

Golden Hills School Division No.75



2nd Quarterly Report – draft V1.3

September 2017 – February 2018

Prepared by the Finance Department for the April 24, 2018 Board Meeting

Purpose of Quarterly Report

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

I CONTEXT

The second quarterly financial report lists revenues and expenditures recorded to **February 28, 2018**, which represent the first **six** months of the fiscal year. The number of months expended in the 2nd quarter are six (6); therefore the normal benchmark for comparison is 50% (6/12 months) or 60% (6/10) months for some categories.

The updated 2017-18 Budget was submitted to Alberta Education November 28, 2017 and budget points of reference are from this November 30, 2017 fall budget submitted.

II. ACTUALS AND COMPARISON TO BUDGET

A.

Golden Hills School Division No.75							
Statement of Revenue and Expenses							
Budget vs. Actual Variance							
Period - September 1, 2017 - February 28, 2018							
	Initial 2017/18 Annual Budget submitted June 20, 2017	Revised 2017/18 Annual Budget submitted Nov 30, 2017	Prorated Budget for Q2	YTD Actuals 2017/2018 -Q2	YTD Budget Variance-Q2	% Budget Rec'd/Used	Management Benchmark %
Revenues							
Alberta Education	69,507,360	70,428,981	35,214,491	34,478,814	(735,676)	49%	49%
Federal Government and/or First Nations	1,404,765	1,537,565	768,783	810,916	42,133	53%	50%
Alberta Municipalities	70,000	40,000	20,000	17,200	(2,800)	43%	43%
Fees	6,723,772	6,166,504	3,083,252	3,606,969	523,717	58%	60%
Other Revenues	1,321,500	3,372,761	1,686,381	2,957,447	1,271,066	88%	60%
Amortization	3,513,950	3,650,000	1,825,000	1,828,212	3,212	50%	50%
Total Revenues	82,541,347	85,195,811	42,597,906	43,699,558	1,101,652	51%	52%
EXPENSES							
Certificated Salaries and Benefits	46,046,673	47,164,507	23,582,254	22,679,697	902,556	48%	50%
Non-Certificated Salaries and Benefits	14,356,609	15,375,526	7,687,763	8,201,316	(513,553)	53%	53%
Sub-Total	60,403,282	62,540,033	31,270,017	30,881,013	389,004	49%	51%
Supplies and Services	18,075,016	18,339,388	9,169,694	10,061,713	(892,019)	55%	55%
Amortization	5,124,269	5,298,333	2,649,167	2,547,570	101,597	48%	50%
Interest Charges	70,000	70,000	35,000	41,594	(6,594)	59%	50%
Total Expenses	83,672,567	86,247,754	43,123,877	43,531,890	(408,013)	50%	53%
Surplus/(Deficit)	(1,131,220)	(1,051,943)	(525,972)	167,668			
POSITIVE/(NEGATIVE) BUDGET VARIANCE					693,640		

Notes: Overall, a Surplus of \$168K for the second quarter is within the expected range for the projected deficit budget planned for the 2017-18 fiscal year.

B. NOTES ON COMPARISON TO BUDGET – REVENUES

The overall **\$168 K** year-to-date excess of revenues over expenses along with the positive budget variance of approximately **\$694 K** are, in part, the result of the following:

- The dissolution of ALARIE (Alberta Local Authorities Reciprocal Insurance Exchange) and the distribution of it’s remaining assets to which Golden Hills’ portion of this distribution was **\$457K**.
- 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
Building Collaboration/Capacity in Education	\$ 53,265	100%
Regional Collaborative Service Delivery	\$ 629,951	58%
School Nutrition Program	\$ 140,927	100%
Supernet grant	\$ 145,592	59%
Family School Resource Counseling	\$ 110,961	50%
Total	\$ 1,080,696	

- Revenues from Alberta Education have contributed to the overall revenue variance by \$212K (1081K less a 6-month calculated equivalent of 869K), 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	\$2,046,094
SGF Expenses	<u>-\$2,102,929</u>
Over expended	-\$ 56,835

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 **\$22,679,697** (48% of a \$46.1M 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 can occur 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 **\$8,201,316** (53% of a \$15.4M 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 variance of -\$513K will be monitored over the next quarter; however, because of the decreased payroll costs over the summer months, we anticipate this cost to balance itself at year-end.

