



Financial Health Indicators Report

For the year ended August 31, 2021

November 2021

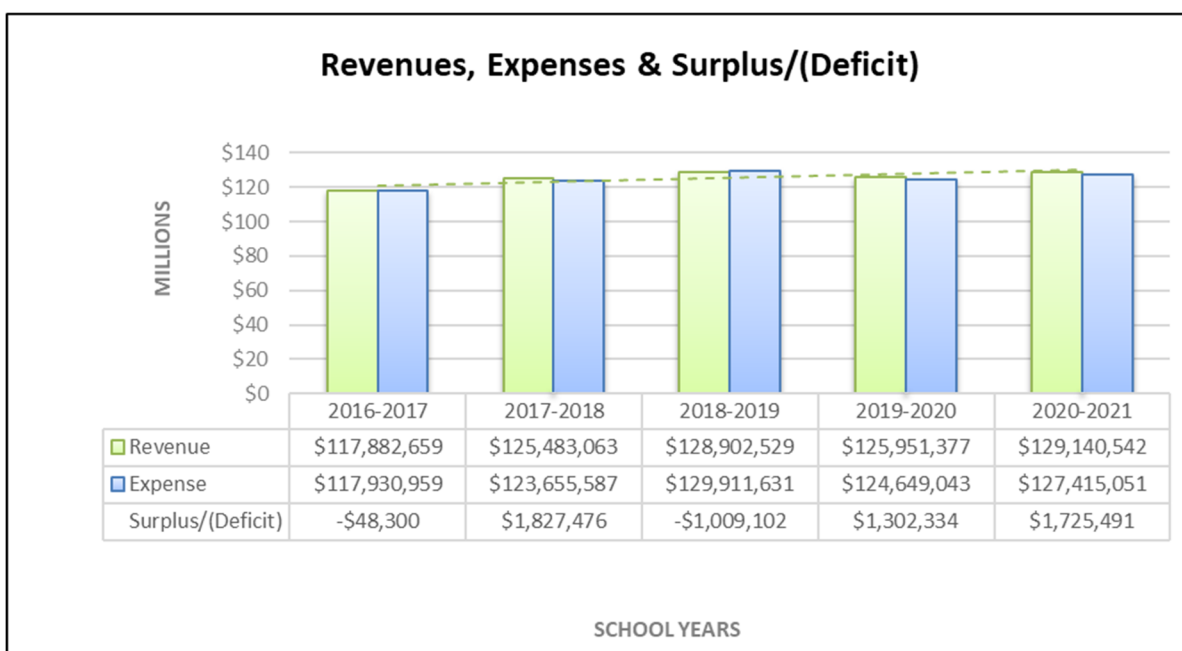
Prepared by the Department of Business and Operations

Lethbridge School Division

Indicators of Financial Health

This document captures the financial health indicators for [Lethbridge School Division](#). This report includes comparisons of [Lethbridge School Division](#) 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 2016-2017 to 2019-2020 with only the Division's data available for the 2020-2021 school year.

