



# **Financial Health Indicators Report**

**For the year ended August 31, 2018**

**November 2018**

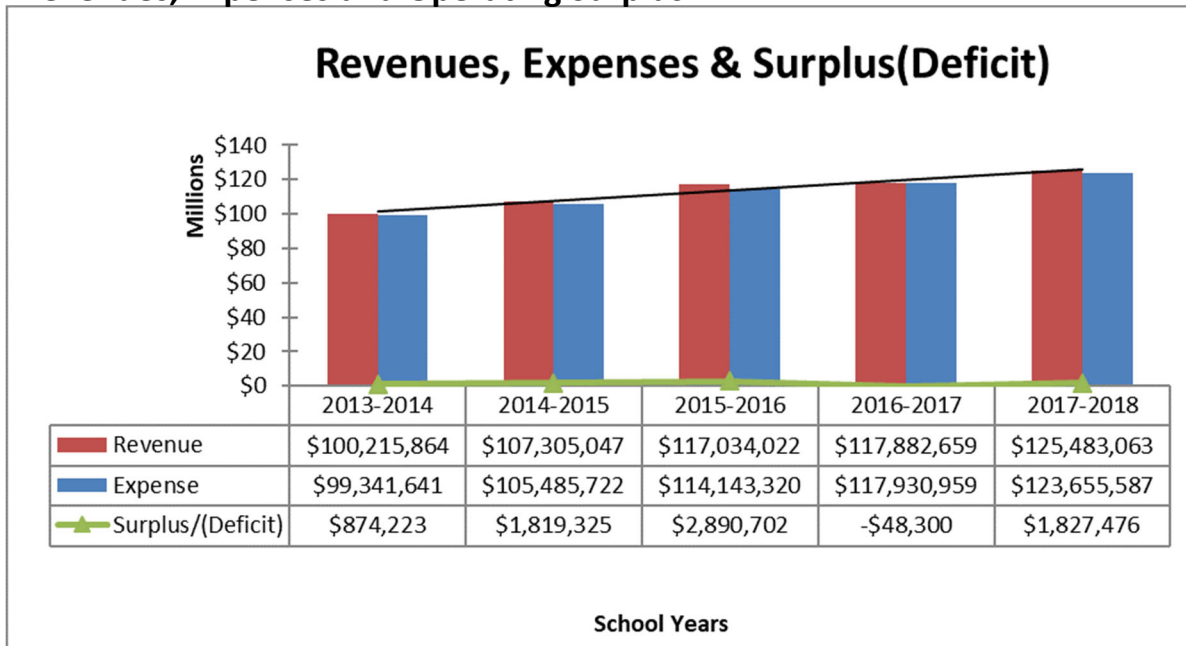
Prepared by the Department of Business Affairs

# ***Lethbridge School District No. 51***

## **Indicators of Financial Health**

This document captures the financial health indicators for [Lethbridge School District No. 51](#). This report includes comparisons of [Lethbridge School District No. 51](#) with other school jurisdictions that have full time equivalent (FTE) student enrolment of comparable size or a comparison of the average of all school jurisdictions for the periods 2013-2014 to 2016-2017 with only the District's data available for the 2017-2018 school year. In 2014-2015, due to increased enrolment, Lethbridge School District No. 51 is now compared to other Districts that have enrolment from 9000 to 20,000 FTE students.

