

# LRSD - Fact Sheet on Reserves as at August 31, 2023

Presented to the Audit Committee – November 22, 2023

Presented to the Board – November 27, 2023



**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). This year the balance was adjusted to take into consideration the asset retirement obligation.

**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?

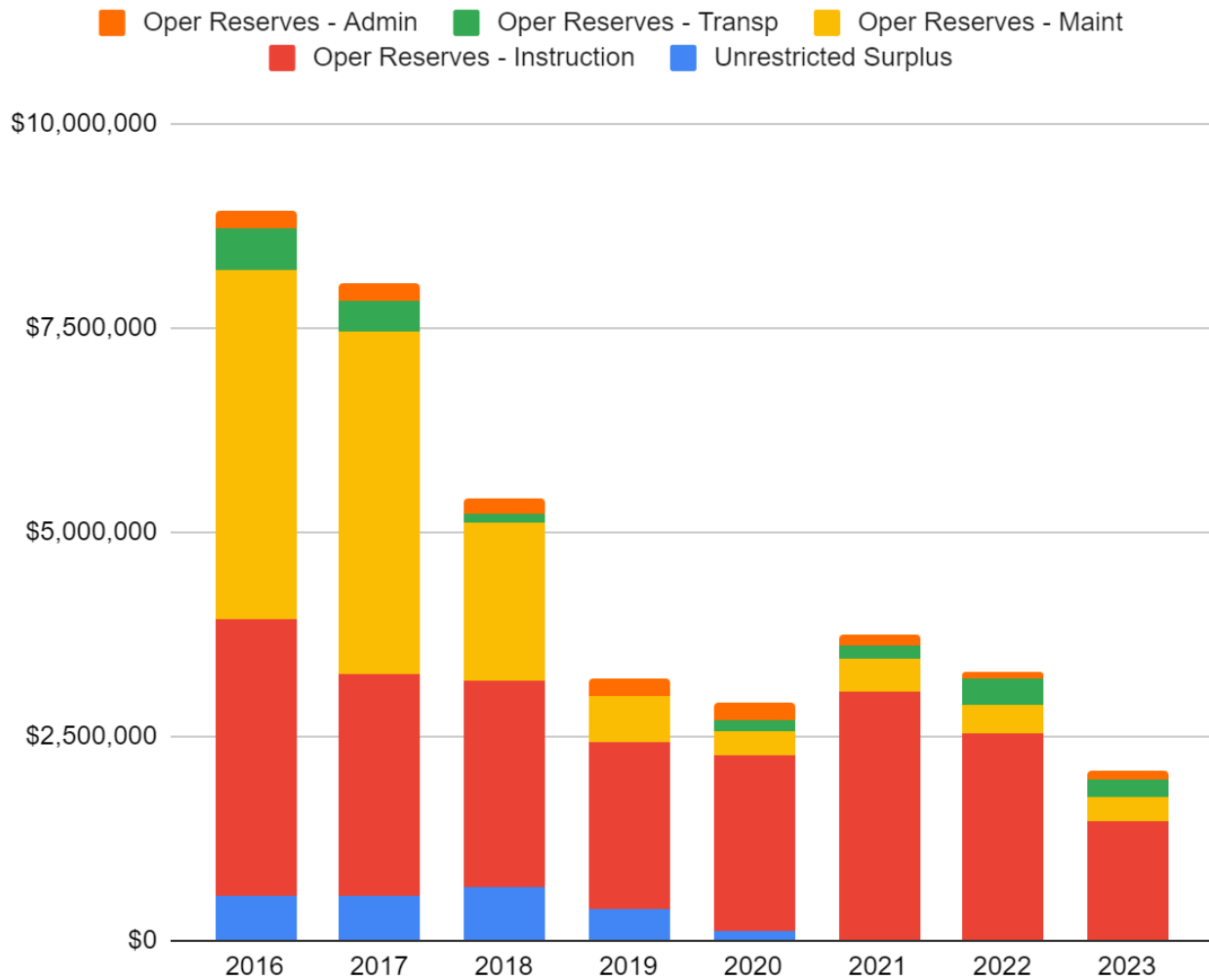
Operating Reserves	2022	2023	Change
School & Instruction	\$2,547,091	\$1,455,353	(\$1,091,738)
Maintenance	\$347,584	\$310,696	(\$36,888)
Transportation	\$300,000	\$209,282	(\$90,718)
Board & System Admin	\$104,494	\$96,180	(\$8,314)
Totals	\$3,299,169	\$2,071,511	(\$1,227,658)

Capital Reserves	2022	2023	Change
School & Instruction	\$195,121	\$247,985	\$52,864
Maintenance	\$1,183,368	\$1,142,394	(\$40,974)
Transportation	\$446,823	\$307,671	(\$139,152)
Board & System Admin	\$295,557	\$278,358	(\$17,199)
Totals	\$2,120,869	\$1,976,408	(\$144,461)

Funds invested in Tangible Capital Assets are \$5,542,950 and there are no unrestricted surplus or endowments.

