

LRSD - Fact Sheet on Reserves as at August 31, 2020

Presented to the Board – December 2021



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. This only includes non-supported assets (not school buildings)

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

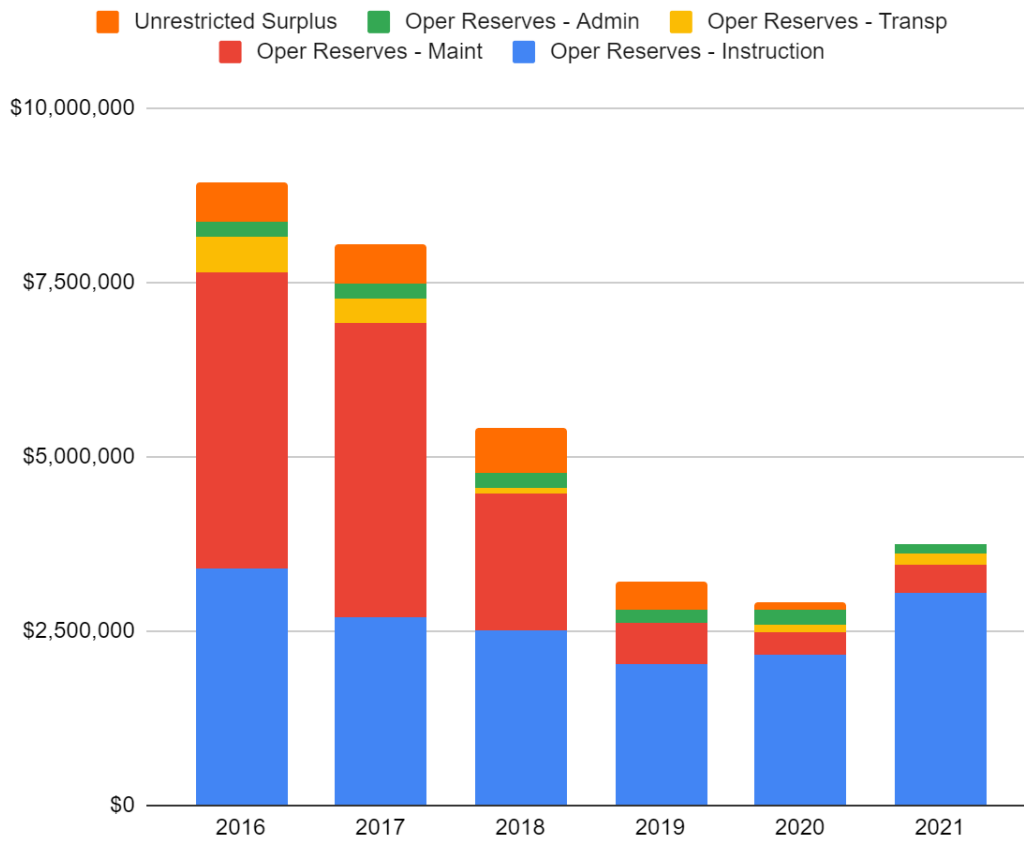
	Unrestricted Surplus	Operating Reserves	Capital Reserves
School & Instruction	\$0 (\$106,216)	\$3,041,637 (\$2,159,555)	\$138,267 (\$203,054)
Maintenance		\$402,037 (\$308,799)	\$1,166,902 (\$1,719,363)
Transportation		\$177,447 (\$114,759)	\$328,687 (\$388,590)
Board & System Admin		\$119,368 (\$210,000)	\$176,692 (\$59,138)
Totals	\$0 (\$106,216)	\$3,740,489 (2,793,113)	\$1,810,548 (\$2,370,145)

Funds invested in Tangible Capital Assets is \$7,564,245 and there are no endowments.