### **Revenues, Expenses and Operating Surplus**

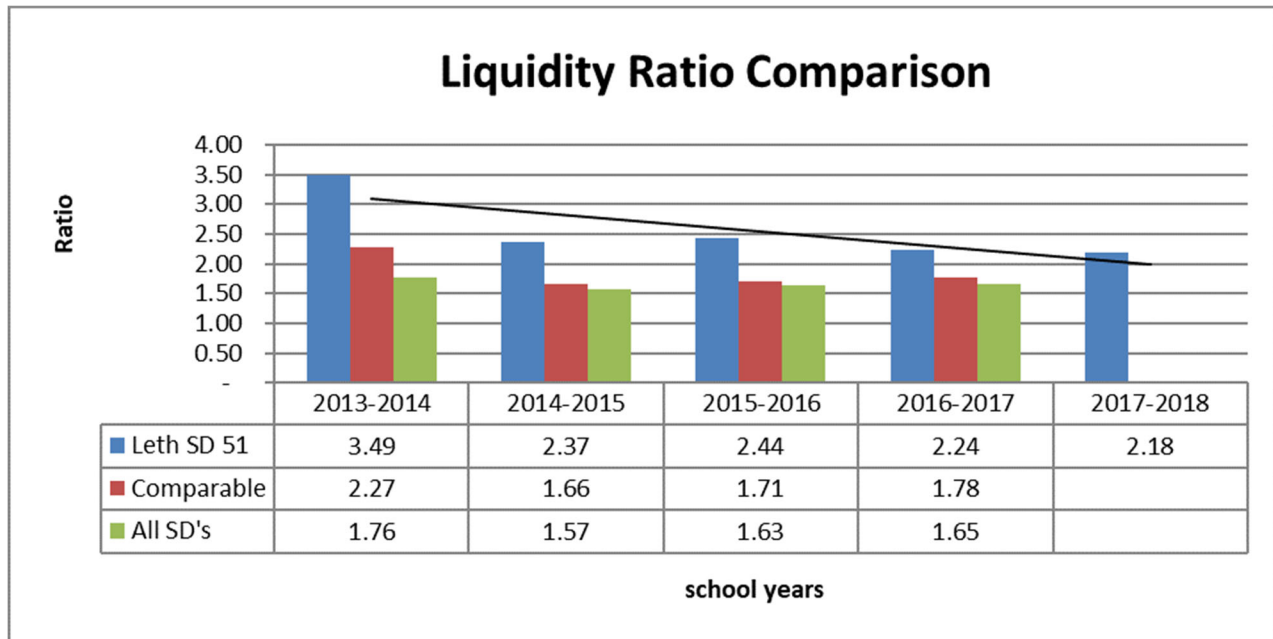


This chart shows [Lethbridge School District No. 51's](#) operating revenues, expenses and net operating surplus (deficit) over a five-year period. This chart demonstrates that there is an upward trend in revenues and expenditures; however, there is fluctuation in surplus over the five-year period. In 2015-2016 Immanuel Christian Elementary and High Schools joined the District which significantly increased both revenues and expenditures. Revenues are impacted by enrolment and grant rate increases; while expenditures are primarily impacted by staffing decisions.

In 2014-2015 and 2015-2016 the surplus is higher than in the previous year as there were unanticipated grant funds received, funds set aside for technology replacement in the future, and reduced staffing costs due to beginning teachers hired throughout the school year. In 2016-2017, the District budgeted a deficit to utilize some of the operating reserves (actual deficit was less than planned). In 2017-2018, the surplus increased to levels similar to 2014/2015 & 2015/2016; whereas, there was reduced staffing costs due to beginning teachers hired during the year and funds set aside for technology replacement in the future. The average yearly surplus over the five-year period is \$1.5 million, which would equal 1.19% of operating expenditures.

## Liquidity

Liquidity is measured by taking Financial Assets, less Liabilities that have been reduced by Expended Deferred Capital Revenue. A liquidity ratio of greater than one is desirable. This means that the District has the ability to pay current liabilities as they are due. A liquidity ratio of less than one indicates that the District will have to borrow to meet short term obligations. Liquidity = flexibility. A higher liquidity ratio means that the District has the ability to better respond to rapidly changing circumstances.

