

5 Monitoring

5.1 Operational Reserves

Background

The Board of Education is responsible for ensuring that the division is financially protected from extraordinary circumstances which would negatively impact school division operations and the education of students. Further, a level of financial reserves is an indicator of financial health and can contribute resources to provide for multi-year planning for future educational services, and protection from future financial risk.

An operating surplus represents the extent to which operating revenues in a fiscal year exceed operating expenditures in that year. Conversely, an operating deficit occurs when operating expenditures in a fiscal year exceed operating revenues in the same year. The Board of Education is responsible to maintain a positive combined restricted and unrestricted accumulated surplus from operations to ensure fiscal sustainability.

Policy

The purpose of the Internally Restricted Reserve is to support stable programming and ongoing operations for the benefit of the students served by the division. The Internally Restricted Reserve provides an internal source of funds to access in situations such as an unanticipated increase in expenses, one-time unbudgeted expenses including capital expenses, unanticipated funding reductions or shortfalls in uninsured losses. The Internally Restricted Reserve is not intended to replace a permanent loss of funding.

The board will aim to retain the following operational reserves balances:

1. An unrestricted surplus between 0.5% and 2% of the annual operating revenue.
2. Internally restricted reserves between 1% and 10% of the annual operating revenue excluding operating reserves designated for capital projects and school generated funds.
3. No limit on externally restricted reserve balances as those categories are managed by way of an agreement between the board and another organization.
4. If operational reserve levels exceed the recommended levels, a plan would be approved by the Board of Education to spend those additional dollars in the future.

References

- SASBO Accumulated Surplus Reporting Manual

Board Approved
February 12, 2024

Amended

Reviewed
