

What Board Members Need to Know About Financial Governance

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Introduction



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- Public practice
- Tax
- Oil and gas
- Financial services
- Telecommunications
- Government

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Outline

- Education Funding in Saskatchewan
- Financial components
- Financial and reporting cycle
- Budgets
- Financial reporting/Forecasts
- Financial statements
- Audits

How is Education Funded?

GRF
~60%

- Limited by provincial funds
- Treasury Board determines amount

Property
Tax ~40%

- Limited by # and value of properties and rates paid by property type
- Province sets mill rate*



FUNDS

Funding
Formula

Distribution



* Separate school divisions have the ability to set this rate; amount is subject to clawback from provincial grant revenue

Funding Distribution Model

- The majority of funding provided through the funding model is unconditional and is not intended to prescribe how boards of education should spend their funding dollars.
- The formulas are a mechanism to distribute available funding only.
- Each board of education makes individual expenditure decisions based on budget priorities that meet local needs.



Capital Funding

- Major Capital Program
- Minor Capital Renewal Program
- Relocatables

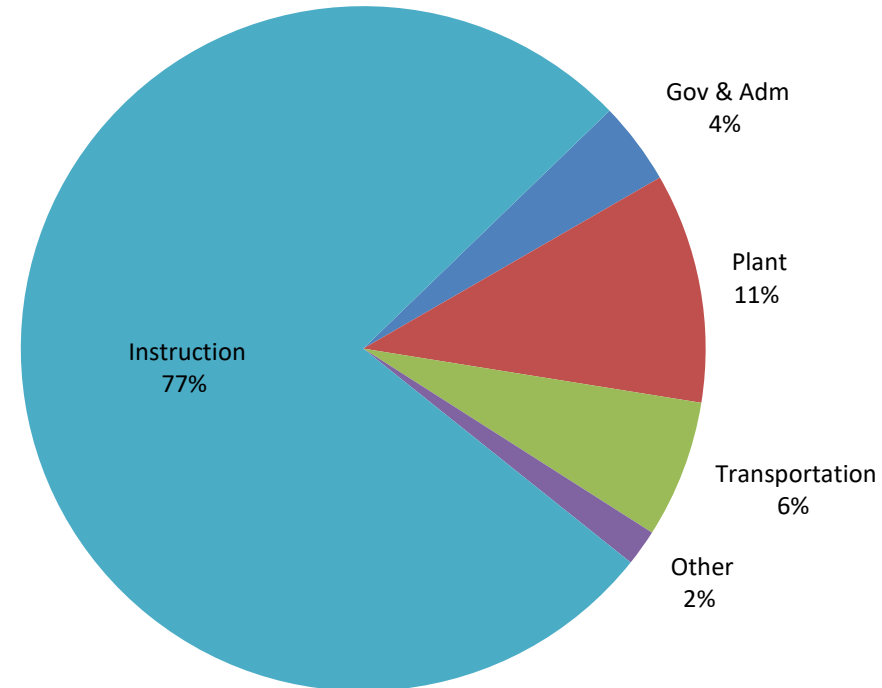
- PMR (Preventative Maintenance and Renewal)



Financial Components

Saskatchewan Financial Reporting Categories:

- Governance
- Administration
- Instruction
- Plant (Operations and Maintenance)
- Transportation
- Tuition and Related Fees
- School Generated Funds
- Complementary Services
- External Services

