

Golden Hills School Division



2nd Quarterly Report – Draft VI

September 2018 – February 2019

Prepared by the Finance Department for the April 30, 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 28, 2019**, which represent the first **six** months of the fiscal year. There are six (6) months expended in the 2nd quarter; therefore, the normal benchmark for comparison is 50% (6/12 months) or 60% (6/10) 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 - February 28, 2019							
	Spring 2018/19 Annual Budget submitted May 29, 2018	Fall Update 2018/19 Annual Budget submitted Nov 27, 2018	Prorated Budget (50%) for Q2	YTD Actuals 2018/2019 -Q2	YTD Budget Variance-Q2	% Budget Rec'd/Used	Management Benchmark %
Revenues							
Alberta Education	68,779,535	70,167,309	35,083,655	34,870,261	-213,394	50%	50%
Federal Government and/or First Nations	1,512,658	1,622,314	811,157	964,865	153,708	59%	60%
Alberta Municipalities	42,200	47,200	23,600	0	-23,600	0%	50%
Fees	7,517,321	7,959,304	3,979,652	4,755,738	776,086	60%	60%
Other Revenues	2,262,000	3,602,458	1,801,229	1,946,158	144,929	54%	55%
Amortization	4,174,344	4,174,344	2,087,172	2,070,126	-17,046	50%	50%
Total Revenues	84,288,058	87,572,929	43,786,465	44,607,148	820,683	51%	52%
EXPENSES							
Certificated Salaries and Benefits	46,664,839	47,849,958	23,924,979	22,621,475	1,303,504	47%	50%
Non-Certificated Salaries and Benefits	15,549,402	15,949,232	7,974,616	8,391,444	-416,828	53%	53%
Sub-Total	62,214,241	63,799,190	31,899,595	31,012,919	886,676	49%	51%
Supplies and Services	19,806,707	19,077,716	9,538,858	11,002,745	-1,463,887	58%	55%
Amortization	5,439,514	5,543,523	2,771,762	2,782,377	-10,615	50%	50%
Interest Charges	72,500	72,500	36,250	34,915	1,335	48%	50%
Total Expenses	87,532,962	88,492,929	44,246,465	44,832,956	-586,492	51%	52%
Surplus/(Deficit)	-3,244,904	-920,000	-460,000	-225,809			
POSITIVE/(NEGATIVE) BUDGET VARIANCE					234,191		

Notes: Overall, a Deficit of -\$226K for the second quarter is within the expected range for the projected deficit budget planned for the 2018-19 fiscal year.

B. NOTES ON COMPARISON TO BUDGET – REVENUES

The overall **\$226 K** year-to-date **excess of expenses over revenues** (deficit), along with the positive budget variance of approximately **+\$234 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 Q2		
Name of Grant	Amount Received	% of Grant Received
Regional Collaborative Service Delivery	\$ 628,473	58%
Infrastructure Maintenance & Repairs	\$ 812,879	46%
School Nutrition Program	\$ 195,388	100%
Supernet grant	\$ 95,193	47%
Family School Resource Counseling	\$ 110,961	50%
Total	\$ 1,842,894	

- Revenues from Alberta Education, as per above, have contributed to the overall revenue variance by \$ +402K (782K less a 3-month calculated equivalent of 380K), primarily due to certain grants being received in lump amounts covering more than 3 months of revenues.
- Included in the second quarters’ operations are the following:

SGF Revenues	\$2,115,010
SGF Expenses	<u>-\$1,805,233</u>
Unexpended	\$ 309,777

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 **\$22,621,475** (47% of a \$47.8M 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 **\$8,391,444** (53% 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 (+887K) 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 coupled with payroll costs trending lower over the summer months, we anticipate this cost to balance itself at year-end.

Supplies and Services

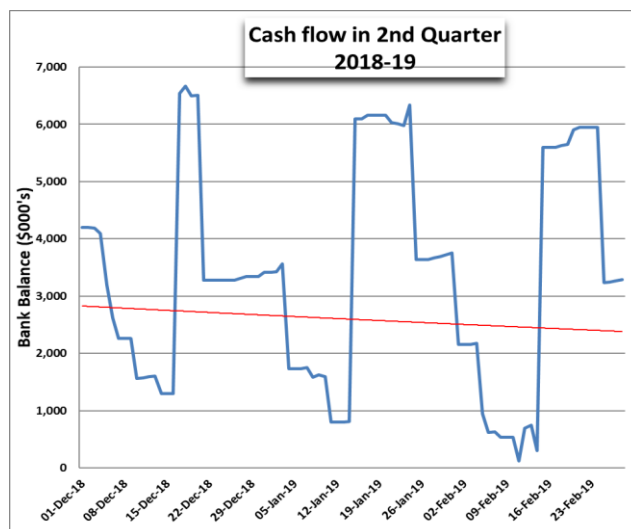
Supplies and services year-to-date are **\$11,002,745** (58% of \$19.1M budget). Because many of these costs occur over a 10-month school year and not the 12-month fiscal year, this results in higher costs in the first 3 quarters and lower costs in the 4th quarter. That said, department managers must 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 28th are higher compared to the same time period last year by approximately \$941K. However, the expenditures are only somewhat higher at 58% YTD, compared to 55% YTD from the previous year. Management will monitor these expenditures carefully over the next two quarters.*

