [School Protection Program](#).
  - 1.5 Initial one-time cost outlays for new educational programs where an investment in non-technology related learning resources is required (non-technology related refers to computer technology).
  - 1.6 Coverage for disaster recovery expenditures.
  - 1.7 Extraordinary unknown utilities cost pressures.
  - 1.8 Replacement of equipment essential to the continuation of educational programming in schools or district facilities.
  - 1.9 To appropriate to balance the next year's budget.
2. In recognizing that the use of the restricted portion of its Accumulated Operating Surplus represents a one-time use of funding, the Board will incorporate into its future budget planning processes, strategies to re-establish the accumulated surplus. Such strategies may be implemented over a period of two years.

In addition, the Board will also annually internally restrict funds for projects and programs that will be spent in the next three years when approving the Audited Financial Statements and will disclose the internally restricted funds in the notes to the Financial Statements.

Accumulated Operating Surplus shall not be transferred to Local Capital without supporting detail for which capital projects these Local Capital funds will be expended. Until such time as the funds can be identified for a specific Local Capital funded project, the funds shall be retained in the Accumulated Operating Surplus.

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

Adopted: December 15, 2020