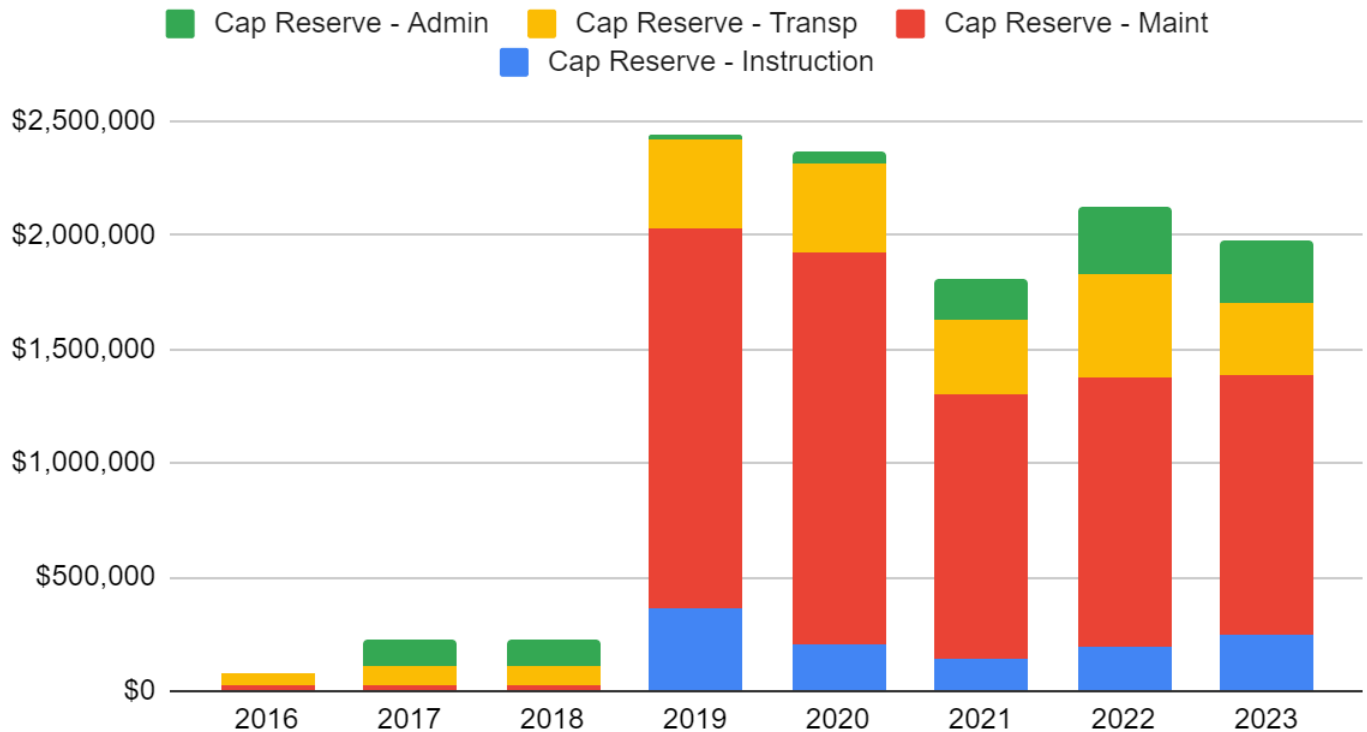
4) What was the change in LRSD Reserves from the prior year?

## UNRESTRICTED SURPLUS & OPERATING RESERVES



The decrease in Operating Reserves was as a result of a planned deficit in order to utilize reserves to maintain programming, divisional initiatives and to get below the maximum threshold of 4.40% of operating reserves to operational expenditures.