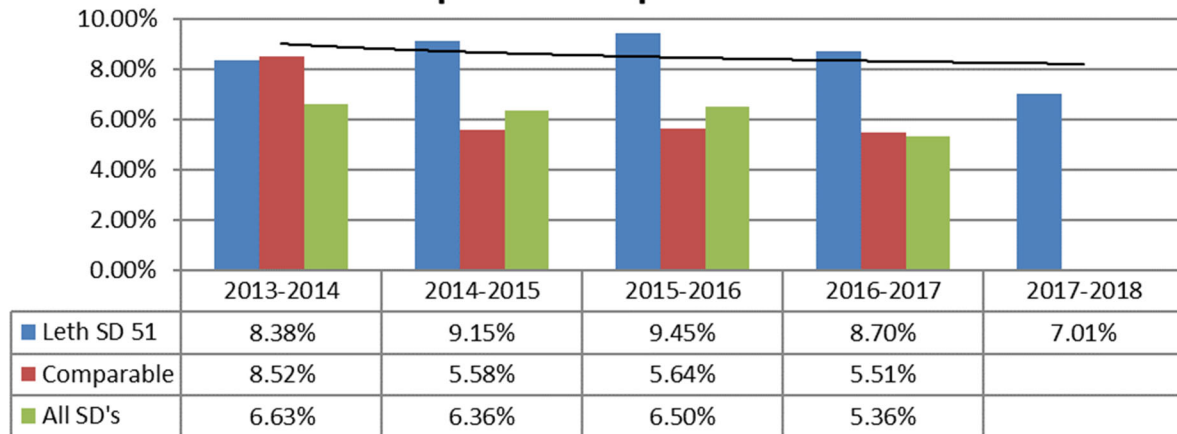


The chart above shows that the District has a liquidity ratio greater than one. In 2014-2015, the District's liquidity decreases due to amounts owing on contractual obligations related to capital projects at the fiscal year-end. The District's liquidity has remained relatively consistent over the last four fiscal years (2014-2015 to 2017-2018) with an average of 2.31. The majority of the District's Financial Assets are comprised of cash and cash equivalents (representing approx. 75%); therefore, further increasing the liquidity of the District.

## Accumulated Surplus from Operations Compared to Expenditures

Accumulated Surplus from Operations (ASO), which is the District's savings, is compared to expenditures to determine the District's ability to react to emergent situations and the ability to fund special initiatives. Alberta Education considers a district's financial health to be a concern if ASO is less than 1%. If an ASO is higher than 5% there could be a reason, such as one time funding received late in the year that will be used in a following year, or long term savings for the replacement of technology through evergreening.

### Adjusted Accumulated Surplus from Operations as compared to Expenditures



The chart above shows the five-year comparison of the “Adjusted” Accumulated Surplus from Operations as compared to Expenditures of Lethbridge SD 51, comparable, and all other School Districts in the province. “Adjusted” Accumulated Surplus from Operations is the Accumulated Surplus from Operations less School Generated Funds that are now included in Surplus. It also shows that starting in 2014-2015 [Lethbridge School District No. 51](#) changed to being compared to the larger School Districts with comparable enrolment (9,000 – 20,000 FTE).

