

The Golden Hills School Division



2nd Quarterly Report – draft v1.1

September 2019 – February 2020

Prepared by the Finance Department
for the April 28, 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 **February 29, 2020**, which represent the first **six** months of the fiscal year. There are three (6) months expended within the 2nd quarter; therefore, the normal benchmark for comparison is 50% (6/12 months) or 60% (6/10) 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.

II. ACTUALS AND COMPARISON TO BUDGET

A.

Golden Hills School Division							
Statement of Revenue and Expenses							
Budget vs. Actual Variance							
Period - September 1, 2019 - February 29, 2020							
	Spring 2019/20 Annual Budget submitted May 29, 2019	Fall Update 2019/20 Annual Budget submitted Nov 27, 2019	Prorated Budget (50%) for Q2	YTD Actuals 2019/2020 -Q12	YTD Budget Variance-Q2	% Budget Rec'd/Used	Management Benchmark %
Revenues							
Alberta Education/Infrastructure	69,667,375	69,755,416	34,877,708	34,477,607	-400,101	49%	50%
Federal Government and/or First Nations	1,623,314	1,621,050	810,525	915,420	104,895	56%	55%
Other Government of Alberta	522,729	688,127	344,064	293,495	-50,568	43%	50%
Fees	8,165,140	8,362,715	4,181,358	4,904,625	723,267	59%	60%
Other Revenues	3,822,877	3,696,522	1,848,261	2,325,323	477,062	63%	60%
Amortization	4,337,887	4,337,887	2,168,944	2,110,579	-58,365	49%	50%
Total Revenues	88,139,322	88,461,717	44,230,859	45,027,049	796,190	51%	52%
EXPENSES							
Certificated Salaries and Benefits	47,848,998	47,153,018	23,576,509	22,542,163	1,034,346	48%	50%
Non-Certificated Salaries and Benefits	15,617,961	16,546,021	8,273,011	8,696,146	-423,136	53%	53%
Sub-Total	63,466,959	63,699,039	31,849,520	31,238,309	611,210	49%	51%
Supplies and Services	19,376,208	20,667,134	10,333,567	11,168,755	-835,188	54%	55%
Amortization	6,004,897	5,873,197	2,936,599	2,878,212	58,387	49%	50%
Interest Charges	72,500	68,000	34,000	32,317	1,683	48%	50%
Total Expenses	88,920,564	90,307,370	45,153,685	45,317,592	-163,907	50%	52%
Surplus/(Deficit)	-781,242	-1,845,653	-922,827	-290,543			
POSITIVE/(NEGATIVE) BUDGET VARIANCE					632,283		

Notes: Overall, a deficit of -\$290 K for the second quarter is better than expected given the projected deficit budget planned for the 2019-20 fiscal year.

B. NOTES ON COMPARISON TO BUDGET – REVENUES

The overall **290 K** year-to-date **excess of revenues over expenditures**, along with the positive budget variance of approximately 632K are due to a **+\$512K** in unexpended revenues in **SGF** and, 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 Q2		
Name of Grant	Amount Received	% of Grant Received
Duel Credit Start Up	\$ 46,500	100%
Family School Resource Counseling	\$ 110,961	50%
Innovation in First Nations Education (IFNE)	\$ 90,482	100%
One-Time Transition	\$ 1,088,025	50%
Regional Collaborative Service Delivery	\$ 609,432	58%
School Nutrition Program	\$ 156,318	80%
Supernet Grant	\$ 123,193	58%
Total	\$ 2,224,911	

- Revenues from Alberta Education, as per above, have contributed to the overall revenue variance by \$ +232K (2,225K less a 6-month calculated equivalent of 1,993K), primarily due to certain grants being received in lump amounts covering more than 6 months of revenues.
- Included in the second quarters' operations are the following:

SGF Revenues	\$2,509,931
SGF Expenses	<u>-\$1,997,865</u>
Unexpended	\$ 512,066

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 **\$22,542,163** (48% of a \$47.1M budget) which is less than what the budget would permit by the 2nd

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 2nd quarter were **\$8,696,146** (53% of a \$16.5M budget) which is 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 (+611K) for the second quarter but will fluctuate over the next two quarters. Because administrators tend to wait until enrollment numbers are finalized before hiring in the fall in addition to payroll costs trending lower over the summer months, we anticipate this cost to balance itself at year-end.

