

Golden Hills School Division



1st Quarterly Report –

September 2019 – November 2019

Prepared by the Finance Department for the January 22, 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 **November 30, 2019**, which represent the first **three** months of the fiscal year. There are three (3) months expended in the 1st quarter; therefore, the normal benchmark for comparison is 25% (3/12 months) or 30% (3/10) 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 - November 30, 2019							
	Spring 2019/20 Annual Budget submitted May 29, 2019	Fall Update 2019/20 Annual Budget submitted Nov 27, 2019	Prorated Budget (25%) for Q1	YTD Actuals 2018/2019 -Q1	YTD Budget Variance-Q1	% Budget Rec'd/Used	Management Benchmark %
Revenues							
Alberta Education/Infrastructure	69,667,375	69,755,416	17,438,854	17,218,543	-220,311	25%	25%
Federal Government and/or First Nations	1,623,314	1,621,050	405,263	492,578	87,315	30%	30%
Other Government of Alberta	522,729	688,127	172,032	214,259	42,228	31%	50%
Fees	8,165,140	8,362,715	2,090,679	2,433,869	343,190	29%	30%
Other Revenues	3,822,877	3,696,522	924,131	1,433,935	509,805	39%	25%
Amortization	4,337,887	4,337,887	1,084,472	1,041,805	-42,667	24%	25%
Total Revenues	88,139,322	88,461,717	22,115,429	22,834,989	719,560	26%	26%
EXPENSES							
Certificated Salaries and Benefits	47,848,998	47,153,018	11,788,255	11,023,394	764,860	23%	24%
Non-Certificated Salaries and Benefits	15,617,961	16,546,021	4,136,505	4,315,270	-178,765	26%	26%
Sub-Total	63,466,959	63,699,039	15,924,760	15,338,664	586,096	24%	24%
Supplies and Services	19,376,208	20,667,134	5,166,784	6,651,186	-1,484,403	32%	30%
Amortization	6,004,897	5,873,197	1,468,299	1,407,496	60,803	24%	25%
Interest Charges	72,500	68,000	17,000	18,179	-1,179	27%	25%
Total Expenses	88,920,564	90,307,370	22,576,843	23,415,525	-838,683	26%	26%
Surplus/(Deficit)	-781,242	-1,845,653	-461,413	-580,536			
POSITIVE/(NEGATIVE) BUDGET VARIANCE					-119,123		

Notes: Overall, a Deficit of -\$288K for the first quarter is within the expected range for the projected deficit budget planned for the 2019-20 fiscal year.

B. NOTES ON COMPARISON TO BUDGET – REVENUES

The overall **\$580K** year-to-date **excess of expenses over revenues** (deficit), along with the negative budget variance of approximately **-119K** 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 Q1		
Name of Grant	Amount Received	% of Grant Received
Building Collaboration/Capacity in Education	\$ -	0%
Regional Collaborative Service Delivery	\$ 609,432	58%
Infrastructure Maintenance & Repairs	\$ -	0%
School Nutrition Program	\$ 156,318	80%
Supernet grant	\$ 123,193	58%
Duel Credit Start Up	\$ 45,000	100%
Total	<u>\$ 933,943</u>	

- Revenues from Alberta Education, as per above, have contributed to the overall revenue variance by \$ +560K (934K less a 3-month calculated equivalent of 374K), primarily due to certain grants being received in lump amounts covering more than 3 months of revenues.
- Included in the first quarters' operations are the following:

SGF Revenues	\$1,484,255
SGF Expenses	<u>-\$1,269,317</u>
Unexpended	\$ 214,938

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 1st quarter were **\$11,023,394** (23% of a \$47.1M budget) which is less than what the budget would permit by the 1st 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 1st quarter were **\$4,315,270** (26% of a \$16.5M budget) which is slightly 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 (+586K) for the first quarter but will fluctuate over the next three 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

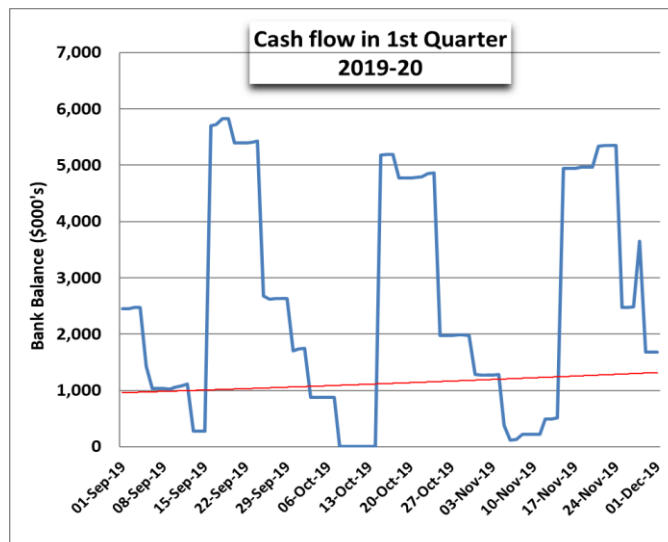
Supplies and services year-to-date are **\$6,651,186** (32% of \$20.6M budget). Because many of these costs occur over a 10-month school year and not the 12-month fiscal year, this results in higher costs in the first 3 quarters and lower costs in the 4th quarter. Department managers will continue to carefully monitor their budgets throughout the year to ensure they stay within their spending limits.