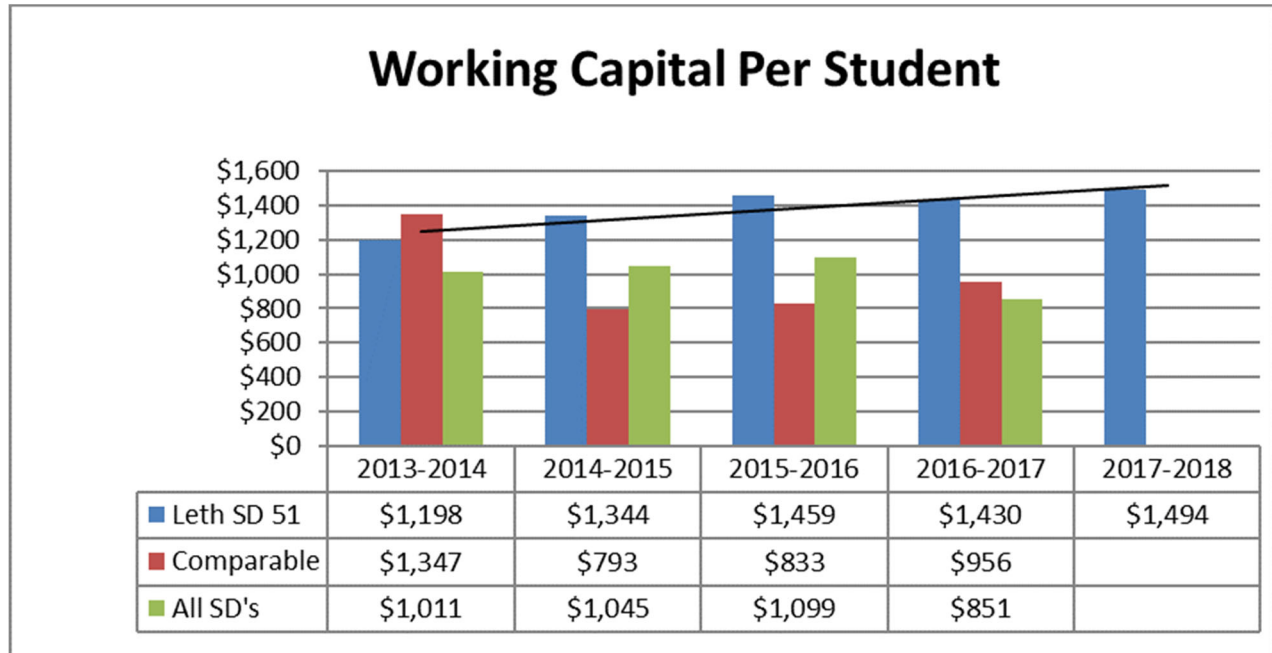
The District has had an adjusted ASO between 7.01% and 9.45% in the last five years. Adjusted ASO increased from 2013-2014, 2014-2015, and 2015-2016 due to unexpended funds during the year. In 2016-2017, the ASO decreased as there was an increase in expenditures and there was a decrease in the “Adjusted” Accumulated Surplus from Operations as these reserves were used to fund literacy initiatives at elementary schools and middle school, high school completion, assist students requiring specialized supports, and funds provided to support curriculum, new programming and new school startup costs, technology evergreening and improvement of Wi-Fi access in the District.

In 2017-2018, the adjusted ASO decreased significantly as the technology evergreening funds were reallocated from operating reserves to capital reserves; whereas, these technology evergreening projects are to be capitalized in future years.

The District is considered to be in good financial health even with the decrease in 2016-2017 & 2017-2018 and is currently higher than comparable districts in prior years. Prudent future use of these unexpended one-time funds will help to smooth staffing cost fluctuations in the next few years and assist in sheltering the impact on the classroom and district operations from unexpended changes in the provincial fiscal climate.

## Working Capital per Student

Working capital is the amount of money available after discharging all the District's liabilities. Working capital allows the District to meet emergent needs and new initiatives. Working capital is compared to student enrolment to determine the amount of funds available per student that could be spent in the future.



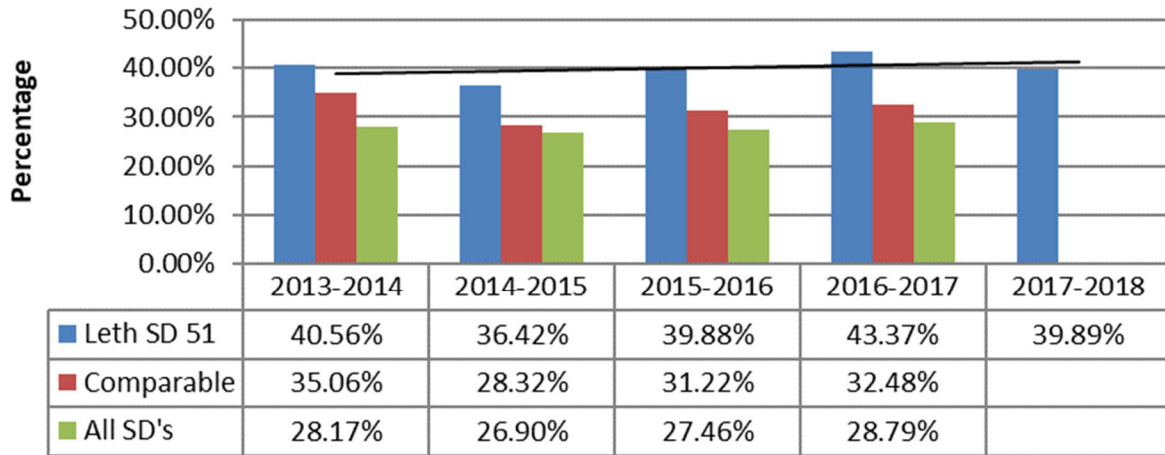
The chart above shows working capital per student over a five-year period. [Lethbridge School District No. 51](#) has ranged from \$1,198 to \$1,494 working capital per student, which indicates that there has been an increase in working capital from year to year as there have been increases in student enrollment over the last couple years. As previously noted, the comparable Districts were changed in 2014-2015 due to an increase in enrollment.

