

Golden Hills School Division



1st Quarterly Report – Draft V1

September 2018 – November 2018

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, 2018**, 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 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 - November 30, 2018							
	Spring 2018/19 Annual Budget submitted May 29, 2018	Fall Update 2018/19 Annual Budget submitted Nov 27, 2018	Prorated Budget (25%) for Q1	YTD Actuals 2018/2019 -Q1	YTD Budget Variance-Q1	% Budget Rec'd/Used	Management Benchmark %
Revenues							
Alberta Education	68,779,535	70,167,309	17,541,827	17,435,406	-106,421	25%	25%
Federal Government and/or First Nations	1,512,658	1,622,314	405,579	541,187	135,608	33%	30%
Alberta Municipalities	42,200	47,200	11,800	0	-11,800	0%	50%
Fees	7,517,321	7,959,304	1,989,826	2,377,051	387,225	30%	30%
Other Revenues	2,262,000	3,602,458	900,615	1,070,819	170,205	30%	25%
Amortization	4,174,344	4,174,344	1,043,586	914,106	-129,480	22%	25%
Total Revenues	84,288,058	87,572,929	21,893,232	22,338,569	445,337	26%	26%
EXPENSES							
Certificated Salaries and Benefits	46,664,839	47,849,958	11,962,490	11,107,330	855,159	23%	24%
Non-Certificated Salaries and Benefits	15,549,402	15,949,232	3,987,308	4,147,794	-160,486	26%	26%
Sub-Total	62,214,241	63,799,190	15,949,798	15,255,125	694,673	24%	24%
Supplies and Services	19,806,707	19,077,716	4,769,429	6,126,787	-1,357,358	32%	30%
Amortization	5,439,514	5,543,523	1,385,881	1,273,785	112,096	23%	25%
Interest Charges	72,500	72,500	18,125	17,216	909	24%	25%
Total Expenses	87,532,962	88,492,929	22,123,232	22,672,913	-549,681	26%	26%
Surplus/(Deficit)	-3,244,904	-920,000	-230,000	-334,344			
POSITIVE/(NEGATIVE) BUDGET VARIANCE					-104,344		

Notes: Overall, a Deficit of -\$334K for the first 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 **\$334 K** year-to-date **excess of expenses over revenues** (deficit), along with the negative budget variance of approximately **-\$104 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 Q1		
Name of Grant	Amount Received	% of Grant Received
Regional Collaborative Service Delivery	\$ 628,473	58%
Infrastructure Maintenance & Repairs	\$ 812,879	46%
School Nutrition Program	\$ 156,310	80%
Supernet grant	\$ 95,193	47%
Family School Resource Counseling	\$ 57,941	25%
Total	<u>\$ 1,750,796</u>	

- 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 first quarters' operations are the following:

SGF Revenues	\$1,275,514
SGF Expenses	-\$ 962,238
Unexpended	\$ 313,238

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 **\$11,107,330** (23% of a \$47.8M 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 **\$4,147,794** (26% of a \$15.9M 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 (+694K) 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

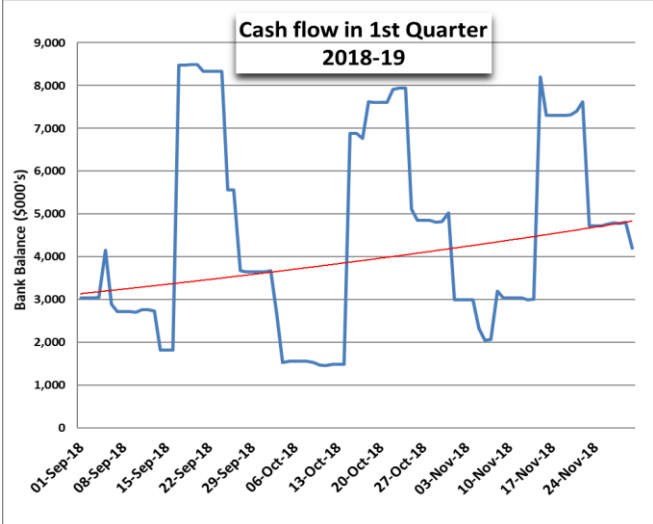
Supplies and services year-to-date are **\$6,126,787** (32% of \$19.8M budget). Because many of these costs occur over a 10-month school year and not the 12-month fiscal year, this results in higher costs in the first 3 quarters and lower costs in the 4th quarter. Department managers will continue to 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 somewhat higher compared to the same time period last year by approximately \$259K. However, the supply & services budget was increased over last year by approximately \$1.0M so the expenditures are in line at 32% YTD, same as a previous year.*

III AVERAGE SOURCE AND USE OF CASH

A. Approximate average monthly cash flow values as at November 30, 2018:

Statement of Cash Flow	
Grants/Fees	6,500,000.00
Account Receivable	525,000.00
Total Cash In	7,025,000.00
Accounts Payable	3,025,000.00
Payroll	3,800,000.00
Total Cash Out	6,825,000.00



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, 2018, **\$4.5M** 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 \$4.5M are cashable after 90 days from purchase date.

