

The Golden Hills School Division



3rd Quarterly Report – Draft v1.3

September 2019 – May 2020

Prepared by the Finance department
for the June 23, 2019 Board Meeting

Purpose of Quarterly Report

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

I CONTEXT

The third quarterly financial report lists revenues and expenditures recorded to **May 31, 2020**, which represent the first **nine** months of the fiscal year. There are nine (9) months expended within the 3rd quarter; therefore, the normal benchmark for comparison is 75% (9/12 months) or 90% (9/10) months for some categories.

The updated 2019-20 Budget was submitted to Alberta Education November 27, 2019 and budget points of reference are from this November 30, 2019 fall budget submitted.

Due to **Covid19**, Alberta Education has **clawed back** the operating grants directed towards Transportation and the Instruction envelope (Support Staff) which effects the Actual Funding and the budget variances reported throughout the Quarterly Report in the following manner:

	April-20	May-20	Q3 total		June-20		Total Covid19 Claw-backs
Instruction Grant	-	435,042	435,042		435,042		\$ 870,084
Transportation Grant	172,411	172,411	344,822		172,411		\$ 517,233
Impact on Q3 Quarterly Report	172,411	607,453	\$ 779,864				
Claw-backs made in Q4					\$ 607,453		\$ 1,387,317

II. ACTUALS AND COMPARISON TO BUDGET

A.

Golden Hills School Division							
Statement of Revenue and Expenses							
Budget vs. Actual Variance							
Period - September 1, 2019 - May 31, 2020							
	Spring 2019/20 Annual Budget submitted May 29, 2019	Fall Update 2019/20 Annual Budget submitted Nov 27, 2019	Prorated Budget (75%) for Q3	YTD Actuals 2019/2020 -Q3	YTD Budget Variance-Q3	% Budget Rec'd/Used	Management Benchmark %
Revenues							
Alberta Education/Infrastructure	69,667,375	69,932,616	52,449,462	51,237,143	-1,212,319	73%	75%
Federal Government and/or First Nations	1,623,314	1,673,800	1,255,350	1,419,159	163,809	85%	75%
Other Government of Alberta	522,729	407,477	305,608	332,575	26,967	82%	75%
Fees	8,165,140	8,362,715	6,272,036	6,556,930	284,893	78%	80%
Other Revenues	3,822,877	3,747,222	2,810,417	2,815,640	5,223	75%	75%
Amortization	4,337,887	4,337,887	3,253,415	3,225,835	-27,581	74%	75%
Total Revenues	88,139,322	88,461,717	66,346,288	65,587,281	-759,007	74%	76%
EXPENSES							
Certificated Salaries and Benefits	47,848,998	47,153,018	35,364,764	33,873,173	1,491,591	72%	75%
Non-Certificated Salaries and Benefits	15,617,961	16,546,021	12,409,516	12,486,957	-77,441	75%	80%
Sub-Total	63,466,959	63,699,039	47,774,279	46,360,129	1,414,150	73%	76%
Supplies and Services	19,376,208	20,667,134	15,500,351	14,905,079	595,271	72%	75%
Amortization	6,004,897	5,873,197	4,404,898	4,322,540	82,358	74%	75%
Interest Charges	72,500	68,000	51,000	47,149	3,851	69%	75%
Total Expenses	88,920,564	90,307,370	67,730,528	65,634,898	2,095,630	73%	76%
Surplus/(Deficit)	-781,242	-1,845,653	-1,384,240	-47,617			
POSITIVE/(NEGATIVE) BUDGET VARIANCE					1,336,623		

Notes: Overall, a deficit of -\$48 K for the third quarter is better than expected given the projected deficit budget of -\$1,846K planned for the 2019-20 fiscal year.

B. NOTES ON COMPARISON TO BUDGET – REVENUES

The overall **\$48 K** year-to-date **excess of expenditures over revenues**, along with the positive budget variance of approximately \$1,336 K are due to a +\$154K in unexpended revenues in **SGF** and, in part, to the offsetting effect of the irregular payments received. A reduction in labor cost due to the temporary layoff of support staff and the timing of such reductions in funding also impacts the overall year to date budget variance.

