

Golden Hills School Division No.75



2nd Quarterly Report Draft V.2

September 2012 – February 2013

Prepared by the Finance Department for the April, 2013 Board Meeting

Purpose of Quarterly Report

1. Monitor Activity
2. Review Variances

I Context

The second quarterly financial report lists revenues and expenditures recorded to **February 28, 2013**, which are the first **six** months of the year. The number of months expended in the year are three (6); therefore the normal benchmark for comparison is 50% (6/12 months) or 60% (6/10) months for some categories.

The *updated Budget* was submitted to Alberta Education November 30, 2012 and budget points of reference are from the November 30, 2012 submitted budget.

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, 2012 - February 28, 2013							
	Initial Annual Budget	Revised Annual Budget	Prorated Budget	YTD Actuals	YTD Budget	% Budget	Management
Revenues	2012/2013	Fall Update 2012/2013	for Q2	2012/2013 -Q2	Variance-Q2	Rec'd/Used	Benchmark %
Alberta Education	62,571,881	64,241,161	32,120,581	33,153,634	1,033,053	52%	50%
Federal Government and/or First Nations	1,371,738	1,340,000	670,000	822,563	152,563	61%	60%
Alberta Municipalities	67,200	67,200	33,600	67,200	33,600	100%	100%
Fees	1,600,000	1,575,000	787,500	752,302	-35,198	48%	50%
Transportation Fees	0	0	0	0	0	0%	0%
Other Revenues	5,298,709	4,783,499	2,391,750	3,555,583	1,163,834	74%	60%
Amortization	2,631,309	2,636,284	1,318,142	1,411,342	93,200	54%	50%
Total Revenues	73,540,837	74,643,144	37,321,572	39,762,624	2,441,052	53%	53%
EXPENSES							
Certificated Salaries and Benefits	42,230,210	41,959,989	20,979,995	20,564,926	415,069	49%	50%
Non-Certificated Salaries and Benefits	12,561,473	12,701,225	6,350,613	6,888,823	-538,211	54%	55%
Sub-Total	54,791,683	54,661,214	27,330,607	27,453,749	-123,142	50%	52%
Supplies and Services	16,976,121	17,024,723	8,512,362	9,179,483	-667,122	54%	50%
Amortization	3,320,372	3,524,854	1,762,427	1,749,790	12,637	50%	50%
Interest Charges	133,126	135,000	67,500	65,449	2,051	48%	50%
Total Expenses	75,221,302	75,345,791	37,672,896	38,448,472	-775,576	51%	51%
Budgeted Surplus/(Deficit)	-1,680,465	-702,647	-351,324	1,314,152			
POSITIVE/(NEGATIVE) BUDGET VARIANCE					1,665,476		

B. Notes on Comparison to Budget – Revenues

The overall **\$1,314K** year-to-date excess of revenues over expenses, and the positive budget variance of approximately **\$1,665K**, is, in part, the result of the following:

- 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-Q2			
Name of Grant	Amount Received	% of Grant Received	
RCSD Regional Planning Team Support	\$ 38,000	100%	
IMR grant	\$ 504,411	50%	
SHIP grant	\$ 485,067	58%	
Supernet grant	\$ 139,992	58%	
Fuel Price Contingency Funding	\$ 172,247	82%	
School Facility Leasing Cost	\$ 587,264	100%	

- Included in the second quarter are SGF year-to-date revenues of \$1,642,086 and SGF year-to-date expenses of \$1,527,134. This inclusion represents compliance with the new SGF reporting requirements. The term “School Generated Funds” has disappeared so the old SGF Assets are now reported as Cash and temporary investments and the old SGF Liabilities are now reported as Deferred Revenue.
- Approximately 65% of Internationals’ deferred revenues have been recognized (\$2.08M) vs. an overall International revenue budget of \$2.75M, contributing over **\$700K** towards the overall positive variance recorded under total revenues.

C Notes on Comparison to Budget - Expenses

Certificated Salaries and Benefits

Total Certificated Salaries and Benefits for the 2nd quarter were \$20,564,926 (49% of a \$42M budget) which is lower 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 year. This positive variance of \$415K is minimal indicating overall labour costs are within targets.

Non-Certificated Salaries and Benefits

Total Non-Certificated Salaries and Benefits for the 2nd quarter was \$6,888,823 (54% of budgeted \$12.7M); A majority of non-certificated staff is paid over 10 months not 12 months;

therefore the expenditure is higher for first 10 months but decreases in the last TWO months. This is a similar variance achieved in the 2nd quarter of the previous year.