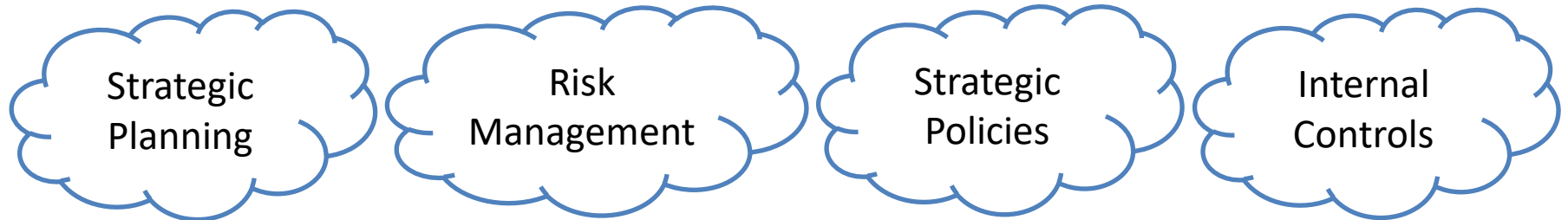


Financial Components

- Assets
- Liabilities
- Net Assets or Accumulated Surplus/Deficit
 - Reserves – unrestricted, internally restricted, externally restricted

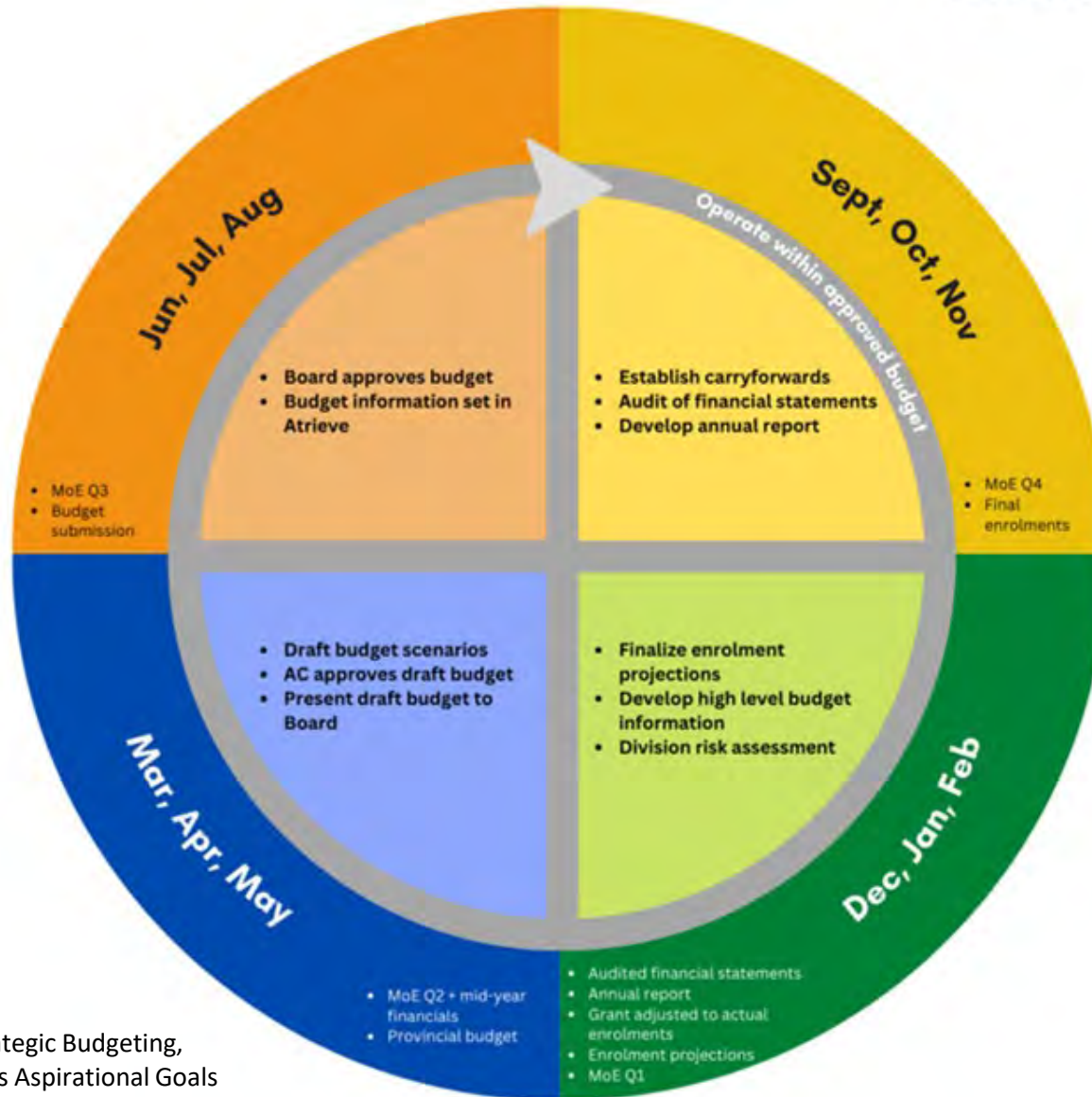
- Revenue
- Operating Expense (OpEx)
- Capital Expense (CapEx)