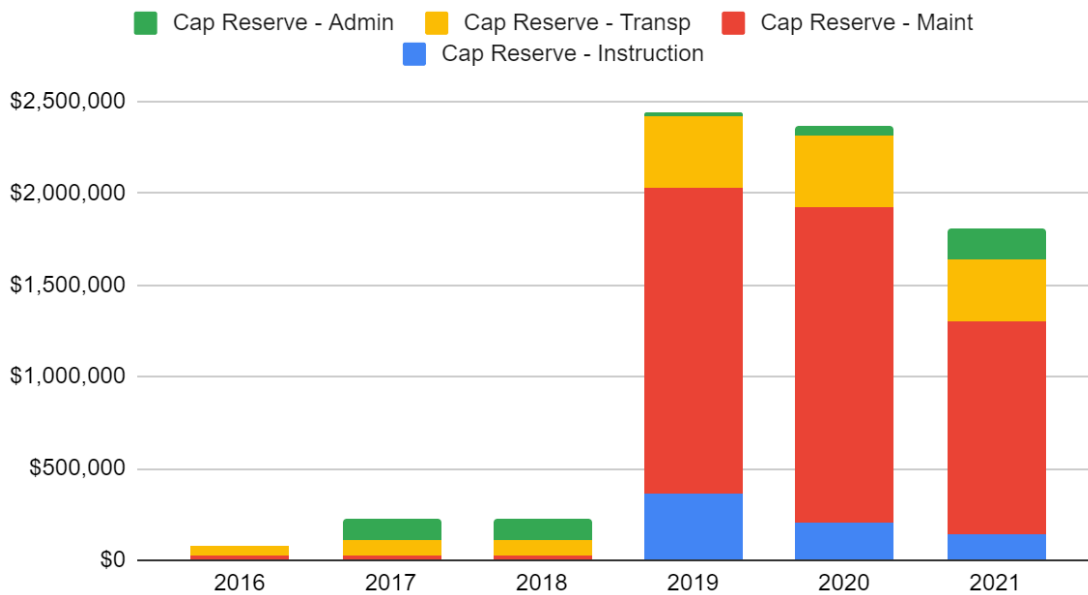
4) What was the change in LRSD Reserves from the prior year?

Overall the reserves in the table above increased by \$387,779 during the 2020-2021 School Year. Increase to operating reserves of \$947,376 and a decrease to capital reserves of (\$559,597). Operating reserve increase is broken out as follows: Instructional - \$889,412 increase, Maintenance - \$93,238 increase, System Admin – (\$90,632) decrease, Transportation - \$62,688 increase. Capital reserve decrease is broken out as follows: Instructional – (\$64,787) decrease, Maintenance – (\$552,461) decrease, System Admin - \$117,554 increase, Transportation – (\$59,903) decrease. Net increase to operating reserves is due to an operating surplus of \$846,188 at yearend. Some budgets were underspent due to COVID. Capital purchases lessened the increase including the purchase of the Crowsnest Pass Tourist Information Centre.

UNRESTRICTED SURPLUS & OPERATING RESERVES



CAPITAL RESERVES



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

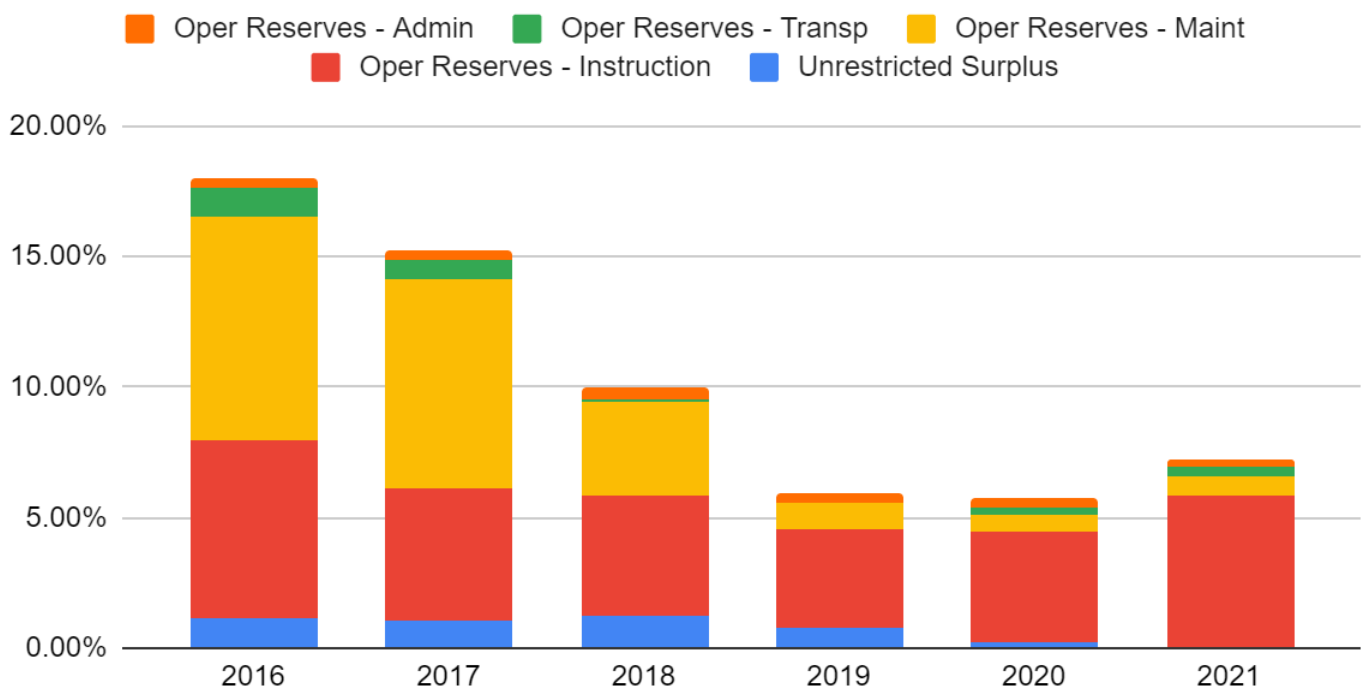
In May of 2015 the Association of School Business Officials of Alberta issued a release titled “Reasonable Reserves” which was to be forwarded to Alberta Education recommending operating reserves of 2%-8% of total operating expenditures. More recently, the Auditor General communicated to AB Education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