At present, we are utilizing the services of one Institutional Cash Management Financial Advisory Team – **Canaccord Genuity Corp.** As at November 30th, we had **\$4.5M** invested in GIC's with maturing dates ranging from October 7th to November 21st, 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 - November 30, 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		14,209,068.19	1,363,136.67	897,291.60	744,815.16	0.00	17,214,311.62	25%	25%
OTHER - GOVERNMENT OF ALBERTA		214,251.40	6,843.00	0.00	0.00	0.00	221,094.40	63%	50%
FEDERAL GOV'T AND/OR FIRST NATIONS		478,686.51	62,499.99	0.00	0.00	0.00	541,186.50	33%	25%
ALBERTA MUNICIPALITIES/SCHOOL AUTH.		0.00	0.00	0.00	0.00	0.00	0.00	0%	0%
INSTRUCTIONAL RESOURCE FEES		17,850.00		0.00	0.00	0.00	17,850.00	31%	25%
FEES	482,976.93	0.00				1,876,224.11	2,359,201.04	31%	30%
FUNDRAISING REVENUES -SGF	168,455.56						168,455.56	42%	30%
OTHER SALES AND SERVICES	605,038.67	0.00	0.00	15,960.35	0.00	82,909.80	703,908.82	25%	25%
INVESTMENT INCOME		0.00		0.00	36,951.81	0.00	36,951.81	25%	25%
GIFTS AND DONATIONS -SGF	19,042.98	47,259.80	0.00	0.00	0.00	0.00	66,302.78	40%	30%
RENTAL OF FACILITIES		190.50	39,945.63	0.00	0.00	8,800.00	48,936.13	50%	30%
OTHER REVENUES		9,477.00	0.00	6,000.00	30,787.28	0.00	46,264.28	37%	30%
AMORTIZATION OF CAPITAL ALLOCATIONS		46,897.50	867,208.50	0.00	0.00	0.00	914,106.00	22%	25%
TOTAL REVENUES	1,275,514.14	15,023,680.90	2,339,633.79	919,251.95	812,554.25	1,967,933.91	22,338,568.94	26%	26%
EXPENDITURES									
CERTIFICATED SALARIES		9,120,028.09	0.00	0.00	98,155.02	100,673.91	9,318,857.02	24%	25%
CERTIFICATED BENEFITS		1,770,277.24	0.00	0.00	11,565.41	6,630.39	1,788,473.04	20%	25%
NON-CERTIFICATED SALARIES & WAGES		1,958,639.42	492,395.63	474,425.75	297,608.68	160,362.12	3,383,431.60	26%	26%
NON-CERTIFICATED BENEFITS		506,009.65	118,535.45	44,255.17	63,279.53	32,283.05	764,362.85	24%	26%
SERVICE, CONTRACTS AND SUPPLIES	962,276.61	1,949,631.31	823,913.39	428,319.84	289,807.77	1,672,838.26	6,126,787.18	32%	30%
AMORTIZATION		92,580.96	930,241.47	191,874.63	21,370.23	37,717.68	1,273,784.97	23%	25%
INTEREST CHARGES		377.00	0.00	0.00	5,250.00	11,589.18	17,216.18	24%	25%
TOTAL EXPENSES	962,276.61	15,397,543.67	2,365,085.94	1,138,875.39	787,036.64	2,022,094.59	22,672,912.84	26%	26%
POSITIVE/- NEGATIVE VARIANCE TO DATE	313,237.53	-373,862.77	-25,452.15	-219,623.44	25,517.61	-54,160.68	-334,343.90		
ECS -Grade 12 labor cost analysis									
	2017-18 Q1	2018-19 Q1	change						
CERTIFICATED SALARIES	9,190,836	9,120,028	-70,808	-0.8%					
CERTIFICATED BENEFITS	1,833,390	1,770,277	-63,112	-3.4%					
NON-CERTIFICATED SALARIES & WAGES	1,919,032	1,958,639	39,607	2.1%					
NON-CERTIFICATED BENEFITS	561,195	506,010	-55,186	-9.8%					
	13,504,453	13,354,954	-149,499	-1.1%					

B. ANALYSIS OF REVENUE/ EXPENSES BY ENVELOPE

1. Instruction

- A negative variance within the Instruction envelope occurred, in part, because of the non-certified benefit cost is higher than budgeted.
- 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.
- Analysis of collection of outstanding Instructional Resources Fees (prior years) as at November 30, 2018 are as follows:

Invoiced	Collected –prior years	Waived
\$ 0	\$ 95	\$ 0

- 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 62% 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 \$25 K at the end of the 1st quarter is primarily the result of lower IMR project spending in the first quarter.

