

Golden Hills School Division



3rd Quarterly Report – Draft VI

September 2018 – May 2019

Prepared by the Finance Department for the June 25, 2019 Board Meeting

Purpose of Quarterly Report

1. Monitor Activity
2. Review Variances
3. Highlight Key Points

I CONTEXT

The first quarterly financial report lists revenues and expenditures recorded to **May 31, 2019**, which represent the first **nine** months of the fiscal year. There are six (9) months expended in the 3rd quarter; therefore, the normal benchmark for comparison is 75% (9/12 months) or 90% (9/10) months for some categories.

The updated 2018-19 Budget was submitted to Alberta Education November 30, 2018 and budget points of reference are from this November 30, 2018 fall budget submitted.

II. ACTUALS AND COMPARISON TO BUDGET

A.

Golden Hills School Division							
Statement of Revenue and Expenses							
Budget vs. Actual Variance							
Period - September 1, 2018 - May 31, 2019							
	Spring 2018/19 Annual Budget submitted May 29, 2018	Fall Update 2018/19 Annual Budget submitted Nov 27, 2018	Prorated Budget (75%) for Q3	YTD Actuals 2018/2019 -Q3	YTD Budget Variance-Q3	% Budget Rec'd/Used	Management Benchmark %
Revenues							
Alberta Education	68,779,535	70,167,309	52,625,482	52,823,634	198,152	75%	75%
Federal Government and/or First Nations	1,512,658	1,622,314	1,216,736	1,390,529	173,793	86%	75%
Alberta Municipalities	42,200	47,200	35,400	50,700	15,300	107%	100%
Fees	7,517,321	7,959,304	5,969,478	7,105,411	1,135,933	89%	90%
Other Revenues	2,262,000	3,602,458	2,701,844	3,348,777	646,933	93%	90%
Amortization	4,174,344	4,174,344	3,130,758	3,165,156	34,398	76%	75%
Total Revenues	84,288,058	87,572,929	65,679,697	67,884,206	2,204,510	78%	77%
EXPENSES							
Certificated Salaries and Benefits	46,664,839	47,849,958	35,887,469	34,456,131	1,431,338	72%	75%
Non-Certificated Salaries and Benefits	15,549,402	15,949,232	11,961,924	12,636,315	-674,391	79%	80%
Sub-Total	62,214,241	63,799,190	47,849,393	47,092,445	756,947	74%	76%
Supplies and Services	19,806,707	19,077,716	14,308,287	16,441,084	-2,132,797	86%	80%
Amortization	5,439,514	5,543,523	4,157,642	4,107,103	50,540	74%	75%
Interest Charges	72,500	72,500	54,375	53,701	674	74%	75%
Total Expenses	87,532,962	88,492,929	66,369,697	67,694,333	-1,324,636	76%	77%
Surplus/(Deficit)	-3,244,904	-920,000	-690,000	189,874			
POSITIVE/(NEGATIVE) BUDGET VARIANCE					879,874		

Notes: Overall, a Surplus of 190K for the third quarter is well within the expected range given the projected deficit budget planned for the 2018-19 fiscal year.

B. NOTES ON COMPARISON TO BUDGET – REVENUES

The overall **\$190 K** year-to-date **excess of revenues over expenses** (surplus), along with the positive budget variance of approximately **+\$880 K** are due, in part, to the offsetting effect of the irregular payments received.

- Timing of revenue from Alberta Education is normally disbursed on a monthly basis. Exceptions to this are those payments which are received either annually, bi-annually or as a one-time-payment:

Alberta Education non-monthly Grant Revenues Received in Q3		
Name of Grant	Amount Received	% of Grant Received
Innovation in First Nations Education (IFNE)	\$ 89,358	100%
Regional Collaborative Service Delivery	\$ 1,077,443	100%
School Nutrition Program	\$ 195,398	100%
Supernet grant	\$ 211,638	91%
Family School Resource Counseling	\$ 163,980	75%
Total	\$ 1,737,817	

- Revenues from Alberta Education, as per above, have contributed to the overall revenue variance by **\$ +378K** (1,738K less a 9-month calculated equivalent of 1,360), primarily due to certain grants being received in lump amounts covering more than 9 months of revenues.
- Included in the third quarters’ operations are the following:

SGF Revenues	\$3,506,399
SGF Expenses	<u>-\$3,055,722</u>
Unexpended	\$ 450,677

Note – the overall unexpended SGF funds are not recorded as deferred revenues but instead, an operating reserve is established.

