

## Statement of Policy

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The Greater Saskatoon Catholic Schools' 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.

## Rationale

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The board has established this Accumulated Surplus from Operations Policy in order to address their commitment to business practices that promote a sustainable organization. The purpose of this procedure is to provide:

- guidance and consistency in financial planning
- mitigation of short-term volatility
- protection against future financial risk
- support of thoughtful and effective resource allocation
- a contingency for unexpected costs

## Definitions

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In this procedure, the relevant financial terms are defined as follows:

- **“Accumulated Surplus from Operations”** means the accumulated excess of operating revenues from all prior years over operating expenses from all prior years.
- **“Accumulated Deficit from Operations”** means the accumulated excess of operating expenses from all prior years over operating revenues from all prior years.
- **“Operating Surplus for the Year”** is the amount by which a fiscal year's operating revenues exceed that same fiscal year's operating expenses.
- **“Operating Deficit for the Year”** is the amount by which a fiscal year's operating expenses exceed that same fiscal year's operating revenues.
- **“Operating Revenue”** is the total of all revenue in the operating fund as disclosed in the Statement of Operations of the financial statements.
- **“Operating Expense”** is the total of all expenses in the operating fund as disclosed in the Statement of Operations of the financial statements.

- **“Unrestricted Surplus”** means that portion of the Accumulated Surplus that has not been allocated by the board for specific uses.
- **“Internally Restricted Reserve”** means that portion of the Accumulated Surplus that the board has designated, via board motion, for specific uses. These resources may be repurposed at the discretion of the board through a subsequent board motion.
- **“Externally Restricted Reserve”** means that portion of the Accumulated Surplus that has been restricted for a specific purpose by the contributor of the resource. There is a contractual or fiduciary responsibility to hold these funds until their future purpose is carried out.

## Policy

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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.

## Procedures

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1. The Internally Restricted Reserve will be approved by board motion annually, following review of the annual financial statements. The balance in the Internally Restricted Reserve will be managed within a reasonable percentage compared to annual operating revenues.
2. The director of education/CEO is responsible to identify the internally and externally restricted reserves each year and to identify and recommend amounts to access if needed, consistent with the purpose of the reserve as described in this policy. The recommended amount to access includes analysis of the reason for the shortfall, the availability of any other sources of funds, an assessment of the estimated time period the funds will be required and the strategy and timeframe to replenish the reserve.
3. The chief financial officer (CFO) is responsible to ensure that the internally and externally restricted reserves are properly recorded, maintained, and used as described in this policy.
4. The financial statements will record the Internally and Externally Restricted Reserves per the recommendations of the Saskatchewan Association of School Business Officials (SASBO) Accumulated Surplus Reporting Manual. The reserves are available in cash and funds comingled with the general cash and investment accounts of the school division.
5. Surplus unrestricted operating funds are used to fund the Internally Restricted Reserve. The board of education may also direct a specific source of revenue, such as donations, fundraising or special grants, to be allocated to the reserve.

6. The Internally Restricted Reserve is dynamic, and the board will review the reserve annually in conjunction with its review of the audited financial statements for the year.
7. The board of education will aim to retain the following operational reserves balances:
  - 7.1 An unrestricted surplus between 0.5% and 2% of the annual operating revenue.
  - 7.2 Internally restricted reserves between 1% and 10% of the annual operating revenue excluding operating reserves designated for capital projects and school generated funds.
  - 7.3 No limit on externally restricted reserve balances as those categories are managed by way of an agreement between the board and another organization.
  - 7.4 If a board retains operational reserve levels that exceed the recommended levels, a plan would be approved by the board to spend those additional dollars in the future.

## **References**

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SASBO Accumulated Surplus Reporting Manual

**Date Approved**      **Dates Amended:**

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February 12, 2024