Supplies and Services

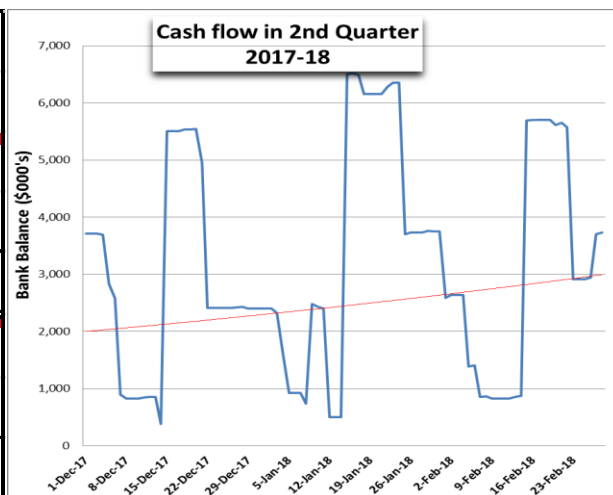
Supplies and services year-to-date are **\$10,061,713** (55% of \$18.3M budget). Because many of these costs occur over a 10-month school year and not the 12-month fiscal year, this results in higher costs in the first 3 quarters and lower costs in the 4th quarter. Department managers will continue to carefully monitor their budgets throughout the year to ensure they stay within their spending limits.

- Overall, supply costs year-to-date at February 28th is actually less compared to the same time period last year by \$144K and is on target to meeting budget by years end. These expenses will continue to be carefully monitored and brought to a level which each budget will support.*

III AVERAGE SOURCE AND USE OF CASH

A. Approximate average monthly cash flow values as at February 28, 2018:

Statement of Cash Flow	
Grants/Fees	6,650,000.00
Account Receivable	525,000.00
Total Cash In	7,175,000.00
Accounts Payable	3,300,000.00
Payroll	4,025,000.00
Total Cash Out	7,325,000.00



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, 2018, **\$4.5M** of the cash balance has been invested into 1-Year fixed term and 30/90 cashable GIC's to obtain more favourable investment returns, of which \$3M are cashable after 90 days of purchase.

We continue to utilize the services of two Institutional Cash Management Financial Advisory Teams – Canaccord Genuity Corp. as well as RBC Dominion Securities. As of February 23, 2018, the Cash Management Group of Raymond James was acquired by Canaccord Genuity Corp. As at February 28th, we had **\$4.5M** invested in GIC's with Canaccord Genuity and **\$0** with RBC Dominion, with maturing dates ranging from June 25' 2018 to February 26' 2019, earning yields ranging from 1.75%-2.05%.

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, 2017 – FEBRUARY 28, 2018

A.