III AVERAGE SOURCE AND USE OF CASH

A. Approximate average monthly cash flow values as at February 28, 2019:

Statement of Cash Flow	
Grants/Fees	6,055,000.00
Account Receivable	375,000.00
Total Cash In	6,430,000.00
Accounts Payable	3,075,000.00
Payroll	3,975,000.00
Total Cash Out	7,050,000.00



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 28, 2019, **\$5.0M** of the cash balance has been invested into 12 month GIC's to obtain more favourable investment returns, of which \$4.5M was cashable.

At present, we are utilizing the services of one Institutional Cash Management Financial Advisory Team – **Canaccord Genuity Corp.** As at February 28th, we had **\$5.0M** invested in GIC's with maturing dates ranging from October 7th to December 20th, 2019, earning yields ranging from 2.20% - 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 - February 28, 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		28,391,787.50	2,777,818.96	1,804,735.83	1,543,026.38	0.00	34,517,368.67	49%	50%
OTHER - GOVERNMENT OF ALBERTA		346,049.00	6,843.00	0.00	0.00	0.00	352,892.00	101%	50%
FEDERAL GOV'T AND/OR FIRST NATIONS		839,864.52	124,999.98	0.00	0.00	0.00	964,864.50	59%	60%
ALBERTA MUNICIPALITIES/SCHOOL AUTH.		0.00	0.00	0.00	0.00	0.00	0.00	0%	0%
INSTRUCTIONAL RESOURCE FEES		27,700.00		0.00	0.00	0.00	27,700.00	49%	50%
FEES	733,178.08	0.00				3,994,859.95	4,728,038.03	62%	60%
FUNDRAISING REVENUES -SGF	238,956.64						238,956.64	60%	55%
OTHER SALES AND SERVICES	1,116,862.91	713,365.75	0.00	23,125.14	0.00	-509,635.13	1,343,718.67	49%	55%
INVESTMENT INCOME		0.00		0.00	57,881.01	0.00	57,881.01	39%	50%
GIFTS AND DONATIONS -SGF	26,012.98	87,518.00	0.00	0.00	0.00	0.00	113,530.98	69%	55%
RENTAL OF FACILITIES		190.50	78,371.46	0.00	0.00	14,400.00	92,961.96	96%	55%
OTHER REVENUES		25,477.00	36,506.19	6,000.00	31,125.83	0.00	99,109.02	80%	55%
AMORTIZATION OF CAPITAL ALLOCATIONS		159,555.36	1,910,570.88	0.00	0.00	0.00	2,070,126.24	50%	50%
TOTAL REVENUES	2,115,010.61	30,591,507.63	4,935,110.47	1,833,860.97	1,632,033.22	3,499,624.82	44,607,147.72	51%	52%
EXPENDITURES									
CERTIFICATED SALARIES		18,306,192.55	0.00	0.00	202,663.45	201,420.37	18,710,276.37	48%	50%
CERTIFICATED BENEFITS		3,870,312.43	0.00	0.00	22,949.39	17,936.83	3,911,198.65	44%	50%
NON-CERTIFICATED SALARIES & WAGES		3,962,182.33	983,414.04	944,975.62	588,970.30	332,786.99	6,812,329.28	53%	53%
NON-CERTIFICATED BENEFITS		1,057,492.61	236,815.60	89,969.24	130,339.73	64,497.40	1,579,114.58	50%	53%
SERVICE, CONTRACTS AND SUPPLIES	1,805,233.72	3,184,468.61	2,091,621.67	799,210.69	554,997.47	2,567,213.14	11,002,745.30	58%	55%
AMORTIZATION		238,032.96	2,055,380.91	368,119.20	42,740.46	78,103.14	2,782,376.67	50%	50%
INTEREST CHARGES		1,087.03	0.00	0.00	10,500.00	23,328.46	34,915.49	48%	50%
TOTAL EXPENSES	1,805,233.72	30,619,768.52	5,367,232.22	2,202,274.75	1,553,160.80	3,285,286.33	44,832,956.34	51%	52%
POSITIVE/-NEGATIVE VARIANCE TO DATE	309,776.89	-28,260.89	-432,121.75	-368,413.78	78,872.42	214,338.49	-225,808.62		
ECS -Grade 12 labor cost analysis									
	2017-18 Q2	2018-19 Q2	change						
CERTIFICATED SALARIES	18,385,238	18,306,193	-79,046	-0.4%					
CERTIFICATED BENEFITS	3,986,075	3,870,312	-115,762	-2.9%					
NON-CERTIFICATED SALARIES & WAGES	3,913,578	3,962,182	48,604	1.2%					
NON-CERTIFICATED BENEFITS	1,090,521	1,057,493	-33,029	-3.0%					
	27,375,413	27,196,180	-179,233	-0.7%					

B. 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.
- Note: As per the directive from Alberta Education, Resource fees and Transportation fees beginning 2017-18 have officially been eliminated. (see AP505) However, a balance of \$55,986 in resource fees remains outstanding from 2016-17 and prior years.