Revenues, Expenses and Operating Surplus

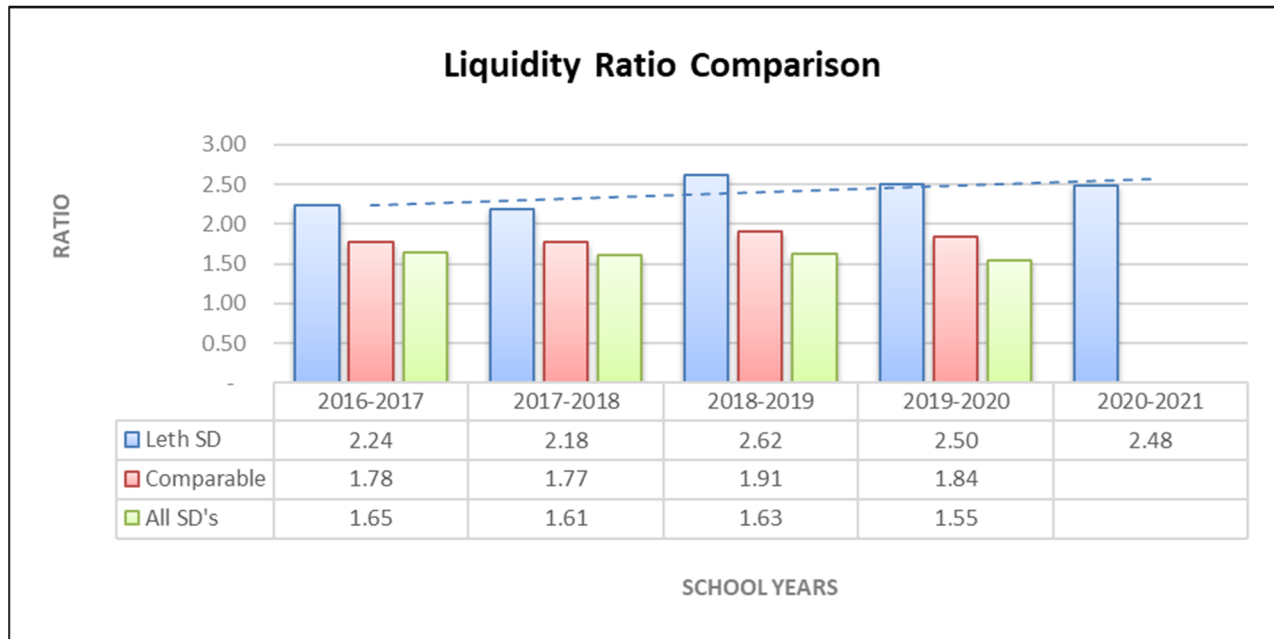


This chart shows [Lethbridge School Division's](#) operating revenues, expenses and net operating surplus (deficit) over a five-year period. This chart demonstrates that there is an upward trend in revenues and expenditures; however, there is fluctuation in surplus over the five-year period. Revenues are impacted by enrolment and grant rate increases; while expenditures are primarily impacted by staffing decisions.

In 2016-2017, the Division 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 prior years; whereas, there was reduced staffing costs due to beginning teachers hired during the year and funds set aside for technology replacement in the future. In 2018-2019, the Division budgeted a deficit to utilize some of the operating reserves (actual deficit was less than planned). In 2019-2020 & 2020-2021, the Division generated surpluses as the expenses were significantly less than budgeted with the COVID19 grant funding, spending conservatively during times of uncertainty, and that the Division also received additional one-time revenues from the transportation capital replacement reserves and proceeds on bus sales previously held by the City of Lethbridge (no longer providing services to the Division). The average yearly surplus over the five-year period is \$859,600, which would equal 0.60% of operating expenditures.