GOLDEN HILLS SCHOOL DIVISION #75									
Revenue and Expenses by Envelope									
From September 1, 2017 - February 28, 2018									
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		28,446,723.04	2,719,720.88	1,836,045.24	1,224,437.06	0.00	34,226,926.22	49%	49%
OTHER - GOVERNMENT OF ALBERTA		251,888.00	0.00	0.00	0.00	0.00	251,888.00	25%	50%
FEDERAL GOV'T AND/OR FIRST NATIONS		685,915.66	125,000.00	0.00	0.00	0.00	810,915.66	53%	50%
ALBERTA MUNICIPALITIES/SCHOOL AUTH.		17,200.00	0.00	0.00	0.00	0.00	17,200.00	43%	43%
ADULT/ALTERNATIVE FEES		41,500.00		0.00	0.00	0.00	41,500.00	73%	75%
FEES	577,117.89	0.00				2,988,351.52	3,565,469.41	59%	60%
FUNDRAISING REVENUES -SGF	262,577.30						262,577.30	40%	50%
OTHER SALES AND SERVICES	1,188,730.22	544,164.00	75.00	60,072.04	61.00	56,994.63	1,850,096.89	148%	50%
INVESTMENT INCOME		0.00		0.00	68,859.13	0.00	68,859.13	100%	100%
GIFTS AND DONATIONS -SGF	17,668.12	84,091.30	0.00	0.00	0.00	0.00	101,759.42	24%	50%
RENTAL OF FACILITIES		0.00	62,747.38	0.00	0.00	13,200.00	75,947.38	71%	50%
OTHER REVENUES		75,889.82	521,016.89	486.96	812.82	0.00	598,206.49	100%	75%
AMORTIZATION OF CAPITAL ALLOCATIONS		93,795.00	1,734,417.00	0.00	0.00	0.00	1,828,212.00	50%	50%
TOTAL REVENUES	2,046,093.53	30,241,166.82	5,162,977.15	1,896,604.24	1,294,170.01	3,058,546.15	43,699,557.90	51%	52%
EXPENDITURES									
CERTIFICATED SALARIES		18,385,238.10	0.00	0.00	196,310.04	47,485.96	18,629,034.10	48%	50%
CERTIFICATED BENEFITS		3,986,074.87	0.00	0.00	58,587.05	6,001.12	4,050,663.04	48%	50%
NON-CERTIFICATED SALARIES & WAGES		3,913,578.49	925,169.39	939,848.21	578,141.60	249,362.53	6,606,100.22	54%	53%
NON-CERTIFICATED BENEFITS		1,090,521.11	231,884.92	95,800.40	126,045.81	50,963.30	1,595,215.54	49%	53%
SERVICE, CONTRACTS AND SUPPLIES	2,102,929.23	2,667,674.98	1,749,164.16	721,755.15	503,052.75	2,317,136.97	10,061,713.24	55%	55%
AMORTIZATION		185,161.81	1,860,482.95	383,749.16	42,740.39	75,435.40	2,547,569.71	48%	50%
INTEREST CHARGES		733.50	0.00	0.00	12,000.00	28,860.45	41,593.95	59%	50%
TOTAL EXPENSES	2,102,929.23	30,228,982.86	4,766,701.42	2,141,152.92	1,516,877.64	2,775,245.73	43,531,889.80	50%	53%
POSITIVE/-NEGATIVE VARIANCE TO DATE	(56,835.70)	12,183.96	396,275.73	(244,548.68)	(222,707.63)	283,300.42	167,668.10		
ECS -Grade 12 labor cost analysis									
	2016-17 Q2	2017-18 Q2	change						
CERTIFICATED SALARIES	18,621,263	18,385,238	-236,025		-1.3%				
CERTIFICATED BENEFITS	4,028,589	3,986,075	-42,514		-1.1%				
NON-CERTIFICATED SALARIES & WAGES	3,866,160	3,913,578	47,418		1.2%				
NON-CERTIFICATED BENEFITS	1,075,230	1,090,521	15,291		1.4%				
	27,591,243	27,375,413	-215,830		-0.8%				

B. ANALYSIS OF REVENUE/EXPENSES BY ENVELOPE

1. Instruction

- A minor surplus variance within the Instruction envelope occurred primarily because of the timing of certain grants results in higher revenues than budgeted.
- Instructional Resource Fees are no longer collected at the schools.
- Analysis of collection of Instructional Resources Fees (current year/prior year) as at February 28, 2018 is as follows:

Invoiced	Collected -prior years	Waived
\$ 0	\$ 945	\$ 0

- Note: As per the directive from Alberta Education, Resource fees and Transportation fees for 2017-18 have officially been eliminated. (see AP505) However, a balance of \$62,479 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 60% of all parents utilizing the payment-on-line option for school fees.

2. Plant Operations and Maintenance (PO&M)

A positive variance of approximately \$396 K at the end of the 2nd quarter is almost entirely due to the recording of the revenues from the ALAIRE dissolution and is subsequent distribution of assets to which Golden Hills received approximately \$457K. We anticipate that this amount will be placed in the Capital Reserve fund to assist with future capital projects.