- 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
Duel Credit Start Up	\$ 57,443	100%
Family School Resource Counseling	\$ 110,961	52%
Innovation in First Nations Education (IFNE)	\$ 90,482	100%
One-Time Transition	\$ 1,631,553	75%
Regional Collaborative Service Delivery	\$ 1,044,801	100%
School Nutrition Program	\$ 195,398	100%
Supernet Grant	\$ 211,200	100%
	\$ 3,341,838	
IMR Stimulus Program (Unearned Revenue)	\$ 1,733,200	70%

- Revenues from Alberta Education, as per above, have contributed to the overall revenue variance by \$ +352K (3,342K less a 9-month calculated equivalent of 2,990K), primarily due to certain grants being received in lump amounts covering more than 9 months of revenues.
- Included in the second quarters' operations are the following:

SGF Revenues	\$3,005,812
SGF Expenses	<u>-\$2,851,436</u>
Unexpended	\$ 154,376

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 3rd quarter were **\$33,873,173** (72% of a \$47.1M 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 **\$12,486,957** (75% of a \$16.5M budget) which is actually below the budget since a significant portion of non-certificated staff is paid over 10 months and not 12 months; therefore, the expenditures are higher for first 10 months but decreases in the last two months. In addition, reductions in support staff (primarily bus drivers and education assistants) were put into effect May 1st causing labour expenditures to be less than originally budgeted.

The overall labour variance is positive (+1,414K) for the third quarter but will fluctuate over the next two quarters. Because of the redirection of dollars from education to health care, budgets were revised to accommodate the reductions in funding. In addition, payroll costs typically trend lower over the summer months so we anticipate these costs to balance itself against the revised budget by year-end.

Supplies and Services

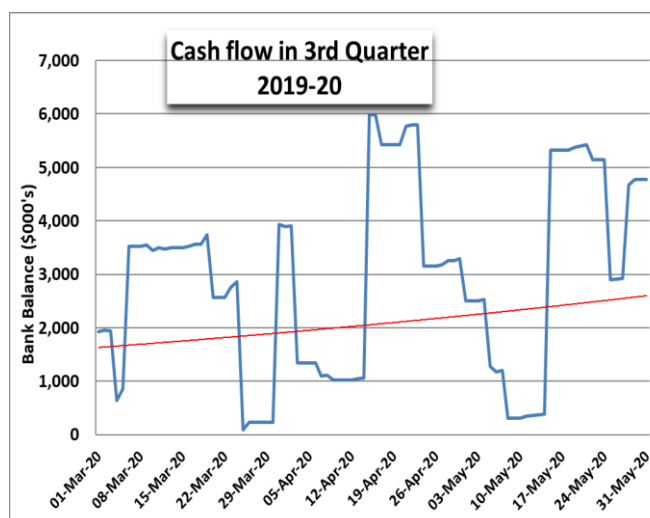
Supplies and services year-to-date are **\$14,905,079** (72% of \$20.6M budget). Because many of these costs occur over a 10-month school year and not the 12-month fiscal year, this will result in higher costs in the first 3 quarters and lower costs in the 4th quarter. That said, department managers will continue to carefully monitor their budgets throughout the remainder of the year to ensure they stay within their revised spending limits.

- Overall, supply costs year-to-date at May 31st are considerably lower compared to the same time period last year by approximately \$1,536K, resulting in only 72% of the budget spent to date. This is primarily due to the overall reduced spending by all departments as a result of the covid19 event.*

III AVERAGE SOURCE AND USE OF CASH

A. Approximate average monthly cash flow values as at May 31, 2020:

Statement of Cash Flow	
Grants/Fees	6,250,000.00
Other Revenues	250,000.00
Total Cash In	6,500,000.00
Accounts Payable	1,975,000.00
Payroll	3,600,000.00
Total Cash Out	5,575,000.00



Included in the Grants as well as the Accounts Payable are monthly operating grants and any grant amounts for capital projects.

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, 2020, **\$1.725 M** of the cash balance has been invested into 12 month GIC's to obtain more favourable investment returns, of which the full amount of \$1.5M are cashable after 90 days from purchase date.

Currently, we are utilizing the services of an Institutional Cash Management Financial Advisory Team – **Canaccord Genuity Corp.** As at May 31st, we had **\$1.725M** invested in GIC's with maturing dates ranging from November 23rd, 2020 to February 4, 2021, earning yields ranging from 2.35% - 2.40%.

C. **Note on Amortization:**

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, 2019 – MAY 31, 2020

A.