In 2016-2017, the working capital per student decreased mostly due to increase in enrollment; whereas, the working capital remained relatively consistent.

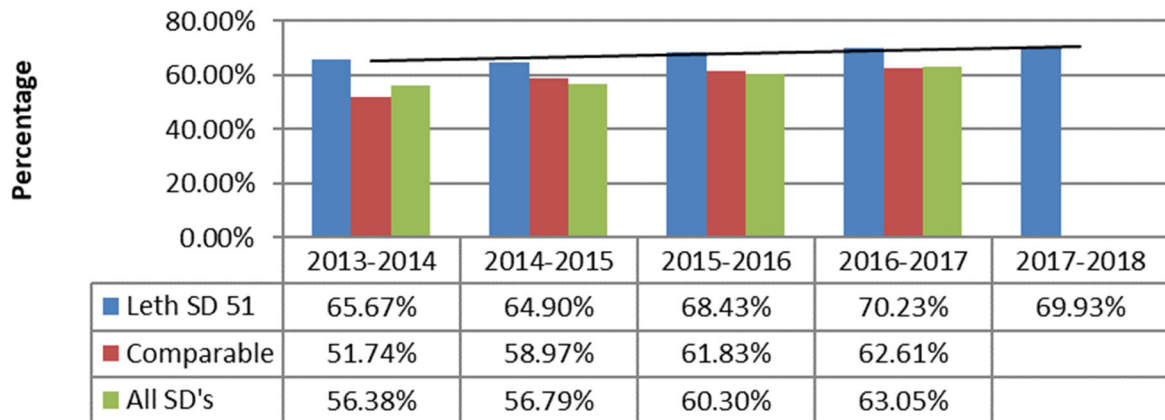
## Capital Assets – Net Book Value Compared to Historical Cost

School District's build new school facilities and purchase vehicles and equipment. The cost of these items, when built or purchased, is called the historical cost. These capital assets are depreciated (amortized) over their useful lives. For example, a maintenance truck purchased is considered to have a useful life of five years; therefore the value will be amortized over a five-year period. It is expected that a vehicle will likely have to be replaced after five years (although it may still remain in service for another five years). The percentage of Net Value to Historical Cost illustrates how new a district's assets are. A relatively high % indicates newer assets, whereas a lower % indicates older assets. The concern with a low ratio is that capital assets may not be replaced on a regular basis, which may be an indication of potential health and safety issues, or a significant cost in the future to replace capital assets.

