

LRSD - Fact Sheet on Reserves as at August 31, 2018

(Board Approved – January 9, 2019)



Livingstone Range
SCHOOL DIVISION #111

1) What is the definition of accumulated surplus found on the Audited Financial Statements?

The accumulated surplus number represents the division's "reported net economic resources" (Assets minus Liabilities). An accumulated surplus indicates that a division has net resources (financial and physical) that can be used to provide future services.

2) What makes up the accumulated surplus?

There are five reserve categories that together make up the accumulated surplus:

Investment in tangible capital assets – this represents the remaining book value of tangible assets that were purchased in previous periods.

Endowments - a donation of money or property held which uses the resulting investment income for a specific purpose.

Unrestricted Surplus - normally represents the portion of accumulated operating surplus that is not designated or restricted by the Board or Management. **However these funds represent the majority of LRSD's capital reserves.** They are maintained here so as to provide fewer restrictions on their use in emergent situations.

Operating reserves - are funds that have been designated for specific operating purposes.

Capital reserves – are funds held for the use of acquiring future capital assets.

3) What is the level of LRSD reserves available for future services? (Prior Year in Brackets)

	Unrestricted Surplus	Operating Reserves	Capital Reserves
School & Instruction	\$661,617 (\$554,069)	\$2,510,020 (\$2,696,916)	
Maintenance		\$1,955,631 (\$4,207,749)	\$21,828 (\$25,807)
Transportation		\$83,038 (\$371,808)	\$89,638 (\$86,038)
Board & System Admin		\$210,000 (\$210,000)	
Totals	\$661,617 (\$554,069)	\$4,758,689 (7,486,473)	\$111,466 (\$111,845)

Funds invested in Tangible Capital Assets is \$6,506,922 and there are no endowments.

4) What was the change in LRSD Reserves from the prior year?

Overall the above reserves decreased by \$2,620,615 during 2017-2018 School Year. The majority of this reduction was as a result of the GRD Administration Facility Modernization (\$2,335,861). Other reserve impacts by area saw a reduction in instructional operating reserves including schools of (\$186,896), an increase in maintenance operating reserves by \$83,743, a reduction in transportation operating reserves due to a deficit in that area (\$289,902) and finally unrestricted net assets (held as capital reserves) increased as the amount of capital assets purchased was less than planned.

5) What is an appropriate level of reserves for school boards?

In May of 2015 the Association of School Business Officials of Alberta issued a release titled “Reasonable Reserves” which was to be forwarded to Alberta Education recommending operating reserves of 2%-8% of total operating expenditures. More recently the Auditor General communicated to AB Education that 5% of operating expenditures is a reasonable number.

	% of Exp - 2014	% of Exp - 2015	% Exp - 2016	% Exp - 2017	% Exp - 2018
Unrestricted Surplus	2.64%	1.16%	1.11%	1.05%	1.21%
School & Instruction	7.82%	6.70%	6.87%	5.11%	4.61%
Maintenance	7.06%	7.64%	8.59%	7.98%	3.59%
Transportation	1.08%	0.82%	1.05%	0.70%	0.15%
Board & System Admin	0.44%	0.42%	0.42%	0.40%	0.39%

LRSD operating reserves for instruction are below the 5% threshold however the division overall when including Plant Operations and Maintenance, Transportation and Board & System Admin has a percentage of 8.7%. Unrestricted was not included in this calculation as these are capital reserves.

6) How will LRSD use current reserves in 2018-2019 School Year

	Description of use of funds	Amount
Schools	Use of reserves budgeted for staffing and other supports	\$743,810
Early Learning	Use of reserves budgeted for staffing and other supports	\$57,211
Instructional Pool	Use of reserves budgeted to continue to support current initiatives and staffing	\$241,543
Technology	Use of reserves for ever greening purposes	\$119,542
System & Business Admin	Use of reserves budgeted to continue to support current initiatives	\$67,217
Transportation	Use of reserves to purchase buses	\$432,560
Transportation	Use of reserves to purchase transportation equipment	\$200,000
Instructional	Use of reserves to support the update of CTS Equipment	\$50,000
Transfer	Transfer funds to replace copiers from operating reserves to capital reserves	\$309,055

7) What are the board approved levels of reserves going forward?

	Unrestricted Surplus	Operating Reserves	Capital Reserves
School & Instruction	LRSB funds carried in unrestricted will be transferred over to capital reserves.	<ul style="list-style-type: none"> - Schools will each be eligible to maintain a reasonable contingency within their operating reserves - International Program will maintain a reasonable contingency. - Instructional Pool will hold a reasonable contingency in the following areas: Certificated Staffing, Support Staff, Complex Needs, Divisional Initiatives, CTS Equipment and Technology. - 	<ul style="list-style-type: none"> - Unrestricted surplus that is not expended in the 2018-2019 school year will be transferred to capital reserves and this reserve will increase as current assets (copiers) recorded in investment in tangible capital assets are amortized and decrease upon the purchase of new capital assets.
Maintenance		<ul style="list-style-type: none"> - Plant Operations and Maintenance will maintain \$1,500,000 toward a future facility as well as a reasonable amount for contingency. <p>Note: \$1,482,074 relates to the wind power investment receivable which has not been received and will be received over the next 9 years.</p>	<ul style="list-style-type: none"> - This reserve will increase as current assets (vehicles, equipment) recorded in investment in tangible capital assets are amortized and decrease upon the purchase of new capital assets.
Transportation		<ul style="list-style-type: none"> - Transportation will be eligible to maintain a reasonable contingency. 	<ul style="list-style-type: none"> - This reserve will increase as current assets (buses) recorded in investment in tangible capital assets are amortized and decrease upon the purchase of new capital assets.
Health & Safety		<ul style="list-style-type: none"> - Health & Safety will maintain a reasonable contingency to respond to emergent needs 	
Board & System Admin		<ul style="list-style-type: none"> - Business & System Admin will hold a reasonable contingency for Board Initiatives and operations. 	