Financial and Reporting Cycle



BUDGET DEVELOPMENT PLAN

DETAILED



Courtesy of LEADS - Strategic Budgeting,
Mitigating Risks Towards Aspirational Goals

Budgets

- Budget preparation is about planning the Board's "to do" list for the coming year, then putting resources in place to do them.
- The budget and financial plan is the primary tool to achieve the strategic priorities of the School Division.



Budgets

Good governance means:

- Write policies describing the results you want to achieve and the priorities you have established,
- **Allocate resources to support your goals and priorities**
- Monitor progress to ensure the desired results are being achieved
- Hold the Director of Education responsible for achieving the desired results

Does not mean:

- Detailed line-item by line-item check

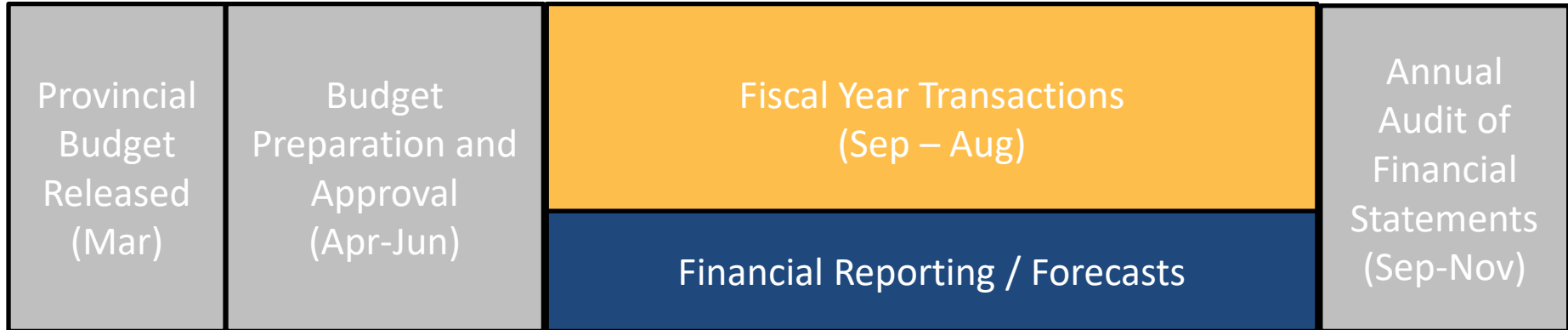
Budgets

- Is this budget reasonable?
- Is it plausible that this proposed allocation of resources matches up with and can achieve the strategic plan?
- Would this expenditure of money be consistent with our core beliefs and values?
- Would this expenditure of money be consistent with the outcomes we want to achieve?

- What do we do when we receive unanticipated funding?
- What do we do when we don't receive enough funding?

- Where in the budget do we see the financial impacts of [new program]/[old program]?
- Why does the budget change from prior year?
- How does the budget compare to current forecast/actuals for the prior year?