C Notes on Comparison to Budget - Expenses

Certificated Salaries and Benefits

Total Certificated Salaries and Benefits for the 2nd quarter were **\$34,456,131** (72% of a \$47.8M budget) which is less than what the budget would permit by the 3rd quarter primarily because benefit costs are lower in the 1st quarter and higher in January then drop off as maximums on premiums are reached. As well, hiring of staff occurs throughout the 1st quarter so labour costs are typically lower than budget at the start of the fiscal year.

Notes: Overall, certificated salary and benefit costs are well within budget.

Non-Certificated Salaries and Benefits

Total Non-Certificated Salaries and Benefits for the 3rd quarter were **\$12,636,315** (79% of a \$15.9M budget) which is somewhat above the budget; however, a significant portion of non-certificated staff is paid over 10 months and not 12 months; therefore the expenditure is higher for first 10 months but decreases in the last TWO months.

The overall labour variance is positive (+757K) for the third quarter but may fluctuate somewhat within the last quarter. Because administrators tend to wait until enrollment numbers are finalized before hiring in the fall coupled with payroll costs trending lower over the summer months, we anticipate this cost to come close to balancing itself by year-end.

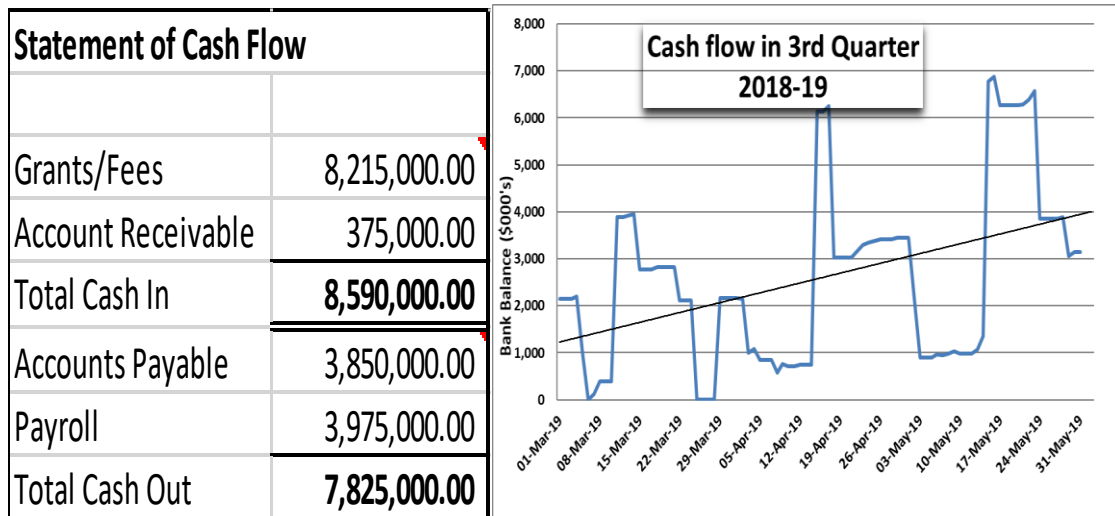
Supplies and Services

Supplies and services year-to-date are **\$16,441,084** (86% of \$19.1M budget). Because many of these costs occur over a 10-month school year and not the 12-month fiscal year, this results in higher costs in the first 3 quarters and lower costs in the 4th quarter. That said, department managers will continue to carefully monitor their budgets throughout the last quarter to ensure they stay within their spending limits.

- Overall, supply costs year-to-date at May 31st are higher compared to the same time period last year by approximately \$1,178K. As a result, the expenditures year to date are higher at 86% of budget, compared to 83% of budget at the same time period last year. Management will monitor these expenditures carefully over the remaining fourth quarter to ensure they come in line with budget.*

III AVERAGE SOURCE AND USE OF CASH

- A. Approximate average monthly cash flow values as at May 31, 2019:
 B.



Included in the Statement of Cash Flow are monthly operating grants, grant amounts for capital projects, and tuition fees from International students for the 2019-20 school year.