- *Overall, supply costs year-to-date at November 30th are higher compared to the same time period last year by approximately \$525K. However, the supply & services budget was increased over last year by approximately \$1.5M so the expenditures YTD as a % of budget are right in line with last years at 32%. Much of the increase can be attributed to the higher insurance cost.*

III AVERAGE SOURCE AND USE OF CASH

A. Approximate average monthly cash flow values as at November 30, 2019:

Statement of Cash Flow	
Grants/Fees	6,880,000.00
Account Receivable	250,000.00
Total Cash In	7,130,000.00
Accounts Payable	3,425,000.00
Payroll	3,950,000.00
Total Cash Out	7,375,000.00



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 November 30, 2019, **\$2.5M** of the cash balance has been invested into 6-12 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 November 30th, we had **\$2.5M** invested in GIC's with maturing dates ranging from February 4, 2020 to November 23rd, 2020, earning yields ranging from 2.40% - 2.55%.

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 – NOVEMBER 30, 2019

A.

Revenue and Expenses by Envelope									
From September 1, 2019 - November 30, 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/ INFRASTRUCTURE		14,076,221.95	1,438,645.98	918,654.22	785,020.47	0.00	17,218,542.62	25%	25%
OTHER - GOVERNMENT OF ALBERTA		214,259.40	0.00	0.00	0.00	0.00	214,259.40	31%	30%
FEDERAL GOV'T AND/OR FIRST NATIONS		430,077.90	62,499.99	0.00	0.00	0.00	492,577.89	30%	25%
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		20,282.22	72%	75%
FEES	499,346.34	0.00				1,914,240.60	2,413,586.94	29%	25%
FUNDRAISING REVENUES -SGF	122,143.27					57,171.90	179,315.17	42%	30%
OTHER SALES AND SERVICES	849,659.05	91,548.00	150.00	17,941.75	0.00	6,600.00	965,898.80	30%	25%
INVESTMENT INCOME	0.00	0.00		0.00	20,666.88	0.00	20,666.88	12%	40%
GIFTS AND DONATIONS -SGF	13,106.15	178,428.17	0.00	0.00	0.00	0.00	191,534.32	74%	30%
RENTAL OF FACILITIES		100.65	37,605.30	0.00	0.00	0.00	37,705.95	38%	30%
OTHER REVENUES		0.00	1,360.00	1,103.28	36,350.66	0.00	38,813.94	31%	30%
AMORTIZATION OF CAPITAL ALLOCATIONS		77,747.72	964,057.46	0.00	0.00	0.00	1,041,805.18	24%	25%
TOTAL REVENUES	1,484,254.81	15,088,666.01	2,504,318.73	937,699.25	842,038.01	1,978,012.50	22,834,989.31	26%	26%
EXPENDITURES									
CERTIFICATED SALARIES		9,020,491.48	0.00	0.00	98,155.02	78,787.50	9,197,434.00	24%	25%
CERTIFICATED BENEFITS		1,809,063.53	0.00	0.00	11,327.25	5,569.38	1,825,960.16	22%	25%
NON-CERTIFICATED SALARIES & WAGES		1,987,854.32	495,866.60	490,146.54	299,381.29	223,199.55	3,496,448.30	26%	26%
NON-CERTIFICATED BENEFITS		546,656.96	117,161.74	48,502.19	65,025.82	41,474.96	818,821.67	26%	26%
SERVICE, CONTRACTS AND SUPPLIES	1,269,317.04	1,799,745.02	1,156,998.30	370,520.59	207,086.60	1,847,518.59	6,651,186.14	32%	30%
AMORTIZATION		117,841.14	1,036,321.67	181,832.79	31,784.58	39,716.04	1,407,496.22	24%	25%
INTEREST CHARGES		1,439.65	0.00	0.00	5,250.00	11,489.17	18,178.82	27%	25%
TOTAL EXPENSES	1,269,317.04	15,283,092.10	2,806,348.31	1,091,002.11	718,010.56	2,247,755.19	23,415,525.31	26%	26%
POSITIVE/-NEGATIVE VARIANCE TO DATE	214,937.77	-194,426.09	-302,029.58	-153,302.86	124,027.45	-269,742.69	-580,536.00		
ECS -Grade 12 labor cost analysis									
	2017-18 Q1	2018-19 Q1	change						
CERTIFICATED SALARIES	9,120,028	9,020,491	-99,537	-1.1%					
CERTIFICATED BENEFITS	1,770,277	1,809,064	38,787	2.2%					
NON-CERTIFICATED SALARIES & WAGES	1,958,639	1,987,854	29,215	1.5%					
NON-CERTIFICATED BENEFITS	506,010	546,657	40,647	8.0%					
	13,354,954	13,364,066	9,112	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 \$302 K at the end of the 1st 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 - November 2019					
Revenues	Total Budget	YTD Actuals	Budget	% Budget	Management
	Yr 2019/2020	Yr 2019/2020	Remaining	Used	Benchmark %
Alberta Education	6,627,485.00	1,438,645.98	5,188,839.02	22%	25%
Other Revenues	563,917.00	101,615.29	462,301.71	18%	25%
Amortization	4,337,887.00	964,057.46	3,373,829.54	22%	25%
Total Revenues	11,529,289.00	2,504,318.73	9,024,970.27	22%	25%
EXPENSES					
Non-Certificated Salaries and Benefits	2,556,493.00	613,028.34	1,943,464.66	24%	25%
Sub-Total	2,556,493.00	613,028.34	1,943,464.66	24%	25%
Supplies and Services	5,902,314.00	1,156,998.30	4,745,315.70	20%	25%
Amortization	4,624,004.00	1,036,321.67	3,587,682.33	22%	25%
Total Expenses	13,082,811.00	2,806,348.31	10,276,462.69	21%	25%
POSITIVE/(NEGATIVE) VARIANCE	-1,553,522.00	-302,029.58			
	Current Q1	Prior Year Q1			
YTD Actuals breakdown	YTD @ Nov. 30, 2019	YTD @ Nov. 30, 2018	% increase		
NON-CERTIFICATED SALARIES & WAGES	495,866.60	465,553.75	6.5%		
NON-CERTIFICATED BENEFITS	117,161.74	114,600.69	2.2%		
TOTAL LABOUR EXPENSE	613,028.34	580,154.44	5.7%		
SERVICE, CONTRACTS AND SUPPLIES	1,156,998.30	786,871.76	47.0%		
INTEREST CHARGES	-	-			
AMORTIZATION	1,036,321.67	895,562.91	15.7%		
TOTAL SERVICE & SUPPLIES	2,193,319.97	1,682,434.67	30.4%		
TOTAL EXPENSES	2,806,348.31	2,262,589.11	24.0%		

