

LRSB - Fact Sheet on Reserves as at August 31, 2019

Board Approved – January 8, 2019



Livingstone Range
SCHOOL DIVISION

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.

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 LRSB reserves available for future services? (Prior Year in Brackets)

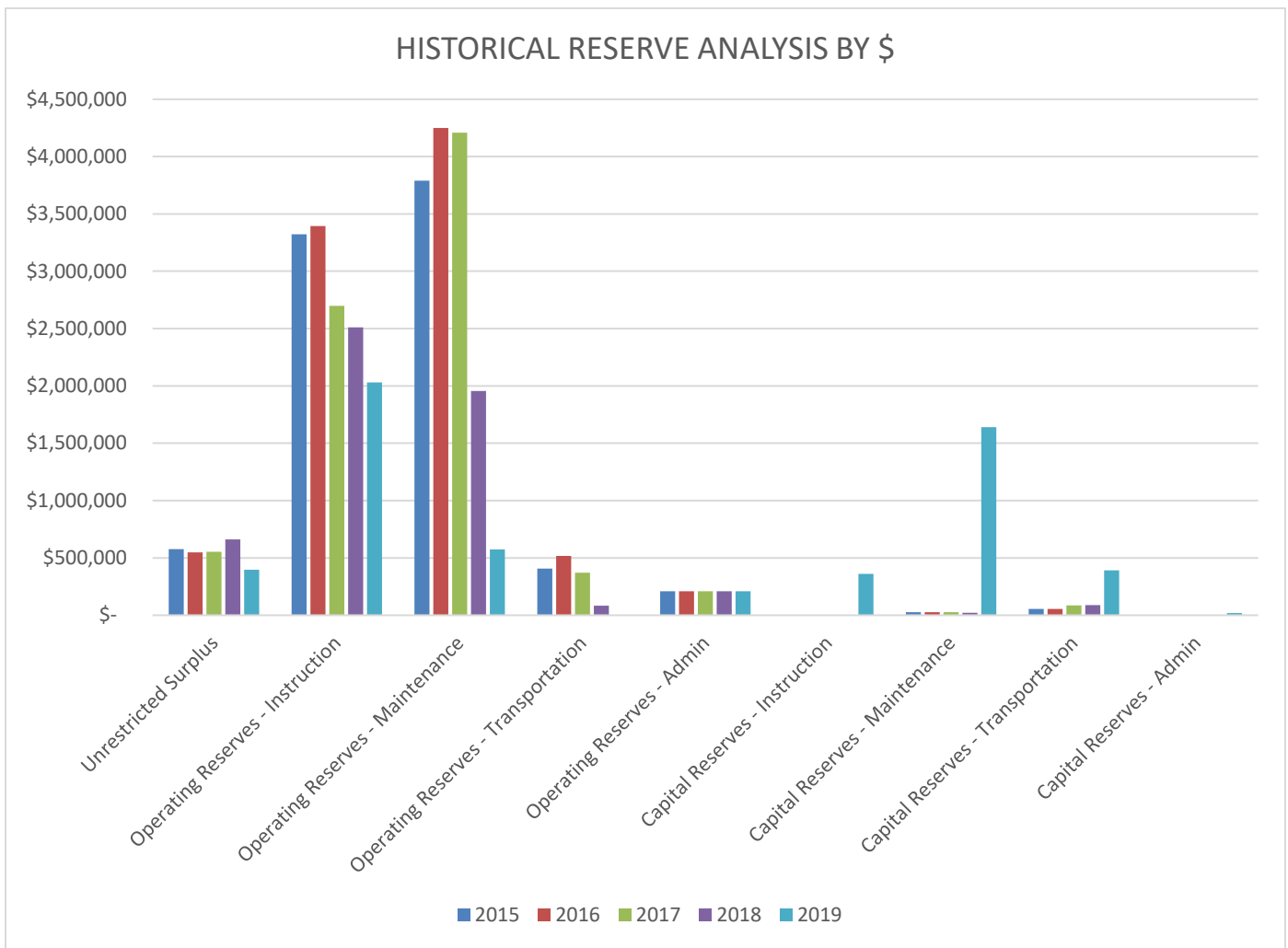
	Unrestricted Surplus	Operating Reserves	Capital Reserves
School & Instruction	\$397,173 (\$661,617)	\$2,031,109 (\$2,510,020)	\$361,105 (\$0)*
Maintenance		\$573,316 (\$1,955,631)	\$1,665,205 (\$21,828)
Transportation		\$0 (\$83,038)	\$392,312 (\$89,638)
Board & System Admin		\$210,000 (\$210,000)	\$20,068 (\$0)*
Totals	\$397,173 (\$661,617)	\$2,814,425 (4,758,689)	\$2,438,690 (\$111,466)

*In the prior year these reserves were held in unrestricted surplus

Funds invested in Tangible Capital Assets is \$6,920,059 and there are no endowments.

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

Overall the reserves in the table above increased by \$118,516 during 2018-2019 School Year. This was due to the division experiencing a surplus at yearend. Other reserve impacts by area saw a reduction in instructional operating reserves including schools of (\$478,911), a reduction in maintenance operating reserves by (\$1,382,315) the majority of which was the capital funds held in operating being transferred to capital reserves, a reduction in transportation operating reserves due to a deficit in that area (\$83,038) and finally unrestricted surplus decreased as the amount of capital assets purchased was greater than planned and the funds held in operating reserves for equipment was transferred to capital reserves.