Revenue and Expenses by Envelope									
From September 1, 2019 - May 31, 2020									
REVENUE FROM	SGF	K-Grade 12	Operations and Maintenance	Transportation	Board and System Admin	External Services	Total	% Budget Rec'd / Used	Management Benchmark %
ALBERTA EDUCATION/ INFRASTRUCTURE		42,144,873.88	4,252,929.03	2,589,133.21	2,250,206.46	0.00	51,237,142.58	73%	75%
OTHER - GOVERNMENT OF ALBERTA		324,659.00	7,916.02	0.00	0.00	0.00	332,575.02	48%	75%
FEDERAL GOV'T AND/OR FIRST NATIONS		1,231,659.11	187,499.97	0.00	0.00	0.00	1,419,159.08	88%	75%
ALBERTA MUNICIPALITIES/SCHOOL AUTH.		0.00	0.00	0.00	0.00	0.00	0.00	0%	0%
INSTRUCTIONAL RESOURCE FEES		35,132.22		0.00	0.00	0.00	35,132.22	124%	100%
FEES	958,987.61	0.00				5,562,809.72	6,521,797.33	78%	80%
FUNDRAISING REVENUES -SGF	262,698.08					0.00	262,698.08	62%	75%
OTHER SALES AND SERVICES	1,758,872.36	1,527,371.58	525.00	51,466.52	0.00	-1,252,784.51	2,085,450.95	66%	75%
INVESTMENT INCOME	0.00	0.00		0.00	67,363.58	0.00	67,363.58	38%	75%
GIFTS AND DONATIONS -SGF	25,254.37	169,008.97	0.00	0.00	0.00	0.00	194,263.34	75%	75%
RENTAL OF FACILITIES		3,059.75	97,600.84	0.00	0.00	15,400.00	116,060.59	116%	75%
OTHER REVENUES		50,000.00	1,360.00	2,079.78	36,363.48	0.00	89,803.26	73%	75%
AMORTIZATION OF CAPITAL ALLOCATIONS		221,063.40	3,004,771.17	0.00	0.00	0.00	3,225,834.57	74%	75%
TOTAL REVENUES	3,005,812.42	45,706,827.91	7,552,602.03	2,642,679.51	2,353,933.52	4,325,425.21	65,587,280.60	74%	76%
EXPENDITURES									
CERTIFICATED SALARIES		27,075,754.88	0.00	0.00	294,465.06	232,307.45	27,602,527.39	71%	75%
CERTIFICATED BENEFITS		6,209,614.00	0.00	0.00	35,806.75	25,224.36	6,270,645.11	74%	75%
NON-CERTIFICATED SALARIES & WAGES		5,717,920.00	1,485,733.33	1,251,252.73	905,418.27	690,220.55	10,050,544.88	75%	80%
NON-CERTIFICATED BENEFITS		1,596,403.04	362,764.46	129,604.84	206,305.35	141,334.10	2,436,411.79	76%	80%
SERVICE, CONTRACTS AND SUPPLIES	2,851,436.76	3,692,246.61	3,710,497.15	907,100.31	525,296.28	3,218,502.21	14,905,079.32	72%	75%
AMORTIZATION		346,471.38	3,157,733.70	532,137.51	157,839.84	128,357.18	4,322,539.61	74%	75%
INTEREST CHARGES		4,027.81	0.00	0.00	13,500.00	29,621.59	47,149.40	69%	75%
TOTAL EXPENSES	2,851,436.76	44,642,437.72	8,716,728.64	2,820,095.39	2,138,631.55	4,465,567.44	65,634,897.50	73%	76%
POSITIVE/-NEGATIVE VARIANCE TO DATE	154,375.66	1,064,390.19	-1,164,126.61	-177,415.88	215,301.97	-140,142.23	-47,616.90		
K-Grade 12 labor cost analysis									
	2018-19 - Q3	2019-20 - Q3	\$ change	% change					
CERTIFICATED SALARIES	27,650,699	27,075,755	-574,944	-2.1%					
CERTIFICATED BENEFITS	6,135,750	6,209,614	73,864	1.2%					
NON-CERTIFICATED SALARIES & WAGES	5,967,862	5,717,920	-249,942	-4.2%					
NON-CERTIFICATED BENEFITS	1,583,066	1,596,403	13,337	0.8%					
	41,337,377	40,599,692	-737,685	-1.8%					

B. ANALYSIS OF REVENUE/ EXPENSES BY ENVELOPE

1. Instruction (K-12)

- 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 deficit of approximately **-\$1,164 K** at the end of the 3rd quarter is in line with our estimated deficit of **-\$1,554**. To date, approximately \$844K of Building insurance has been included in the Supplies and Services cost of PO&M.