Supplies and Services

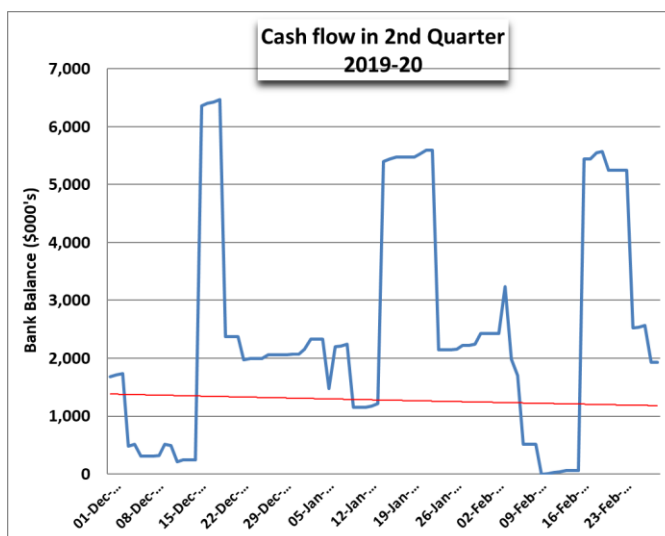
Supplies and services year-to-date are **\$11,168,755** (54% of \$20.6M budget). Because many of these costs occur over a 10-month school year and not the 12-month fiscal year, this results in higher costs in the first 3 quarters and lower costs in the 4th quarter. Department managers will continue to carefully monitor their budgets throughout the year to ensure they stay within their spending limits.

- *Overall, supply costs year-to-date at February 29th are only slightly higher compared to the same time period last year by approximately \$166 K, resulting in 54% of the budget spent to date, which compares favorably to last years' budget spent to date of 58%.*

III AVERAGE SOURCE AND USE OF CASH

A. Approximate average monthly cash flow values as at February 29, 2020:

Statement of Cash Flow	
Grants/Fees	5,920,000.00
Other Revenues	210,000.00
Total Cash In	6,130,000.00
Accounts Payable	2,475,000.00
Payroll	3,800,000.00
Total Cash Out	6,275,000.00



Included in the Grants as well as the Accounts Payable are monthly operating grants and monthly 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 February 29, 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 only one Institutional Cash Management Financial Advisory Team – **Canaccord Genuity Corp.** As at February 29th, we had **\$1.725M** invested in GIC's with maturing dates ranging from February 19, 2020 to November 23rd, 2020, 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 – FEBRUARY 29, 2020

A.