### Capital Asset Net Book Value to Cost Equipment and Vehicles



### Capital Asset Net Book Value to Cost Schools and Other Buildings

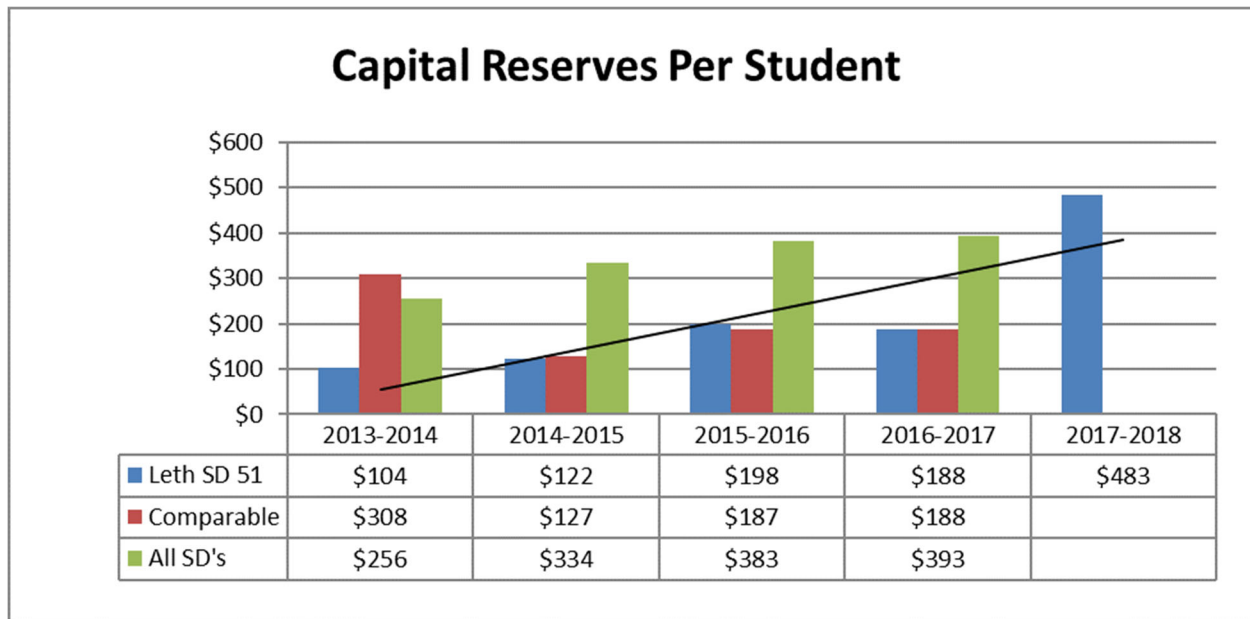


Over the five-year period, the District's percentage of Net Book Value to cost for schools and other buildings and vehicles and equipment has fluctuated, however has been higher than the average of all school districts and comparable FTE student districts. This means that [Lethbridge School District No. 51](#) has newer buildings, equipment and vehicles.

In relation to Schools and Other Buildings, the increases over the last couple of years correlate to the construction of the new school sites (Coalbanks Elementary School and the Senator Joyce Fairbairn Middle School) and the modernization of Wilson Middle School. These new schools also has had increases in equipment as new equipment has been acquired for these new sites.

## Capital Reserves per student

Districts put money into capital reserves for the future replacement of capital assets. Capital Reserves per student indicates the amount of capital reserves on a per student basis.



Although [Lethbridge School District No. 51](#) has historically been less capital reserves per student, the District has had newer assets as compared to other school districts. In 2017-2018, capital reserves increased significantly with the technology evergreening funds being moved from operating to capital reserves. These technology evergreening funds are higher at the end of 2017-2018 as there has been saving for a couple years for the upcoming evergreening phases (Elementary School phase 2 in 2018/2019, Secondary School phase in 2019/2020)

It is important to compare both the Capital Reserves per student and Net Book Value compared to Historical Costs financial health indicators related to capital. There would be a concern if the Net Book Value to Cost percentage was very low and capital reserves were low. This would indicate capital assets are very old and in need of replacement, with no capital funds to replace the assets if necessary. Also, accumulated surplus may be required for the future replacement of assets. Since [Lethbridge School District No. 51](#) has newer assets, the lower amount of capital reserves per student is not a significant concern.

## Overall Financial Health

Overall, [Lethbridge School District No. 51](#) has a strong financial health; whereas, the District seems to be in a strong financial position when in comparison to many of the other comparable Districts and to Districts throughout the Province. This is shown throughout this report, including liquidity, accumulated surplus, working capital, and in its tangible capital assets. This strong financial health can be contributed to sound financial management, planning, and governance.