Golden Hills School Division					
Statement of Revenue and Expenses - Comparison to Budget					
Plant Operations and Maintenance					
Period - September 2019 - May 2020					
Revenues	Total Budget	YTD Actuals	Budget	% Budget	Management
	Yr 2019/2020	Yr 2019/2020	Remaining	Used	Benchmark %
Alberta Education	6,627,485.00	4,252,929.03	2,374,555.97	64%	75%
Other Revenues	563,917.00	294,901.83	269,015.17	52%	75%
Amortization	4,337,887.00	3,004,771.17	1,333,115.83	69%	75%
Total Revenues	11,529,289.00	7,552,602.03	3,976,686.97	66%	75%
EXPENSES					
Non-Certificated Salaries and Benefits	2,556,493.00	1,848,497.79	707,995.21	72%	75%
Sub-Total	2,556,493.00	1,848,497.79	707,995.21	72%	75%
Supplies and Services	5,902,314.00	3,710,497.15	2,191,816.85	63%	75%
Amortization	4,624,004.00	3,157,733.70	1,466,270.30	68%	75%
Total Expenses	13,082,811.00	8,716,728.64	4,366,082.36	67%	75%
POSITIVE/(NEGATIVE) VARIANCE	-1,553,522.00	-1,164,126.61			
	Current Q3	Prior Year Q3			
YTD Actuals breakdown	YTD @ May 31, 2020	YTD @ May 31, 2019	% increase		
NON-CERTIFICATED SALARIES & WAGES	1,485,733.33	1,469,845.32	1.1%		
NON-CERTIFICATED BENEFITS	362,764.46	360,331.71	0.7%		
TOTAL LABOUR EXPENSE	1,848,497.79	1,830,177.03	1.0%		
SERVICE, CONTRACTS AND SUPPLIES	3,710,497.15	3,254,237.89	14.0%		
INTEREST CHARGES	-	-			
AMORTIZATION	3,157,733.70	3,081,149.30	2.5%		
TOTAL SERVICE & SUPPLIES	6,868,230.85	6,335,387.19	8.4%		
TOTAL EXPENSES	8,716,728.64	8,165,564.22	6.7%		

Overall, with careful monitoring of expenses throughout the year, we anticipate PO&M to meet its budget target at year-end.

3. Transportation

Golden Hills School Division					
Statement of Revenue and Expenses - Comparison to Budget					
Transportation					
Period - September 1, 2019 - May 31, 2020					
Revenues	Total 2019-20 Budget	YTD Actuals	Budget Remaining	% Budget Used	Management Benchmark %
Alberta Education	3,666,486	2,589,133	1,077,353	70.6%	75.0%
Other Revenues	95,000	53,546	41,454	56.4%	75.0%
Total Revenues	3,761,486	2,642,680	1,118,806	70.3%	75.0%
EXPENSES					
Non-Certificated Salaries and Benefits	1,842,190	1,380,858	461,332	75.0%	75.0%
Sub-Total	1,842,190	1,380,858	461,332	75.0%	75.0%
Services and Supplies	1,464,680	907,100	557,580	61.9%	75.0%
Amortization	746,640	532,138	214,502	71.3%	75.0%
Total Expenses	4,053,510	2,820,095	1,233,415	69.6%	75.0%
POSITIVE/(NEGATIVE) VARIANCE	-292,024	-177,416			
Variations in Services and Supplies	Budget	Actual	% of Budget Used	Management Benchmark %	
Contracted Bus Services	49,000.00	31,436.95	64%	75%	
Fuel	680,000.00	386,406.97	57%	75%	
Other supplies & services	735,680.00	489,256.08	67%	75%	
Total	1,464,680.00	907,100.00	62%	75%	

- a. For the third quarter, a negative YTD variance of **-\$177 K** can be attributed primarily to the following:
- 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.
- b. No transportation fees are planned for fiscal 2019-20 even though autonomy with Transportation Fees lies with the Boards. **GHSD had eliminated transportation fees six years ago.**

Golden Hills has opting not to shift the financial shortfalls to parents. Overall, the Transportation dept. is in line with meeting its' budget target for 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 of **\$215K** for the third quarter. It is anticipated that this will reach a breakeven point at year end. At present, this is not enveloped funding; rather school jurisdiction 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. As system expenditures decrease, the formula for Board and System Administration automatically decrease. Historically, this envelope has consistently been under 3.6%.

Note: beginning fiscal year 2020-21, System Administration will be a targeted grant allocation and will be a fixed amount for each of the next 3 years based on a percentage determined by the weighted moving average of FTE enrollment.

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

SUMMARY STATEMENT OF REVENUES AND EXPENSES						
BOARD OF TRUSTEES						
BUDGET vs. ACTUAL						
FOR THE PERIOD OF SEPTEMBER 1, 2019 TO MAY 31, 2020						
			ANNUAL	YTD	BUDGET	%
Expense			BUDGET	ACTUALS	REMAINING	BUDGET USED
Budgeted Revenues			228,700.00	228,700.00	-	100%
TOTAL REVENUES			\$ 228,700.00	\$ 228,700.00	\$ -	100%
Trustee Earnings and Benefits			147,200.00	141,462.38	5,737.62	96%
Trustee Travel & Supplies			81,500.00	50,838.19	30,661.81	62%
TOTAL EXPENSES			\$ 228,700.00	\$ 192,300.57	\$ 36,399.43	84%

- To date, Board expenses are inline overall with the range of projected expenditure amounts.

5. External Services

For the third quarter, External Services has a negative variance of -\$140K, 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 **\$5,590,842** of **ISS tuition fees** revenue, of which **\$4,410,143** was originally recorded as Unearned 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 significant decrease in funding for the current fiscal year along with 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 27, 2019 approved and submitted 2019-20 budget (\$1,846K deficit). Note: A planned deficit budget will be covered by our operating reserves.