Liquidity

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

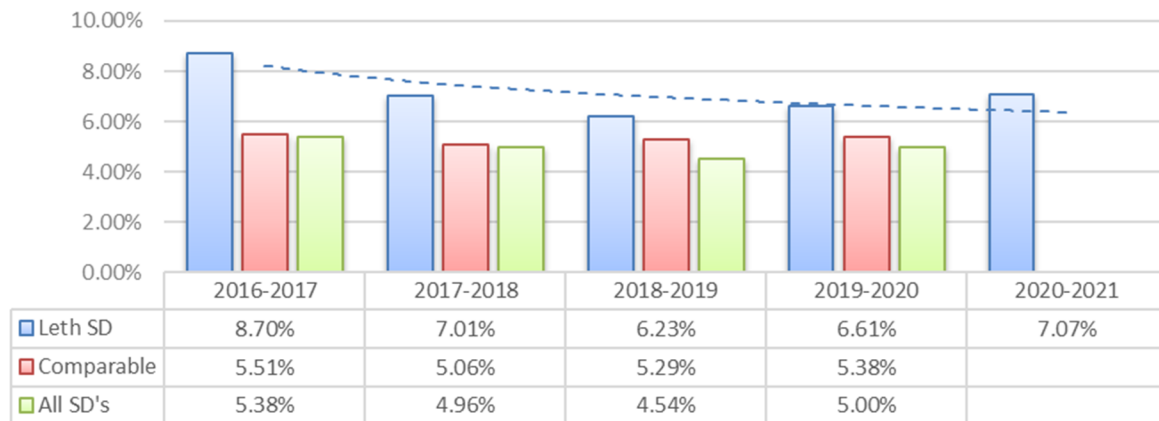


The chart above shows that the Division has a liquidity ratio greater than one. The Division's liquidity has remained relatively consistent over the last five fiscal years (2016-2017 to 2020-2021) with an average of 2.40. The majority of the Division's Financial Assets are comprised of cash/cash equivalents and short-term portfolio investments (representing approx. 80%); therefore, further increasing the liquidity of the Division.

Accumulated Surplus from Operations Compared to Expenditures

Accumulated Surplus from Operations (ASO), which is the Division's savings, is compared to expenditures to determine the Division's ability to react to emergent situations and the ability to fund special initiatives. Alberta Education considers a division'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 (ASO) 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 School Division, comparable, and all other school divisions in the province. “Adjusted” Accumulated Surplus from Operations is the Accumulated Surplus from Operations less School Generated Funds that are now included in Surplus.

The Division has had an adjusted ASO between 6.23% and 8.70% in the last five years. 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.

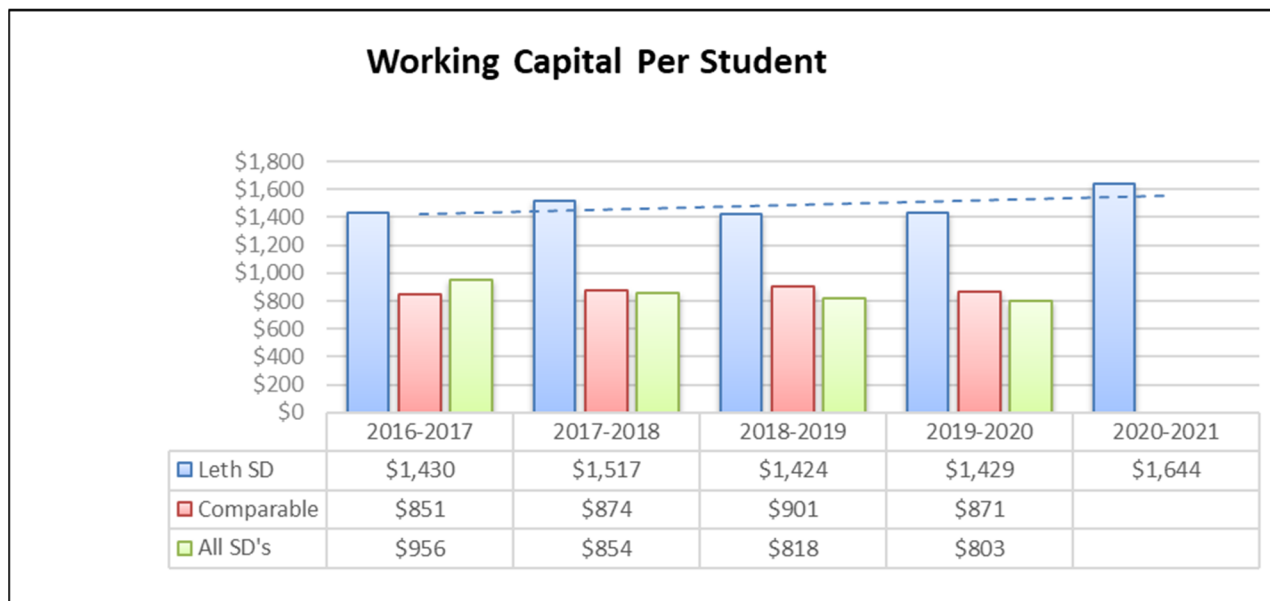
In 2018-2019, the adjusted ASO continued to be decreased, as there was a planned increase in expenditures for new school startup costs, reimplementation of human resources/payroll software, and other Division initiatives.