# CAPITAL RESERVES



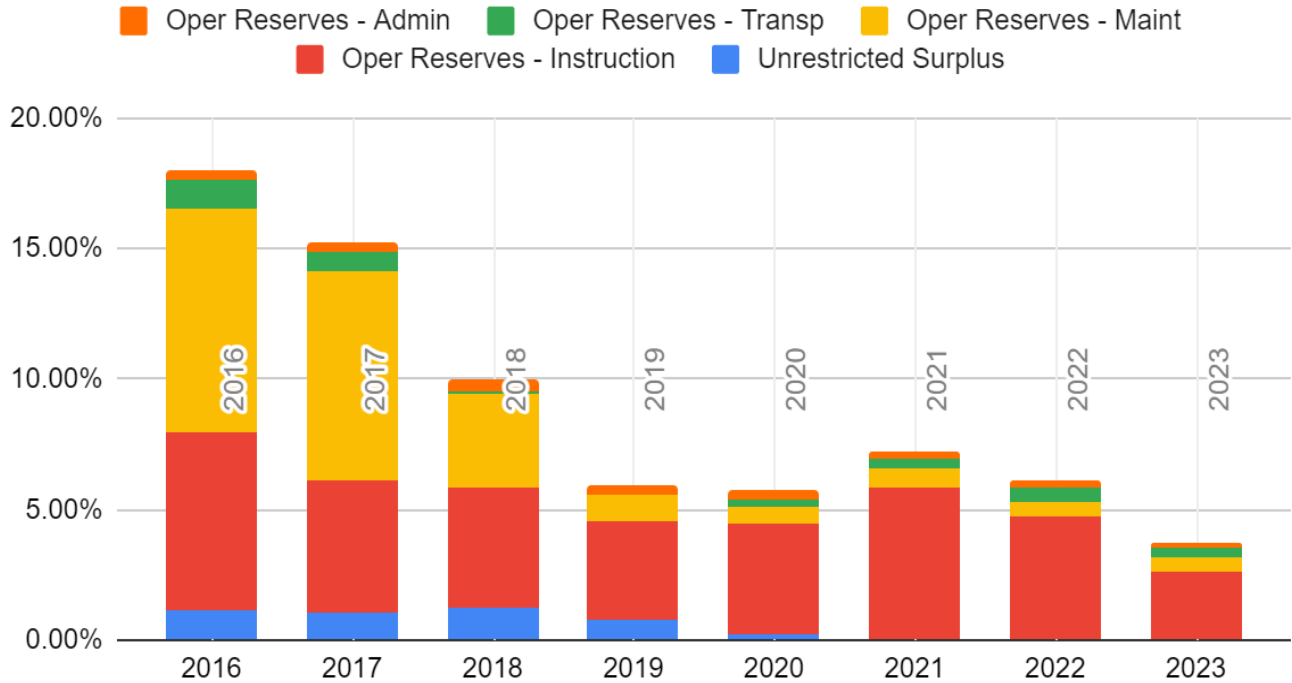
The decrease in Capital Reserves is due to more being expended on capital assets (Buses, Vehicles, Equipment, PEAKS Site) than amortization being transferred into capital reserves (Administrative Office amortization left in operations). In addition, the amortization for copiers and unsupported buildings is held in capital for replacement, a maintenance/bus shop and future major repairs.

## 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. Then the Auditor General communicated to AB Education that 5% of operating expenditures is a reasonable number. More recently, Alberta Education established that the Boards operating reserves must not be above the Boards approved level of the funding allocation for Board and System Administration. For the Livingstone Range School Division that is around 4.40%.

At the end of the 2023 School Year the Livingstone Range School Division operating reserves as a percentage of operating expenditures is 3.72%

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



The decrease from 6.08% to 3.72% was as a result of a planned deficit in the year 2022-2023 which ensured the division was below the maximum threshold of 4.40%. It is expected that this percentage will decrease further in the 2023-2024 school year before it levels off.

## 6) How will LRSD use current reserves in 2023-2024 School Year

	Description of use of funds	Amount
Unrestricted		\$0
<b>Operating Reserves</b>		
Instructional	Maintain current programs and supports	\$452,479
Maintenance	To cover a portion of maintenance deficit	\$266,581
Admin	Admin Facility Amortization to cover a portion of the maintenance deficit	\$106,750

The current budget would leave an operating reserve of \$1,352,451 or 2.40% of total expenditures. This would also leave the ability to use additional reserves, above the mandatory 1% required to be held, in the event funding were to decrease.

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"> <li>- The division where possible will maintain a reasonable operational contingency for schools.</li> <li>- International Program reserve will be used in building the program in future years.</li> <li>- Instructional Pool will hold a reasonable contingency in the following areas: Certificated Staffing, Support Staff, Complex Needs, Divisional Initiatives, CTS Equipment and Technology.</li> </ul>	<ul style="list-style-type: none"> <li>- Capital Reserves in instructional are for copiers and other instructional equipment.</li> <li>- This reserve will increase as copiers and other school equipment are amortized and it will decrease upon the purchase of new copiers and school equipment.</li> </ul>
Maintenance		<ul style="list-style-type: none"> <li>- Plant Operations and Maintenance will maintain a reasonable amount for operational contingencies.</li> <li>- This reserve will be used to transition to future years as it has been challenging to balance the budget.</li> </ul>	<ul style="list-style-type: none"> <li>- Maintenance will maintain capital reserves for a future facility and emergent items</li> <li>- Note: \$857,771 relates to the wind power investment receivable which has not been received and will be received over the next 4 and 18 years.</li> <li>- This reserve will increase as vehicles and equipment are amortized and it will decrease upon the purchase of new vehicles and equipment.</li> </ul>
Transportation		<ul style="list-style-type: none"> <li>- Transportation will be eligible to maintain a reasonable operational contingency.</li> </ul>	<ul style="list-style-type: none"> <li>- This reserve will increase as current assets (buses and shop equipment) recorded in investment in tangible capital assets are amortized and decrease upon the purchase of new buses and shop equipment.</li> </ul>
Health & Safety		<ul style="list-style-type: none"> <li>- Health &amp; Safety will maintain a reasonable contingency to respond to emergent needs divisionally.</li> </ul>	

Board & System Admin		<ul style="list-style-type: none"><li>- Business &amp; System Admin will hold a reasonable contingency for Board Initiatives and operations.</li></ul>	<ul style="list-style-type: none"><li>- Maintained for use in major repairs and maintenance of the division office which is a non-supported facility as well as copier and other office equipment.</li><li>- This reserve will increase as the division office is amortized and decrease as major repairs are made.</li></ul>
-------------------------	--	--	---