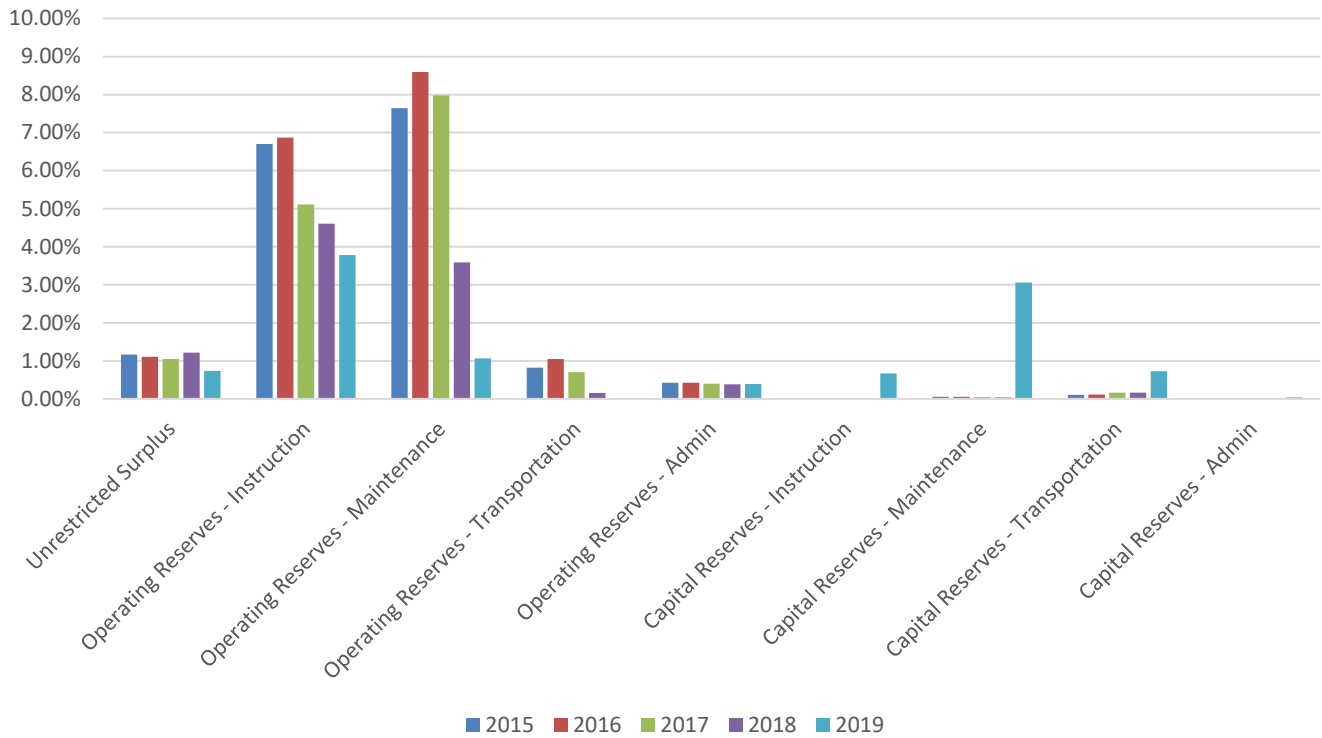
5) What is an appropriate level of operating reserves for school boards?

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.

	% Exp - 2015	% Exp - 2016	% Exp - 2017	% Exp - 2018	% Exp - 2019
Unrestricted Surplus	1.16%	1.11%	1.05%	1.21%	0.74%
School & Instruction	6.70%	6.87%	5.11%	4.61%	3.78%
Maintenance	7.64%	8.59%	7.98%	3.59%	1.07%
Transportation	0.82%	1.05%	0.70%	0.15%	0.00%
Board & System Admin	0.42%	0.42%	0.40%	0.39%	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 5.92%. This percentage will be within the recommended 5% by the end of the 2020 school year.

HISTORICAL RESERVE ANALYSIS BY % OF ANNUAL EXPENDITURES



6) How will LRSD use current reserves in 2019-2020 School Year

	Description of use of funds	Amount
Unrestricted	Maintain classroom improvement initiatives – Behavior Supports / Numeracy Supports	\$298,041
Schools	Supplies and Staffing for school improvement initiatives	\$276,953
Maintenance	To cover increase in insurance above maintenance revenues	\$366,777

7) What are the board approved reserves going forward?

	Unrestricted Surplus	Operating Reserves	Capital Reserves
School & Instruction	- LRSD funds carried in unrestricted will be used to offset the decrease in funding announced in the 2019-2020 budget and insurance premium increases.	<ul style="list-style-type: none"> - The division where possible will maintain a reasonable contingency for schools considered school 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. - 	- Capital Reserves in instructional are for copiers and other instructional equipment.
Maintenance		- Plant Operations and Maintenance will maintain a reasonable amount for operational contingencies	<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 major division office repairs. - Note: \$1,335,007 relates to the wind power investment receivable which has not been received and will be received over the next 8 years. - This reserve will increase as current assets (vehicles, equipment) recorded in investment in tangible capital assets are amortized and it will decrease upon the purchase of new capital assets.
Transportation		<ul style="list-style-type: none"> - Transportation will be eligible to maintain a reasonable contingency. - At this point in time due to operation deficits there is no transportation operating reserves. 	- 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		- Health & Safety will maintain a reasonable contingency to respond to emergent needs	
Board & System Admin		- Business & System Admin will hold a reasonable contingency for Board Initiatives and operations.	