In 2019-2020 & 2020-2021, the adjusted ASO had a slight increase, as there were surpluses generated from reduced expenditures, additional COVID grants received, and additional transportation revenues. The Adjusted ASO rate also increased as there was a reduction in expenditures which is the factor in calculating the rate.

The Division is considered to be in good financial health and is currently higher than comparable divisions 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 division operations from unexpended changes and the effects of student reductions from COVID19. The Division is planning on utilizing some additional operating reserves in 2021/2022 to assist with the effects of reduced enrolment through the weighted moving averages (WMA); whereas, the goal is to reduce the Adjusted ASO to 3.15% by the end of 2022/2023 (potential Provincial cap).

Working Capital per Student

Working capital is the amount of money available after discharging all the Division's liabilities. Working capital allows the Division 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.



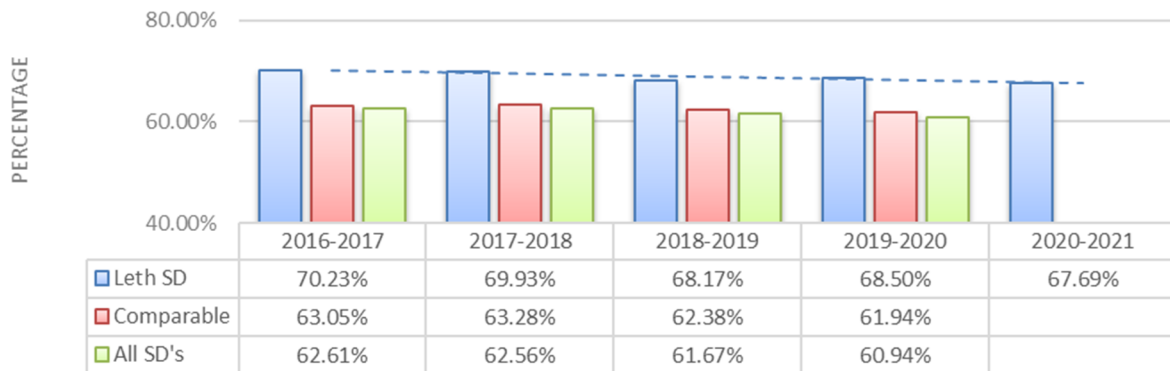
The chart above shows working capital per student over a five-year period. [Lethbridge School Division](#) has ranged from \$1,424 to \$1,644 working capital per student; whereas, the working capital remained relatively consistent from year-to-year. The Division has maintained a strong working capital, which has allowed the Division to meet emergent needs and to provide new initiatives as the Division continues to grow.

Capital Assets – Net Book Value Compared to Historical Cost

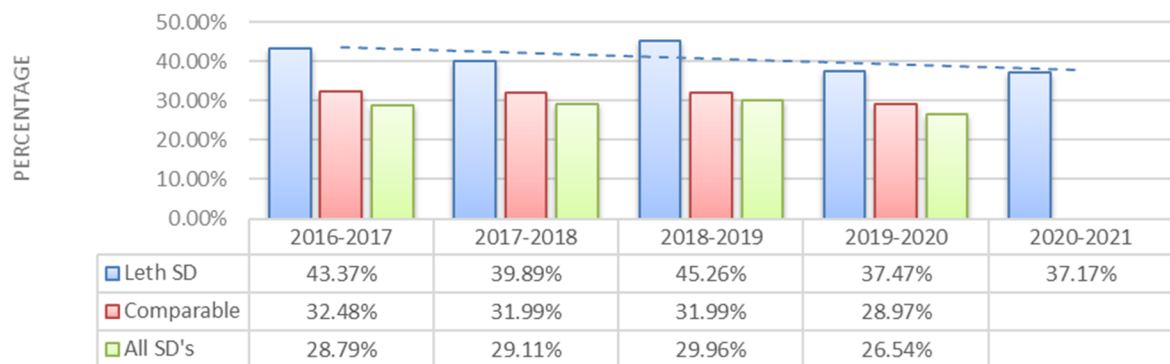
School Division's build new school facilities and purchase vehicles and equipment. The cost of these items, when built or purchased, is called the historical cost. These capital assets are depreciated (amortized) over their useful lives. For example, a maintenance truck purchased is considered to have 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 division'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 (NBV) to Cost Schools and Other Buildings