Internally, collections continue on outstanding non-curricular fees, enhanced course fees and alternative program fees. Collections have improved with the introduction of KEV with roughly 63% of all parents utilizing the payment-on-line option for school fees. A target of 75% by years end has been made for KEV utilization.

2. Plant Operations and Maintenance (PO&M)

A negative variance of approximately **\$432 K** at the end of the 2nd 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 - February 2019					
Revenues	Total Budget	YTD Actuals	Budget	% Budget	Management
	Yr 2018/2019	Yr 2018/2019	Remaining	Used	Benchmark %
Alberta Education	6,389,243.00	2,777,818.96	3,611,424.04	43%	50%
Other Revenues	560,917.00	246,720.63	314,196.37	44%	50%
Amortization	4,174,344.00	1,910,570.88	2,263,773.12	46%	50%
Total Revenues	11,124,504.00	4,935,110.47	6,189,393.53	44%	50%
EXPENSES					
Non-Certificated Salaries and Benefits	2,413,012.00	1,220,229.64	1,192,782.36	51%	50%
Sub-Total	2,413,012.00	1,220,229.64	1,192,782.36	51%	50%
Supplies and Services	4,964,153.00	2,091,621.67	2,872,531.33	42%	50%
Amortization	4,376,213.00	2,055,380.91	2,320,832.09	47%	50%
Total Expenses	11,753,378.00	5,367,232.22	6,386,145.78	46%	50%
POSITIVE/(NEGATIVE) VARIANCE	-628,874.00	-432,121.75			
	Current Year Q2	Prior Year Q2			
YTD Actuals breakdown	YTD @ Feb. 28, 2019	YTD @ Feb. 28, 2018	% increase		
NON-CERTIFICATED SALARIES & WAGES	983,414.04	925,169.39	6.3%		
NON-CERTIFICATED BENEFITS	236,815.60	231,884.92	2.1%		
TOTAL LABOUR EXPENSE	1,220,229.64	1,157,054.31	5.5%		
SERVICE, CONTRACTS AND SUPPLIES	2,091,621.67	1,749,164.16	19.6%		
INTEREST CHARGES	-	-			
AMORTIZATION	2,055,380.91	1,860,482.95	10.5%		
TOTAL SERVICE & SUPPLIES	4,147,002.58	3,609,647.11	14.9%		
TOTAL EXPENSES	5,367,232.22	4,766,701.42	12.6%		

Overall, with careful monitoring of expenses throughout the year, we anticipate PO&M to meet 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 - February 28, 2019					
Revenues	Total 2018-19 Budget	YTD Actuals	Budget Remaining	% Budget Used	Management Benchmark %
Alberta Education	3,720,030	1,804,736	1,915,294	48.5%	50.0%
Other Revenues	75,000	29,125	45,875	38.8%	50.0%
Total Revenues	3,795,030	1,833,861	1,961,169	48.3%	50.0%
EXPENSES					
Non-Certificated Salaries and Benefits	1,767,114	1,034,945	732,169	58.6%	55.0%
Sub-Total	1,767,114	1,034,945	732,169	58.6%	55.0%
Services and Supplies	1,538,588	799,211	739,377	51.9%	54.0%
Amortization	736,238	368,119	368,119	50.0%	50.0%
Total Expenses	4,041,940	2,202,275	1,839,665	54.5%	54.0%
POSITIVE/(NEGATIVE) VARIANCE	(246,910.00)	(368,413.78)			
Variations in Services and Supplies	Budget	Actual	% of Budget Used	Management Benchmark %	
Contracted Bus Services	210,000.00	133,004.21	63%	60%	
Fuel	723,961.00	345,233.52	48%	55%	
Other supplies	604,627.00	320,973.27	53%	52%	
Total	1,538,588.00	799,211.00	52%	55%	

- a. For the second quarter, a negative YTD variance of **-\$368 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.
- b. No transportation fees were charged nor can be charged in fiscal 2018-189 per the directive from Alberta Education. **GHSD had already eliminated transportation fees five 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 \$-250K 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 **\$79K** for the first quarter. It is however, anticipated that this will achieve a breakeven point at year end. 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 FEBRUARY 28, 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	80,692.84	69,507.16	54%
Trustee Travel & Supplies		84,500.00	29,927.74	54,572.26	35%
TOTAL EXPENSES		\$ 234,700.00	\$ 110,620.58	\$ 124,079.42	47%

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

5. External Services

For the first quarter, External Services has a positive variance of **\$214K**, 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 **\$4,045,841** of **ISS tuition fees** revenue, of which **\$3,126,719** 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 the Board's November 30, 2018 approved and submitted 2018-19 budget (\$920K deficit). A planned deficit budget will be covered by our operating reserves.