Golden Hills School Division No.75					
Statement of Revenue and Expenses - Comparison to Budget					
Plant Operations and Maintenance					
Period - September 2017 - February 2018					
Revenues	Total Budget Yr 2017/2018	YTD Actuals Yr 2017/2018	Budget Remaining	% Budget Used	Management Benchmark %
Alberta Education	6,796,567.00	2,719,720.88	4,076,846.12	40%	50%
Other Revenues*	560,917.00	708,839.27	-147,922.27	126%	50%
Amortization	3,650,000.00	1,734,417.00	1,915,583.00	48%	50%
Total Revenues	11,007,484.00	5,162,977.15	5,844,506.85	47%	50%
EXPENSES					
Non-Certificated Salaries and Benefits	2,293,984.00	1,157,054.31	1,136,929.69	50%	50%
Sub-Total	2,293,984.00	1,157,054.31	1,136,929.69	50%	50%
Supplies and Services	5,083,819.00	1,749,164.16	3,334,654.84	34%	50%
Amortization	3,898,478.00	1,860,482.95	2,037,995.05	48%	50%
Total Expenses	11,276,281.00	4,766,701.42	6,509,579.58	42%	50%
POSITIVE/(NEGATIVE) VARIANCE	-268,797.00	396,275.73			
*ALAIRE dissolution asset distribution (\$457,377)					
YTD Actuals breakdown	YTD @ Feb 28, 2018	Prior YTD @ Feb 28, 2017			
NON-CERTIFICATED SALARIES & WAGES	925,169.39	1,100,923.76			
NON-CERTIFICATED BENEFITS	231,884.92	284,973.08			
TOTAL LABOUR EXPENSE	1,157,054.31	1,385,896.84			
SERVICE, CONTRACTS AND SUPPLIES	1,749,164.16	1,727,821.84			
INTEREST CHARGES	-	-			
AMORTIZATION	1,860,482.95	1,645,221.84			
TOTAL SERVICE & SUPPLIES	3,609,647.11	3,373,043.68			
TOTAL EXPENSES	4,766,701.42	4,758,940.52			

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

3. Transportation

Golden Hills School Division No.75					
Statement of Revenue and Expenses - Comparison to Budget					
Transportation					
Period - September 1, 2017 - February 28, 2018					
Revenues	Total 2017-18 Budget	YTD Actuals	Budget Remaining	% Budget Used	Management Benchmark %
Alberta Education	3,748,655	1,836,045	1,912,610	49.0%	50.0%
Other Revenues	70,000	60,559	9,441	86.5%	50.0%
Total Revenues	3,818,655	1,896,604	1,922,051	49.7%	50.0%
EXPENSES					
Non-Certificated Salaries and Benefits	1,860,610	1,035,649	824,961	55.7%	55.0%
Sub-Total	1,860,610	1,035,649	824,961	55.7%	55.0%
Services and Supplies	1,394,203	721,755	672,448	51.8%	54.0%
Amortization	789,874	383,749	406,125	48.6%	50.0%
Total Expenses	4,044,687	2,141,153	1,903,534	52.9%	54.0%
POSITIVE/(NEGATIVE) VARIANCE	(226,032)	(244,549)			
Variations in Services and Supplies	Budget	Actual	% of Budget Used	Management Benchmark %	
Contracted Bus Services	210,000.00	126,191.82	60%	55%	
Fuel	650,000.00	319,763.40	49%	55%	
Other supplies	534,203.00	275,799.93	52%	52%	
Total	1,394,203.00	721,755.15	52%	54%	

a. For the 2nd quarter, a negative YTD variance of **-\$244K** is higher than the expected budgeted parameters; however, it 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 were charged nor can be charged in fiscal 2017-18 per the new directive from Alberta Education. GHSD had already eliminated these 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 \$-226K 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 negative variance of **-\$223K** for the second quarter. It is however, anticipated that this will near 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**:

SUMMARY STATEMENT OF REVENUES AND EXPENSES						
BOARD OF TRUSTEES						
BUDGET vs. ACTUAL						
FOR THE PERIOD OF SEPTEMBER 1, 2017 TO FEBRUARY 28, 2018						
Expense		ANNUAL BUDGET	YTD ACTUALS	BUDGET REMAINING	% BUDGET USED	
Budgeted Revenues		172,200.00	172,200.00	-	100%	
TOTAL REVENUES		\$ 172,200.00	\$ 172,200.00	\$ -	100%	
Trustee Earnings and Benefits		126,200.00	77,076.05	49,123.95	61%	
Trustee Travel & Supplies		46,000.00	51,736.65	- 5,736.65	112%	
TOTAL EXPENSES		\$ 172,200.00	\$ 128,812.70	\$ 43,387.30	75%	

- To date, Board expenses related to professional development and travel relates to training for new Board Trustees and is higher than budgeted as Board members are attending more meetings and are engaged in more training to better serve the communities they represent.

5. External Services

For the first quarter, External Services has a positive variance of **+\$283K**.

External Services includes International Services, joint use agreements and external contract service agreements. Included within this period is the recognition of **\$3,683,311** of ISS tuition fee revenues of which **\$2,603,002** was originally recorded as Deferred Revenue at 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, 2017 approved and submitted budget (\$1.05M deficit). A planned deficit budget will be covered by our operating reserves.