Golden Hills School Division					
Statement of Revenue and Expenses - Comparison to Budget					
Plant Operations and Maintenance					
Period - September 2018 - November 2018					
Revenues	Total Budget	YTD Actuals	Budget	% Budget	Management Benchmark %
	Yr 2018/2019	Yr 2018/2019	Remaining	Used	
Alberta Education	6,389,243.00	1,363,136.67	5,026,106.33	21%	25%
Other Revenues	560,917.00	109,288.62	451,628.38	19%	25%
Amortization	4,174,344.00	867,208.50	3,307,135.50	21%	25%
Total Revenues	11,124,504.00	2,339,633.79	8,784,870.21	21%	25%
EXPENSES					
Non-Certificated Salaries and Benefits	2,413,012.00	610,931.08	1,802,080.92	25%	25%
Sub-Total	2,413,012.00	610,931.08	1,802,080.92	25%	25%
Supplies and Services	4,964,153.00	823,913.39	4,140,239.61	17%	25%
Amortization	4,376,213.00	930,241.47	3,445,971.53	21%	25%
Total Expenses	11,753,378.00	2,365,085.94	9,388,292.06	20%	25%
POSITIVE/(NEGATIVE) VARIANCE	-628,874.00	-25,452.15			
	Current Q1	Prior Year Q1			
YTD Actuals breakdown	YTD @ Nov. 30, 2018	YTD @ Nov. 30, 2017	% increase		
NON-CERTIFICATED SALARIES & WAGES	492,395.63	465,553.75	5.8%		
NON-CERTIFICATED BENEFITS	118,535.45	114,600.69	3.4%		
TOTAL LABOUR EXPENSE	610,931.08	580,154.44	5.3%		
SERVICE, CONTRACTS AND SUPPLIES	823,913.39	786,871.76	4.7%		
INTEREST CHARGES	-	-			
AMORTIZATION	930,241.47	895,562.91	3.9%		
TOTAL SERVICE & SUPPLIES	1,754,154.86	1,682,434.67	4.3%		
TOTAL EXPENSES	2,365,085.94	2,262,589.11	4.5%		

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, 2018 - November 30, 2018					
	Total 2018-19 Budget	YTD Actuals	Budget Remaining	% Budget Used	Management Benchmark %
Revenues					
Alberta Education	3,720,030	897,292	2,822,738	24.1%	25.0%
Other Revenues	75,000	21,960	53,040	29.3%	25.0%
Total Revenues	3,795,030	919,252	2,875,778	24.2%	25.0%
EXPENSES					
Non-Certificated Salaries and Benefits	1,767,114	518,681	1,248,433	29.4%	27.0%
Sub-Total	1,767,114	518,681	1,248,433	29.4%	27.0%
Services and Supplies	1,538,588	428,320	1,110,268	27.8%	28.4%
Amortization	736,238	191,875	544,363	26.1%	25.0%
Total Expenses	4,041,940	1,138,875	2,903,065	28.2%	26.0%
POSITIVE/(NEGATIVE) VARIANCE	-246,910	-219,623			
Variations in Services and Supplies	Budget	Actual	% of Budget Used	Management Benchmark %	
Contracted Bus Services	210,000.00	78,358.53	37%	30%	
Fuel	723,961.00	214,547.33	30%	30%	
Other supplies	604,627.00	135,413.98	22%	25%	
Total	1,538,588.00	428,319.84	28%	28%	

- a. For the first quarter, a negative YTD variance of **-\$220 K** can be attributed in part to the following:
- Contract bus services are 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 \$-246K 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 **\$26K** for the first quarter. It is however, anticipated that this will reach 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, 2018 TO NOVEMBER 30, 2018						
			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	41,361.42	108,838.58	28%
Trustee Travel & Supplies			84,500.00	17,840.55	66,659.45	21%
TOTAL EXPENSES			\$ 234,700.00	\$ 59,201.97	\$ 175,498.03	25%

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

5. External Services

For the first quarter, External Services has a negative variance of -\$54K, 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 **\$1,954,686** of **ISS tuition fees** revenue, of which **\$1,683,618** 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.