B. Golden Hills is currently in a positive cash position.

Cash is critical for short-term operations as it pays the salaries and vendors, which comprises the largest part of the budget. Note: as of May 31, 2019, **\$4.5M** of the cash balance has been invested into 12 month GIC's to obtain more favourable investment returns, of which \$3.5M is now cashable at any point.

At present, we are utilizing the services of one Institutional Cash Management Financial Advisory Team – **Canaccord Genuity Corp.** As at May 31st, we had all the **\$4.5M** invested in GIC's with maturing dates ranging from November 19th to March 4th, 2020, earning yields ranging from 2.50% - 2.55%.

C. Other Notes:

Depreciation is a method of recovering the cost of a **tangible asset** over its useful life for example a building. Amortization is the same process as depreciation, only for **intangible** assets - items that have value, but that you can't touch. For example, a patent or a trademark has value, as does goodwill. In addition, amortization also has a meaning in paying off a debt, like a mortgage, but in the current context it has to do with business assets. Overall, amortization is a more general term which may apply to both tangible and intangible assets and/or liabilities, whereas, depreciation is a term restricted to tangible assets only.

**IV. REVENUE AND EXPENSES BY ENVELOPE
SEPTEMBER 1, 2018 – NOVEMBER 30, 2018**

A.

GOLDEN HILLS SCHOOL DIVISION									
Revenue and Expenses by Envelope									
From September 1, 2018 - May 31, 2019									
REVENUE FROM	SGF	ECS -Grade 12	Operations and Maintenance	Transportation	Board and System Admin	External Services	Total	% Budget Rec'd / Used	Management Benchmark %
ALBERTA EDUCATION		43,165,111.22	4,191,239.95	2,751,571.60	2,326,989.99	0.00	52,434,912.76	75%	75%
OTHER - GOVERNMENT OF ALBERTA		381,878.00	6,843.00	0.00	0.00	0.00	388,721.00	111%	75%
FEDERAL GOV'T AND/OR FIRST NATIONS		1,203,028.78	187,499.97	0.00	0.00	0.00	1,390,528.75	86%	75%
ALBERTA MUNICIPALITIES/SCHOOL AUTH.		50,700.00	0.00	0.00	0.00	0.00	50,700.00	107%	100%
INSTRUCTIONAL RESOURCE FEES		27,700.00		0.00	0.00	0.00	27,700.00	49%	75%
FEES	1,062,897.41	0.00				6,014,813.62	7,077,711.03	93%	75%
FUNDRAISING REVENUES -SGF	333,657.78						333,657.78	83%	75%
OTHER SALES AND SERVICES	2,074,760.98	1,545,490.50	0.00	48,315.57	0.00	-1,236,267.55	2,432,299.50	88%	80%
INVESTMENT INCOME		0.00		0.00	134,928.62	0.00	134,928.62	90%	75%
GIFTS AND DONATIONS -SGF	35,082.98	106,518.00	0.00	0.00	0.00	0.00	141,600.98	85%	75%
RENTAL OF FACILITIES		3,132.77	108,775.15	0.00	0.00	20,000.00	131,907.92	136%	75%
OTHER REVENUES		98,950.93	36,506.19	6,000.00	32,924.81	0.00	174,381.93	141%	90%
AMORTIZATION OF CAPITAL ALLOCATIONS		239,333.04	2,925,822.99	0.00	0.00	0.00	3,165,156.03	76%	75%
TOTAL REVENUES	3,506,399.15	46,821,843.24	7,456,687.25	2,805,887.17	2,494,843.42	4,798,546.07	67,884,206.30	78%	77%
EXPENDITURES									
CERTIFICATED SALARIES		27,650,699.29	0.00	0.00	300,818.47	302,311.93	28,253,829.69	73%	75%
CERTIFICATED BENEFITS		6,135,749.88	0.00	0.00	34,949.93	31,601.18	6,202,300.99	70%	75%
NON-CERTIFICATED SALARIES & WAGES		5,967,861.58	1,469,845.32	1,423,295.91	889,924.31	505,341.39	10,256,268.51	80%	80%
NON-CERTIFICATED BENEFITS		1,583,065.73	360,331.71	138,152.10	200,823.92	97,672.84	2,380,046.30	76%	80%
SERVICE, CONTRACTS AND SUPPLIES	3,055,722.03	4,524,834.07	3,254,237.89	1,268,730.74	612,387.30	3,725,171.87	16,441,083.90	87%	80%
AMORTIZATION		354,636.33	3,081,149.30	490,825.60	64,110.69	116,380.75	4,107,102.67	74%	75%
INTEREST CHARGES		2,884.84	0.00	0.00	15,750.00	35,065.71	53,700.55	74%	75%
TOTAL EXPENSES	3,055,722.03	46,219,731.72	8,165,564.22	3,321,004.35	2,118,764.62	4,813,545.67	67,694,332.61	76%	77%
POSITIVE/-NEGATIVE VARIANCE TO DATE	450,677.12	602,111.52	-708,876.97	-515,117.18	376,078.80	-14,999.60	189,873.69		
ECS -Grade 12 labor cost analysis									
	2017-18 Q3	2018-19 Q3	change						
CERTIFICATED SALARIES	27,671,527	27,650,699	-20,828	-0.1%					
CERTIFICATED BENEFITS	6,283,591	6,135,750	-147,842	-2.4%					
NON-CERTIFICATED SALARIES & WAGES	5,885,609	5,967,862	82,252	1.4%					
NON-CERTIFICATED BENEFITS	1,620,036	1,583,066	-36,970	-2.3%					
	41,460,763	41,337,376	-123,387	-0.3%					