Financial Reporting



Good governance means:

- **Monitor progress to ensure the desired results are being achieved**
- Hold the Director of Education responsible for achieving the desired results

Financial Reporting



The Statement of Financial Position (formerly the “Balance Sheet”):

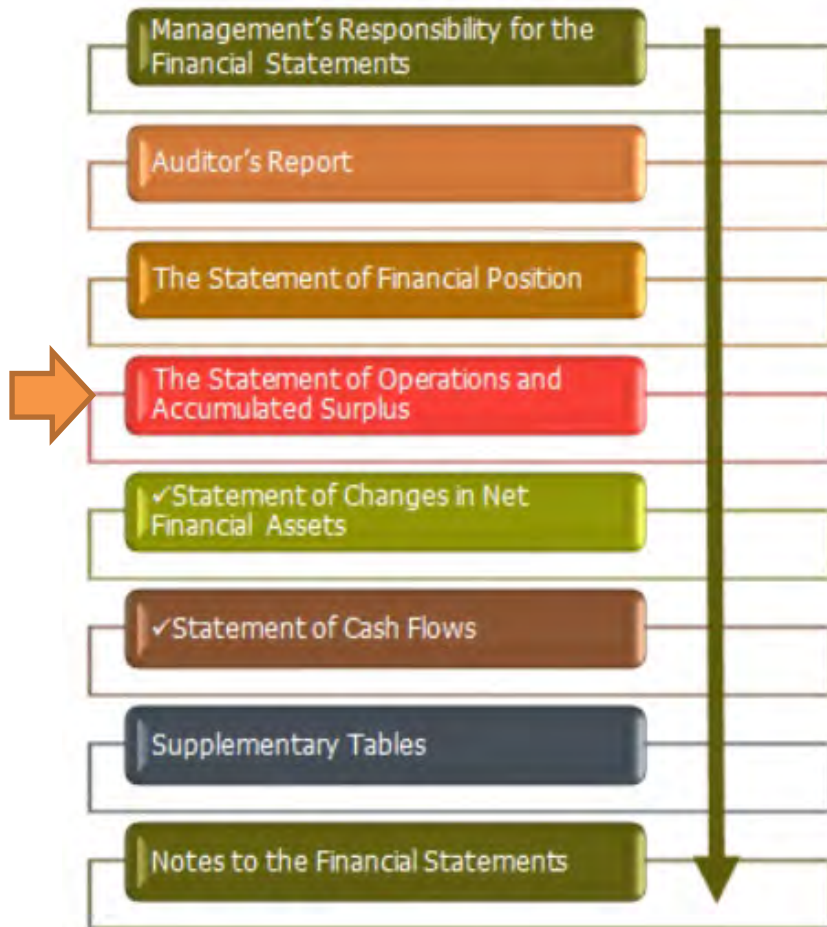
Assets: what the School Board owns, you receive future economic value, and

Liabilities: what the School Board owes, you deliver future economic value, and the difference between these: “Net Assets” or “Accumulated Surplus” (which is equivalent to owner’s equity in the private sector).

Select School Division Name
Consolidated Statement of Financial Position
as at August 31, 2019

	2019	2018
	\$	\$
Financial Assets		
Cash and Cash Equivalents	-	-
Accounts Receivable (Note 8)	-	-
Inventories for Sale	-	-
Portfolio Investments (Note 4)	-	-
Total Financial Assets	-	-
Liabilities		
Bank Indebtedness (Note 3)	-	-
Provincial Grant Overpayment	-	-
Accounts Payable and Accrued Liabilities (Note 9)	-	-
Short-Term Loans (Note 3)	-	-
Long-Term Debt (Note 10)	-	-
Liability for Employee Future Benefits (Note 6)	-	-
Deferred Revenue (Note 11)	-	-
Total Liabilities	-	-
Net Financial Assets (Net Debt)	-	-
Non-Financial Assets		
Tangible Capital Assets (Schedule C)	-	-
Inventory of Supplies for Consumption	-	-
Prepaid Expenses	-	-
Total Non-Financial Assets	-	-
Accumulated Surplus (Note 14)	-	-

Financial Reporting



The Statement of Operations and Accumulated Surplus (formerly the “Profit and Loss”)

Revenues: you earned for delivering economic value this year, and

Expenses: you incurred in order to deliver economic value this year, generally following the same line items and order as the budget and funding outlined earlier.