Capital Asset Net Book Value (NBV) to Cost Equipment and Vehicles

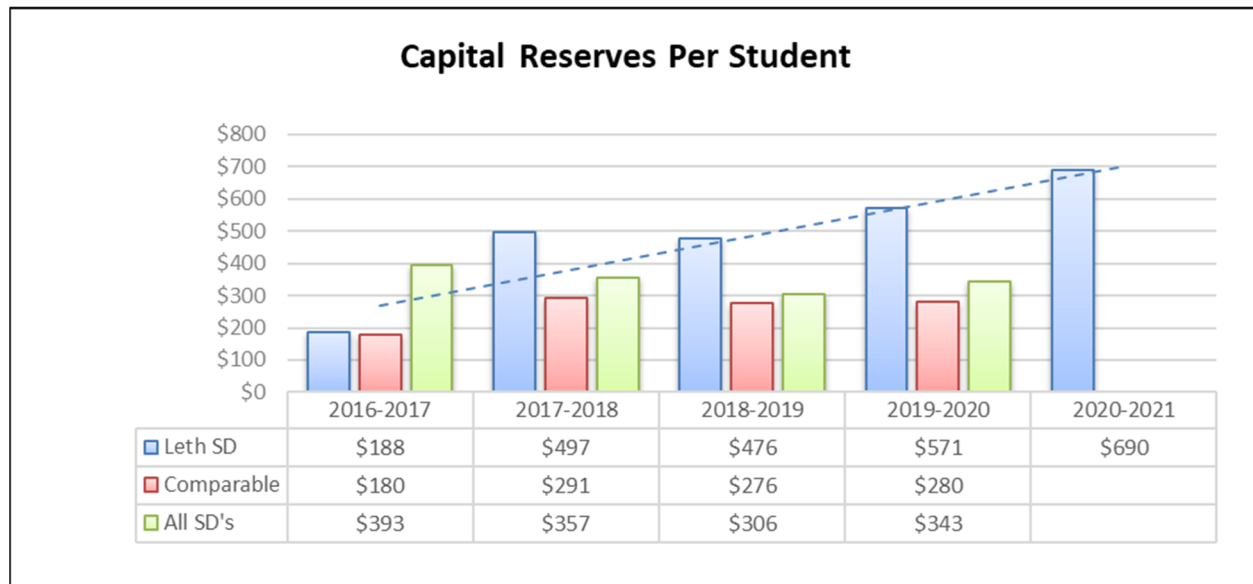


Over the five-year period, the Division's percentage of Net Book Value to cost for schools and other buildings and vehicles and equipment has fluctuated, however has been higher than the average of all school divisions and comparable FTE student divisions. This means that [Lethbridge School Division](#) 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, Senator Joyce Fairbairn Middle School, and Dr. Robert Plaxton Elementary 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

Divisions 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 Division](#) had historically been less capital reserves per student, the Division has had newer assets as compared to other school divisions. In 2017-2018, capital reserves increased significantly with the technology evergreening funds being moved from operating to capital reserves. The 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; whereas, the Elementary Phase is projected for 2022-2023 and the Secondary Phase is projected for 2024-2025 which will use up a large portion of these reserves.

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.

Overall Financial Health

Overall, [Lethbridge School Division](#) has a strong financial health; whereas, the Division seems to be in a strong financial position when in comparison to many of the other comparable divisions and to divisions 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.