C. ANALYSIS OF REVENUE/ EXPENSES BY ENVELOPE

I. Instruction

- Instructional Resource Fees are no longer permitted; however, fees associated with non-curricular supplies and travel as well as other fees to enhance education are allowed.

2. Plant Operations and Maintenance (PO&M)

A negative variance of approximately **\$-708 K** at the end of the 3rd quarter is primarily the result of higher building repairs and maintenance occurring in the first half of the year.

Golden Hills School Division					
Statement of Revenue and Expenses - Comparison to Budget					
Plant Operations and Maintenance					
Period - September 2018 - May 2019					
Revenues	Total Budget	YTD Actuals	Budget	% Budget	Management
	Yr 2018/2019	Yr 2018/2019	Remaining	Used	Benchmark %
Alberta Education	6,389,243	4,191,240	2,198,003	66%	75%
Other Revenues	560,917	339,624	221,293	61%	75%
Amortization	4,174,344	2,925,823	1,248,521	70%	75%
Total Revenues	11,124,504	7,456,687	3,667,817	67%	75%
EXPENSES					
Non-Certificated Salaries and Benefits	2,413,012	1,830,177	582,835	76%	75%
Sub-Total	2,413,012	1,830,177	582,835	76%	75%
Supplies and Services	4,964,153	3,254,238	1,709,915	66%	75%
Amortization	4,376,213	3,081,149	1,295,064	70%	75%
Total Expenses	11,753,378	8,165,564	3,587,814	69%	75%
POSITIVE/(NEGATIVE) VARIANCE	-628,874	-708,877			
	Current Year Q3	Prior Year Q3			
YTD Actuals breakdown	YTD @ May 31, 2019	YTD @ May 31, 2018	% increase	increased \$'s	
NON-CERTIFICATED SALARIES & WAGES	1,469,845	1,386,105	6.0%	83,740	
NON-CERTIFICATED BENEFITS	360,332	350,719	2.7%	9,612	
TOTAL LABOUR EXPENSE	1,830,177	1,736,825	5.4%	93,352	
SERVICE, CONTRACTS AND SUPPLIES	3,254,238	2,958,707	10.0%	295,531	
INTEREST CHARGES	0	0			
AMORTIZATION	3,081,149	2,926,547	5.3%	154,602	
TOTAL SERVICE & SUPPLIES	6,335,387	5,885,254	7.6%	450,133	
TOTAL EXPENSES	8,165,564	7,622,079	7.1%	543,485	

Overall, even with careful monitoring of expenses throughout the year, we anticipate PO&M to be over its budget target by year-end.