Select School Division Name
Consolidated Statement of Operations and Accumulated Surplus from Operations
for the year ended August 31, 2019

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
REVENUES	(Note 15)		
Property Taxes and Other Related	-	-	-
Grants	-	-	-
Tuition and Related Fees	-	-	-
School Generated Funds	-	-	-
Complementary Services (Note 12)	-	-	-
External Services (Note 13)	-	-	-
Restructuring (Note 27)	-	-	-
Other	-	-	-
Total Revenues (Schedule A)	-	-	-
EXPENSES			
Governance	-	-	-
Administration	-	-	-
Instruction	-	-	-
Plant	-	-	-
Transportation	-	-	-
Tuition and Related Fees	-	-	-
School Generated Funds	-	-	-
Complementary Services (Note 12)	-	-	-
External Services (Note 13)	-	-	-
Restructuring (Note 27)	-	-	-
Other	-	-	-
Total Expenses (Schedule B)	-	-	-
Operating Surplus (Deficit) for the Year	-	-	-
Accumulated Surplus from Operations, Beginning of Year	-	-	-
Accumulated Surplus from Operations, End of Year	-	-	-

Financial Reporting



Statement of Changes in Net Financial Assets

Outlines the difference between the annual surplus or deficit and the change in net financial assets (debt).

Select School Division Name
Consolidated Statement of Changes in Net Financial Assets (Net Debt)
for the year ended August 31, 2019

	2019 Budget	2019 Actual	2018 Actual
	\$	\$	\$
	(Note 15)		
Net Financial Assets (Net Debt), Beginning of Year	-	-	-
Changes During the Year			
Operating Surplus (Deficit) for the Year	-	-	-
Acquisition of Tangible Capital Assets (Schedule C)	-	-	-
Proceeds on Disposal of Tangible Capital Assets (Schedule C)	-	-	-
Net Loss (Gain) on Disposal of Capital Assets (Schedule C)	-	-	-
Transfer of Non-Financial Assets Related to Restructuring (Schedule F)	-	-	-
Write-Down of Tangible Capital Assets (Schedule C)	-	-	-
Amortization of Tangible Capital Assets (Schedule C)	-	-	-
Net Acquisition of Inventory of Supplies	-	-	-
Net Change in Other Non-Financial Assets	-	-	-
	-	-	-
Net Remeasurement Gains (Losses)	-	-	-
Change in Net Financial Assets / Net Debt	-	-	-
Net Financial Assets (Net Debt), End of Year	-	-	-

Financial Reporting



Statement of Cash Flows:

Summarizes the amount of cash (and cash equivalents) entering and leaving an organization.

Shows how money moved in or out in the following categories:

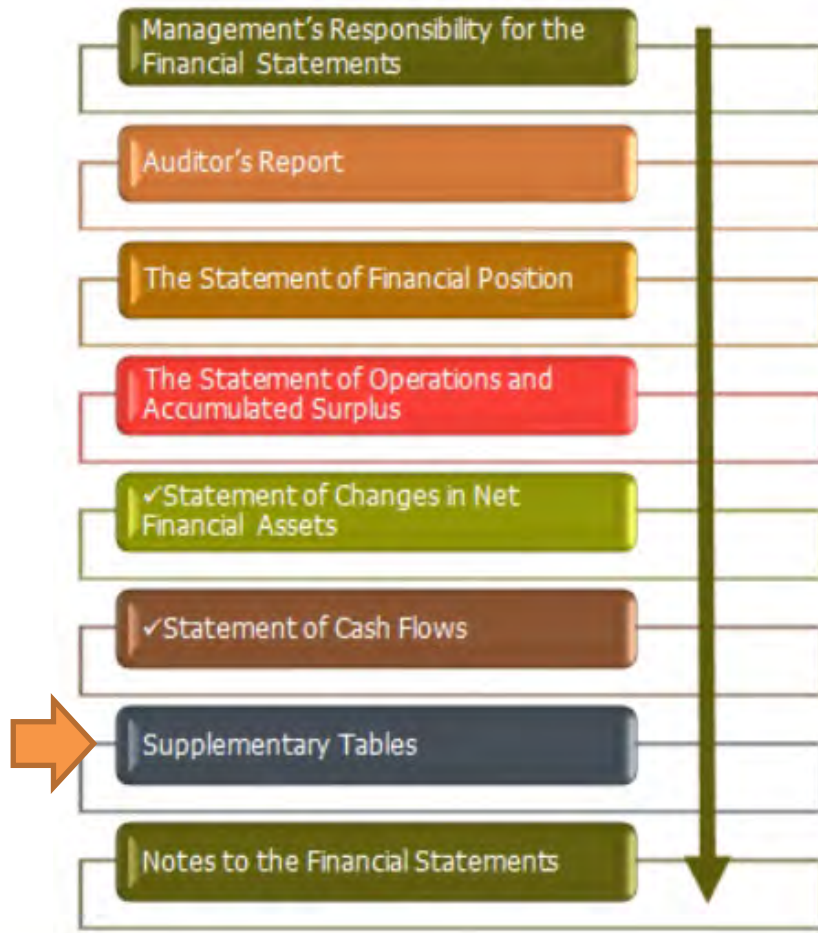
- Operating activities
- Investing activities
- Financing activities

An organization's understanding of its cash inflows and outflows is critical for meeting its short-term and long-term obligations to its suppliers, employees, and lenders.

Select School Division Name
Consolidated Statement of Cash Flows
for the year ended August 31, 2019

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Operating Surplus (Deficit) for the Year	-	-
Add (Deduct) Non-Cash Items Included in Surplus / Deficit (Schedule D)	-	-
Net Change in Non-Cash Operating Activities (Schedule E)	-	-
Cash Provided (Used) by Operating Activities	-	-
CAPITAL ACTIVITIES		
Cash Used to Acquire Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided (Used) by Capital Activities	-	-
INVESTING ACTIVITIES		
Cash Used to Acquire Portfolio Investments	-	-
Proceeds on Disposal of Portfolio Investments	-	-
Cash Provided (Used) by Investing Activities	-	-
FINANCING ACTIVITIES		
Proceeds from Issuance of Short-Term Loans	-	-
Repayment of Short-Term Loans	-	-
Proceeds from Issuance of Long-Term Debt	-	-
Repayment of Long-Term Debt	-	-
Proceeds from (Cash Used for) Other Non-Financial Assets	-	-
Cash Provided (Used) by Financing Activities	-	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	-	-

Financial Reporting



Supplementary Tables

Provides more detail for Revenues, Expenses, Tangible Capital Assets and Non-Cash items,

Financial Reporting



Notes to the financial statements:

These are probably the most informative parts of the financial statements, and where you will want to focus your time in preparing and asking questions of management and the auditors.