Revenue and Expenses by Envelope									
From September 1, 2019 - February 29, 2020									
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/ INFRASTRUCTURE		28,176,452.74	2,823,811.50	1,946,752.52	1,530,589.94	0.00	34,477,606.70	49%	50%
OTHER - GOVERNMENT OF ALBERTA		285,579.40	7,916.02	0.00	0.00	0.00	293,495.42	43%	50%
FEDERAL GOV'T AND/OR FIRST NATIONS		790,420.36	124,999.98	0.00	0.00	0.00	915,420.34	56%	55%
ALBERTA MUNICIPALITIES/SCHOOL AUTH.		0.00	0.00	0.00	0.00	0.00	0.00	0%	0%
INSTRUCTIONAL RESOURCE FEES		20,282.22		0.00	0.00	0.00	20,282.22	72%	75%
FEES	815,684.89	0.00				4,068,657.65	4,884,342.54	58%	60%
FUNDRAISING REVENUES -SGF	184,447.13					0.00	184,447.13	43%	50%
OTHER SALES AND SERVICES	1,490,624.92	752,956.50	225.00	31,103.01	0.00	-549,983.05	1,724,926.38	54%	55%
INVESTMENT INCOME	0.00	0.00		0.00	59,677.63	0.00	59,677.63	34%	50%
GIFTS AND DONATIONS -SGF	19,174.37	215,513.97	0.00	0.00	0.00	0.00	234,688.34	90%	55%
RENTAL OF FACILITIES		115.65	68,467.35	0.00	0.00	13,200.00	81,783.00	82%	55%
OTHER REVENUES		0.00	1,360.00	2,079.78	36,360.66	0.00	39,800.44	32%	50%
AMORTIZATION OF CAPITAL ALLOCATIONS		147,375.60	1,963,203.00	0.00	0.00	0.00	2,110,578.60	49%	50%
TOTAL REVENUES	2,509,931.31	30,388,696.44	4,989,982.85	1,979,935.31	1,626,628.23	3,531,874.60	45,027,048.74	51%	52%
EXPENDITURES									
CERTIFICATED SALARIES		18,209,275.23	0.00	0.00	196,310.04	154,249.55	18,559,834.82	48%	50%
CERTIFICATED BENEFITS		3,943,768.36	0.00	0.00	24,248.84	14,310.81	3,982,328.01	47%	50%
NON-CERTIFICATED SALARIES & WAGES		3,984,749.84	997,149.00	976,768.38	605,047.40	483,684.37	7,047,398.99	53%	53%
NON-CERTIFICATED BENEFITS		1,087,416.87	238,370.09	96,026.08	135,111.61	91,822.62	1,648,747.27	52%	53%
SERVICE, CONTRACTS AND SUPPLIES	1,997,865.48	2,895,074.58	2,380,320.24	707,672.83	341,643.11	2,846,178.69	11,168,754.93	54%	50%
AMORTIZATION		230,980.92	2,105,155.80	354,758.34	105,226.56	82,089.96	2,878,211.58	49%	50%
INTEREST CHARGES		2,719.60	0.00	0.00	9,000.00	20,596.96	32,316.56	48%	50%
TOTAL EXPENSES	1,997,865.48	30,353,985.40	5,720,995.13	2,135,225.63	1,416,587.56	3,692,932.96	45,317,592.16	50%	50%
POSITIVE/-NEGATIVE VARIANCE TO DATE	512,065.83	34,711.04	-731,012.28	-155,290.32	210,040.67	-161,058.36	-290,543.42		
ECS -Grade 12 labor cost analysis									
	2018-19 Q2	2018-19 Q2	change						
CERTIFICATED SALARIES	18,306,193	18,209,275	-96,918	-0.5%					
CERTIFICATED BENEFITS	3,870,312	3,943,768	73,456	1.9%					
NON-CERTIFICATED SALARIES & WAGES	3,962,182	3,984,750	22,568	0.6%					
NON-CERTIFICATED BENEFITS	1,057,493	1,087,417	29,924	2.8%					
	27,196,180	27,225,210	29,030	0.1%					

B. ANALYSIS OF REVENUE/ EXPENSES BY ENVELOPE

1. 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 deficit of approximately **-\$175 K** at the end of the 2nd quarter is in line with our estimated deficit. It should also be noted that insurance costs of approximately \$278K has been included in the Supplies and Services cost for the first quarter.

