

RESERVES, SURPLUSES AND DEFICITS

Background

The long-term financial health of MECCS is critical to ensure a strong educational program. As resources allow, MECCS will establish operating reserves to ensure an appropriate cash flow and to provide for ongoing operational needs. The Board supports the establishment and maintenance of capital reserves for the purpose of providing present and future cash requirements.

Definitions

1. Capital Reserves: Funds set aside which will ensure the timely purchase and/or replacement of capital assets (goods valued in excess of \$5,000).
2. Operating Reserves: Funds set aside for operational purposes. These reserves allow each department the flexibility for financial expenditures that do not occur annually, as well as provide for the unexpected. Each block should strive to establish an operating reserve. An appropriate operating reserve would be 4% of that blocks annual operating non-capital revenue. Operating reserves accumulate when surpluses in a block are available.
3. Functional area: Instruction, Transportation, Plant Operations and Maintenance, and Administration.

Procedures

1. The reserves shall be accounted for and reported on by the Secretary-Treasurer.
2. Approval of new reserve requests shall be given by the Board. The financial reporting of reserves will occur in conjunction with the year end. At that time any new reserve requests or amendments to the policy will be brought forward for the Board.
3. The Board will authorize the establishment of ear-marked reserves within each block for specific projects, such as the purchase of buses within the Transportation Block, or replacement of computer hardware and software within the Administration Block. In addition, there may be general reserves within each block.
4. Should the intended purpose, event, or expenditure disappear in the future, any remaining amount in the reserve should be returned to the appropriate block's operating reserve or reassigned through the annual review process.
5. Operating reserves' balances are expected to fall in a range of 2% to 6%, with a target of 4%. The percentage is calculated on that block's annual operating noncapital revenue. Operating reserves accumulate when surpluses in a block are available.
6. Accumulated surpluses carried forward as outlined above are available for the operation of the school or department.

Policy15

7. Where permitted by regulations, the current year's net interest income from reserves shall be allocated to each department's appropriate operating reserve based on their contribution to the total reserve.

Adopted: June, 2011
Reviewed: October 2015
Amended:
Due for Review: October 2020