Audit of Financial Statements

Provincial Budget Released (Mar)	Budget Preparation and Approval (Apr-Jun)	Fiscal Year Transactions (Sep – Aug)	Annual Audit of Financial Statements (Sep-Nov)
		Financial Reporting / Forecasts	

Good governance means:

- **Monitor progress to ensure the desired results are being achieved**
- Hold the Director of Education responsible for achieving the desired results

Audits

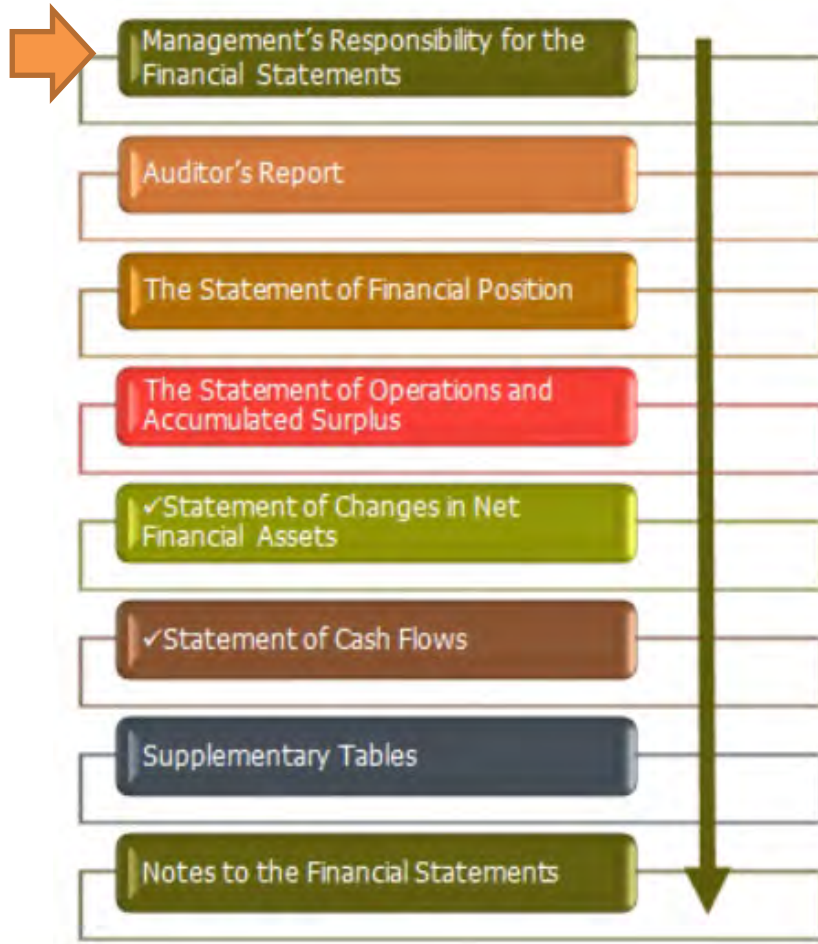
An audit is an unbiased examination and evaluation of the financial statements of an organization.

Audits are designed to provide reasonable assurance, not perfect assurance.



“Having audited your accounts, we can’t find anything at all suspicious. Which makes us very suspicious.”

Financial Reporting



Management's Responsibility for the Financial Statements:

Outlines the different responsibilities of management, board and auditors, and is signed by the CFO, Director of Education and a Board Member (typically the Chair)

Financial Reporting



Auditor's Report:

Outlines the auditor's responsibility and work, and their audit opinion, and is signed and dated by your external auditor.

You will want to ask if there were any exceptions or qualifications to the audit opinion, and any outstanding or unresolved issues, whether these are in the auditors' management report or not.

There should not be a significant gap between the audit date and your meeting date to approve these.



Additional Resources

- SSBA Governance Handbook
<https://ssbagovernancehandbook.ca/section-3/board-and-audit-finance-committee-role-1-budgeting/>
- SSBA Risk Framework
<https://saskschoolboards.ca/wp-content/uploads/ERM-Framework.pdf>
- SSBA ERM Users Guide
<https://saskschoolboards.ca/wp-content/uploads/ERM-User-Guide.pdf>
- Funding Manuals, Provincial Budgets, Component Summaries
<https://publications.saskatchewan.ca/#/categories/2304>

Thank you!



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