3. Transportation

Golden Hills School Division					
Statement of Revenue and Expenses - Comparison to Budget					
Transportation					
Period - September 1, 2018 - May 31, 2019					
Revenues	Total 2018-19 Budget	YTD Actuals	Budget Remaining	% Budget Used	Management Benchmark %
Alberta Education	3,720,030	2,751,572	968,458	74.0%	75.0%
Other Revenues	75,000	54,316	20,684	72.4%	75.0%
Total Revenues	3,795,030	2,805,887	989,143	73.9%	75.0%
EXPENSES					
Non-Certificated Salaries and Benefits	1,767,114	1,561,448	205,666	88.4%	85.0%
Sub-Total	1,767,114	1,561,448	205,666	88.4%	85.0%
Services and Supplies	1,538,588	1,268,731	269,857	82.5%	80.0%
Amortization	736,238	490,826	245,412	66.7%	75.0%
Total Expenses	4,041,940	3,321,004	720,936	82.2%	82.0%
POSITIVE/(NEGATIVE) VARIANCE	(246,910)	(515,117)			
Variations in Services and Supplies	Budget	Actual	% of Budget Used	Management Benchmark %	
Contracted Bus Services	210,000	196,049	93%	90%	
Fuel	723,961	600,652	83%	85%	
Other supplies	604,627	472,030	78%	75%	
Total	1,538,588	1,268,731	82%	82%	

- a. For the third quarter, a negative YTD variance of **-\$515 K** can be attributed in part to the following:
- Contract bus services are slightly higher than first anticipated.
 - Transportation expends its budget over a **10 month period** vs. a 12 month period. Both salaries and supplies expenses are higher for 10 months than the projected July and August expenditures while revenues are recorded over a 12 month period.

Golden Hills has opting not to shift the financial shortfalls to parents.

*It is anticipated there will be a deficit in transportation, at year-end, of approximately **-\$250 K** which will be covered by operating reserves. Overall, with careful monitoring of expenses during the fourth quarter, we anticipate Transportation to to be close to its' budget target by year-end.*

4. Board and System Administration

A break-even year for Board and System Administration is expected for the year end.

System administration currently has a **positive variance of \$376K** for the third quarter. This is not enveloped funding, rather systems are permitted to spend to a maximum of 3.6% of their expenditures, where the total net enrolment of students is over 6,000. Amounts spent over the limit may be subject to claw back. In effect, the formula has a built in mechanism for reducing Board and System Administration when overall expenses decrease. As system expenditures decrease, the formula for Board and System Administration automatically decrease. Historically, this envelope is under 3.6%.

- a. Below is a summary of the revenues and expenses associated with the **Board of Trustees**:

<i>SUMMARY STATEMENT OF REVENUES AND EXPENSES</i>						
<i>BOARD OF TRUSTEES</i>						
<i>BUDGET vs. ACTUAL</i>						
<i>FOR THE PERIOD OF SEPTEMBER 1, 2018 TO MAY 31, 2019</i>						
			ANNUAL	YTD	BUDGET	%
Expense			BUDGET	ACTUALS	REMAINING	BUDGET USED
Budgeted Revenues			234,700.00	234,700.00	-	100%
TOTAL REVENUES			\$ 234,700.00	\$ 234,700.00	\$ -	100%
Trustee Earnings and Benefits			150,200.00	130,175.96	20,024.04	87%
Trustee Travel & Supplies			84,500.00	44,538.21	39,961.79	53%
TOTAL EXPENSES			\$ 234,700.00	\$ 174,714.17	\$ 59,985.83	74%

- To date, Board expenses are well within the range of projected expenditure amounts.

5. External Services

For the third quarter, External Services has a minor negative variance of **\$15K**, which is mostly due to the timing of the revenue recognition.

External Services includes International Services, joint-use agreements and external contract service agreements. Included within this period is the recognition of **\$6,072,662** of **ISS tuition fees** revenue year-to-date, of which **\$4,810,336** was originally recorded as Deferred Revenue at the prior year end. ISS Revenues are received in unequal amounts throughout the year, much of it in the first few months. As a result, this revenue is pro-rated to each quarter based on an estimation of related expenses (35/30/25/10), while expenses are recognized when they occur.

A break-even for External Services is anticipated for year-end.

QUARTERLY SUMMARY

Golden Hills continues to manage expenses despite the decrease in funding in certain areas and higher costs, and continues to fund programs that are in alignment with our goals and missions.

Overall, GHSD appears to be on track and is aligned with meeting or exceeding the Board's November 30, 2018 approved and submitted 2018-19 overall budget (\$920K deficit). A planned deficit budget will be covered by our operating reserves.