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 - November 30, 2019					
Revenues	Total 2019-20 Budget	YTD Actuals	Budget Remaining	% Budget Used	Management Benchmark %
Alberta Education	3,666,486	918,654	2,747,832	25.1%	25.0%
Other Revenues	95,000	19,045	75,955	20.0%	25.0%
Total Revenues	3,761,486	937,699	2,823,787	24.9%	25.0%
EXPENSES					
Non-Certificated Salaries and Benefits	1,842,190	538,649	1,303,541	29.2%	28.0%
Sub-Total	1,842,190	538,649	1,303,541	29.2%	28.0%
Services and Supplies	1,464,680	370,521	1,094,159	25.3%	27.0%
Amortization	746,640	181,833	564,807	24.4%	25.0%
Total Expenses	4,053,510	1,091,002	2,962,508	26.9%	27.0%
POSITIVE/(NEGATIVE) VARIANCE	-292,024	-153,303			
Variations in Services and Supplies	Budget	Actual	% of Budget Used	Management Benchmark %	
Contracted Bus Services	49,000.00	12,003.18	24%	29%	
Fuel	680,000.00	181,155.83	27%	29%	
Other supplies & services	735,680.00	177,361.58	24%	25%	
Total	1,464,680.00	370,520.59	25%	27%	

- a. For the first quarter, a negative YTD variance of **-\$153 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 **\$124K** for the first 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%.

- 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 NOVEMBER 30, 2019						
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	43,288.80	103,911.20	29%	
Trustee Travel & Supplies		81,500.00	14,494.36	67,005.64	18%	
TOTAL EXPENSES		\$ 228,700.00	\$ 57,783.16	\$ 170,916.84	25%	

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

5. External Services

For the first quarter, External Services has a negative variance of -\$270K, 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 **\$1,914,240** of **ISS tuition fees** revenue, of which **\$1,715,056** 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.