Golden Hills School Division					
Statement of Revenue and Expenses - Comparison to Budget					
Plant Operations and Maintenance					
Period - September 2019 - February 2020					
Revenues	Total Budget Yr 2019/2020	YTD Actuals Yr 2019/2020	Budget Remaining	% Budget Used	Management Benchmark %
Alberta Education	6,627,485.00	2,823,811.50	3,803,673.50	43%	50%
Other Revenues	563,917.00	202,968.35	360,948.65	36%	50%
Amortization	4,337,887.00	1,963,203.00	2,374,684.00	45%	50%
Total Revenues	11,529,289.00	4,989,982.85	6,539,306.15	43%	50%
EXPENSES					
Non-Certificated Salaries and Benefits	2,556,493.00	1,235,519.09	1,320,973.91	48%	50%
Sub-Total	2,556,493.00	1,235,519.09	1,320,973.91	48%	50%
Supplies and Services	5,902,314.00	2,380,320.24	3,521,993.76	40%	50%
Amortization	4,624,004.00	2,105,155.80	2,518,848.20	46%	50%
Total Expenses	13,082,811.00	5,720,995.13	7,361,815.87	44%	50%
POSITIVE/(NEGATIVE) VARIANCE	-1,553,522.00	-731,012.28			
	Current Q2	Prior Year Q2			
YTD Actuals breakdown	YTD @ Feb 29, 2020	YTD @ Feb 28, 2019	% increase		
NON-CERTIFICATED SALARIES & WAGES	997,149.00	983,414.04	1.4%		
NON-CERTIFICATED BENEFITS	238,370.09	236,815.60	0.7%		
TOTAL LABOUR EXPENSE	1,235,519.09	1,220,229.64	1.3%		
SERVICE, CONTRACTS AND SUPPLIES	2,380,320.24	2,091,621.67	13.8%		
INTEREST CHARGES	-	-			
AMORTIZATION	2,105,155.80	2,055,380.91	2.4%		
TOTAL SERVICE & SUPPLIES	4,485,476.04	4,147,002.58	8.2%		
TOTAL EXPENSES	5,720,995.13	5,367,232.22	6.6%		

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 - February 29, 2020					
Revenues	Total 2019-20 Budget	YTD Actuals	Budget Remaining	% Budget Used	Management Benchmark %
Alberta Education	3,666,486	1,946,753	1,719,733	53.1%	50.0%
Other Revenues	95,000	33,183	61,817	34.9%	50.0%
Total Revenues	3,761,486	1,979,935	1,781,551	52.6%	50.0%
EXPENSES					
Non-Certificated Salaries and Benefits	1,842,190	1,072,794	769,396	58.2%	55.0%
Sub-Total	1,842,190	1,072,794	769,396	58.2%	55.0%
Services and Supplies	1,464,680	707,673	757,007	48.3%	50.0%
Amortization	746,640	354,758	391,882	47.5%	50.0%
Total Expenses	4,053,510	2,135,226	1,918,284	52.7%	52.0%
POSITIVE/(NEGATIVE) VARIANCE	-292,024	-155,290			
Variations in Services and Supplies					
	Budget	Actual	% of Budget Used	Management Benchmark %	
Contracted Bus Services	49,000.00	24,127.91	49%	50%	
Fuel	680,000.00	347,823.01	51%	50%	
Other supplies & services	735,680.00	282,603.39	38%	50%	
Total	1,464,680.00	654,554.31	45%	50%	

- a. For the second quarter, a negative YTD variance of **-\$155 K** can be attributed in part 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 opted not to shift the financial shortfalls to parents.

It is anticipated there will be a deficit in transportation, at year-end, of approximately \$-292K which will be covered by operating reserves. Overall, with careful monitoring of expenses throughout the year, we anticipate Transportation to meet 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 **\$210K** for the second 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 FEBRUARY 29, 2020					
Expense		ANNUAL BUDGET	YTD ACTUALS	BUDGET 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	91,445.71	55,754.29	62%
Trustee Travel & Supplies		81,500.00	26,026.97	55,473.03	32%
TOTAL EXPENSES		\$ 228,700.00	\$ 117,472.68	\$ 111,227.32	51%

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

5. External Services

For the second quarter, External Services has a negative variance of -\$161K, 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 **\$4,098,824** of **ISS tuition fees** revenue, of which **\$3,185,103** 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 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 the Board's November 27, 2019 approved and submitted 2019-20 budget (\$1,846K deficit). A planned deficit budget will be covered by our operating reserves.