	% of Exp - 2017	% of Exp - 2018	% of Exp - 2019	% of Exp - 2020	% of Exp - 2021
Unrestricted Surplus	1.05%	1.21%	0.74%	0.21%	0.00%
School & Instruction	5.11%	4.61%	3.78%	4.29%	5.85%
Maintenance	7.98%	3.59%	1.07%	0.61%	0.77%
Transportation	0.70%	0.15%	0.00%	0.23%	0.34%
Board & System Admin	0.40%	0.39%	0.39%	0.42%	0.23%

LRSD unrestricted surplus and operating reserves for instruction (5.85%) is above the 5% threshold by 0.85%. The division overall when including Plant Operations and Maintenance, Transportation and Board & System Admin has a percentage of 7.20%. It was anticipated with a planned deficit in the year 2020-2021 that this ratio would be well below the 5% threshold however due to COVID-19, expenditures were significantly lower resulting in a higher percentage.

Formula: Reserves / Lower Total Expenditure Amount = Higher Percentage

UNRESTRICTED SURPLUS & OPERATING RESERVES BY % OF ANNUAL EXP'S



6) How will LRSD use current reserves in 2021-2022 School Year

	Description of use of funds	Amount
Unrestricted		\$0
Operating Reserves		
Instructional	Pursuits Pilot Program	\$841,917
Instructional/Maintenance	COVID Related Expenditures	\$203,000
Instructional	Other Division Initiatives	\$45,323
Instructional	Increased Regional Learning Supports	\$195,000
Maintenance	Cover Maintenance Deficit	\$278,000
Staffing Contingency	Contingencies built into reserves	\$157,950

The current budget would leave an operating reserve of \$2,252,300 or 4.17% of total expenditures. This would also leave the ability to use an additional 2% (1 Million) of operating reserves to transition during a reduction of 2 million in revenues due to the removal of bridge funding.

7) What are the board approved reserves held for?

	Unrestricted Surplus	Operating Reserves	Capital Reserves
School & Instruction	- If LRSD carries funds in unrestricted surplus they will be used to offset in year decisions.	<ul style="list-style-type: none"> - The division where possible will maintain a reasonable operational contingency for schools. - International Program reserve will be used in building the program in future years. - Instructional Pool will hold a reasonable contingency in the following areas: Certificated Staffing, Support Staff, Complex Needs, Divisional Initiatives, CTS Equipment and Technology. - Funds will also be used to cover COVID-19 supplies – sub costs 	- Capital Reserves in instructional are for copiers and other instructional equipment.
Maintenance		<ul style="list-style-type: none"> - Plant Operations and Maintenance will maintain a reasonable amount for operational contingencies. - This reserve will be used to transition to future years as funding in this area is decreasing. 	<ul style="list-style-type: none"> - Maintenance will maintain capital reserves for a future facility and emergent items - Note: \$1,166,902 relates to the wind power investment receivable which has not been received and will be received over the next 6 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.
Transp		- Transportation will be eligible to maintain a reasonable operational contingency.	- 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 divisionally.	
Board & System Admin		- Business & System Admin will hold a reasonable contingency for Board Initiatives and operations.	Maintained for use in non-supported admin facilities and equipment.