

CASH RESERVE AND LIQUIDITY

[ISBA Code: 6013]

The purpose of the Corporation's Cash Reserve and Liquidity Policy is to provide the School Board and school employees with shared objectives and parameters for the management of its funds, to maintain and improve the financial stability of the Corporation and sufficient liquidity of the Corporation's funds to provide an adequate cushion against unexpected temporary revenue shortfalls or unpredicted one-time expenditures.

This Policy shall be reviewed annually in January by the Board of Finance.

Definitions

For purposes of this policy, the following definitions apply:

Available Fund Balance -- shall be defined as the amount, measured in dollars, of available reserves of the Corporation as measured by the balance remaining after the total liabilities are subtracted from the total assets.

Reserve Target -- shall mean the target level of the Available Fund Balance.

Unrestricted Fund (Cash Balance) -- shall mean the following funds: Education, Operations, Rainy Day

Reserve Target

When assessing the Available Fund Balance for the Corporation, the Corporation shall consider each of the listed unrestricted funds listed in this policy. The Reserve Target Balance for each Fund shall be no more than one month's expenditures. The Chief Financial Officer will measure compliance with this Policy as of December 31st each year, or as soon as practical after final year-end account balances become available. For the purposes of this Policy, the current year's actual operating expenses will exclude significant capital outlays and non-recurring items. The Reserve Target will also be actively monitored by the Chief Financial Officer and Superintendent throughout the year.

If the Reserve Target is not met or is projected to not be met at some point within a five-year period, then during the annual budgeting process, Available Fund Balances and reserve levels will be considered and a plan to replenish the Available Fund Balance to a level consistent with the Reserve Target will be established based on the requirements outlined in this Policy.

Maintaining Reserve Target

In order to provide liquidity adequate to meet Corporation needs, the Reserve Target will be maintained and managed through a method to minimize the need to borrow in the event of

unforeseen financial challenges, including changes in revenue streams and expenses and significant economic downturns or enrollment declines. The Reserve Target will generally be funded or replenished by excess revenues over expenses or one-time revenues.

Maintaining Liquidity

Liquidity is the amount of cash and the ease of converting assets to cash with minimum loss of the value of the asset to meet the financial obligations of the Corporation. The marketability or ability to buy or sell an asset without incurring significant losses to access the funds determines the liquidity and availability of the asset. Adequate liquidity shall be evaluated by the Business Office to ensure that the Corporation is able to meet foreseeable and unforeseeable financial obligations.

There are various tools to help manage cash flow. The three most prominent are:

- Using cash reserves;
- Interfund transfers; and
- Borrowing funds externally, as permitted by state law.

The following constitutes key elements to consider when determining whether the Corporation has adequate liquidity:

- An evaluation of all commitments resulting from liabilities related to employees' rights and benefits, including post-employment benefits, accrued paid time off and insurance;
- Reserve Target is evaluated;
- Ability to repay outstanding debt obligations, including bonds, lease rental payments and other financial commitments to repay debt; and
- A level of cash available for the normal operational expenditures to ensure that the Corporation will be able to withstand fluctuations in monthly revenues/expenditures, to enable the Corporation to be able to timely meet its financial obligations. Two months' operational expenditures should be available in cash or cash equivalent.

The Superintendent or designee is responsible for reporting on the reserve target at least quarterly.

Board Adopted: May 13, 2024