

WORKING CAPITAL AND RESERVES

Background

The long term financial health of the Division is critical to ensure that a strong educational system is maintained for the students in the Division. As resources allow, the Division will establish appropriate reserves and working capital to ensure an appropriate cash flow position and to provide for ongoing operational needs.

Procedures

1. Working Capital
 - 1.1 An appropriate amount of working capital is to be established for each provincial funding block. An appropriate working capital level is in the range of three to ten percent (3 to 10%) of each block's annual operating budget.
2. Operating Reserves
 - 2.1 Operating reserves allow each department the flexibility to finance expenditures that do not occur annually and provide for unexpected expenses.
 - 2.2 Each block is to strive to establish an operating reserve.
 - 2.3 An appropriate operating reserve would be two percent (2%) for schools and ten percent (10%) for Support Services of that block's annual operating budget.
 - 2.4 Operating reserves could be one method used to provide for working capital in a block.
 - 2.5 Operating reserves accumulate when budget surpluses in a block are available.
3. Capital Reserves
 - 3.1 Capital reserves allow for the accumulation of financial resources that will allow purchasing capital equipment where no other financial resources are available. Generally they are established to purchase land, buildings or large/expensive equipment.
 - 3.2 The use of capital reserves shall be restricted to the purchase of capital assets for the appropriate block.
 - 3.3 Capital reserves shall be established in the amount of accumulated depreciation for all non-instructional facilities to provide for the modernization or replacement of such facilities when required.
 - 3.4 Specific term deposits shall be established each year equal to the value of the capital reserve, such term deposits to be separate from other deposit accounts of the Division.

- 3.5 Interest earned on such term deposits shall accrue to the capital reserve to provide for the inflationary cost of modernizing or replacing the asset.
- 3.6 Contributions to capital reserves may also be made to save money for a future capital purchase.

Adopted/Revised: JUN 2016/NOV 2019

Reference: Section 33, 52, 53, 68, 137, 138, 139, 140, 141, 143, 197, 222 Education Act
Section 16 Government Accountability Act