Supplies and Services

Supplies are \$9,179,483 (54% of budget \$17.0M). Because much 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 monitor their budgets throughout the year to ensure they stay within their spending limits.

Overall, supply costs year-to-date at February 28th are showing a negative variance of approximately **\$-667K**. This compares against a negative variance of \$-872K in the previous quarter (Q1).

The overall second quarter **positive variance of \$1,665K**, when mediated by all the factors highlighted in this report, is estimated to be in the actual range of \$250,000 to \$500,000.

III Average Source and Use of Cash

- A. Approximate average monthly cash flow values as at February 28, 2013:

Statement of Cash Flow	
Grants	5,300,000.00
Account Receivable	250,000.00
Total Cash In	5,550,000.00
Accounts Payable	2,500,000.00
Payroll	2,850,000.00
Total Cash Out	5,350,000.00

- 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 comprise the largest part of the budget. Note: as of the date of report, \$4.0M of the cash balance has been invested into 18-month GIC's to obtain more favourable investment returns. \$5.0M has been transferred into a premium investment account. Interest yields on these short term investments ranged from 1.27% to 1.70%.

Positive/Negative Variance – profit/surplus is not an actual record of money. This number does not represent actual cash. For example, amortization is a way of the spreading the cost of an asset over many years but there is not actual exchange of cash in that particular period.

- C. Other Notes:

Depreciation is 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 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 or liabilities, whereas, depreciation is a term restricted to tangible assets only.

1V Revenue and Expenses by Envelope September 1, 2012 – February 28, 2013

A.

GOLDEN HILLS SCHOOL DIVISION #75									
Revenue and Expenses by Envelope									
From September 1, 2012 - February 28, 2013									
REVENUE FROM	SGF & General	ECS -Grade 12	Operations and Maintenance	Transportation	Board and System Admin	External Services	Total	% Budget Rec'd / Used	Management Benchmark %
ALBERTA EDUCATION		26,525,522.15	3,334,815.75	1,908,134.48	1,279,099.49	-	33,047,571.87	25%	25%
OTHER - GOVERNMENT OF ALBERTA		96,178.00	9,883.80	-	-	-	106,061.80	25%	25%
FEDERAL GOV'T AND/OR FIRST NATIONS		747,562.88	75,000.00	-	-	-	822,562.88	19%	19%
ALBERTA MUNICIPALITIES/SCHOOL AUTH.		67,200.00	-	-	-	-	67,200.00	100%	100%
INSTRUCTIONAL RESOURCE FEES		382,818.27	-	-	-	-	382,818.27	25%	25%
TRANSPORTATION FEES		-	-	-	-	-	-	0%	0%
FEES	358,483.39	11,000.00					369,483.39	25%	25%
FUNDRAISING REVENUES -SGF	409,194.55						409,194.55	25%	25%
OTHER SALES AND SERVICES	769,322.12	-	-	2,017.90	99.10	2,082,098.92	2,853,538.04	25%	25%
INVESTMENT INCOME		-	-	-	73,642.13	-	73,642.13	25%	25%
GIFTS AND DONATIONS -SGF	105,086.40	-	-	-	-	-	105,086.40	0%	25%
RENTAL OF FACILITIES		3,836.57	80,118.71	-	-	-	83,955.28	25%	25%
OTHER REVENUES		28,095.77	-	2,071.00	-	-	30,166.77	25%	25%
AMORTIZATION OF CAPITAL ALLOCATIONS		42,474.54	1,368,867.90		-		1,411,342.44	27%	25%
TOTAL REVENUES	1,642,086.46	27,904,688.18	4,868,686.16	1,912,223.38	1,352,840.72	2,082,098.92	39,762,623.82	25%	25%
EXPENDITURES									
CERTIFICATED SALARIES		16,892,481.32	-	-	152,029.33	9,999.47	17,054,510.12	22%	23%
CERTIFICATED BENEFITS		3,483,253.39	-	-	26,158.27	1,004.20	3,510,415.86	26%	27%
NON-CERTIFICATED SALARIES & WAGES		2,972,464.33	1,182,796.06	595,263.95	493,508.93	229,432.03	5,473,465.30	22%	23%
NON-CERTIFICATED BENEFITS		890,051.40	295,581.05	71,943.22	119,370.68	38,411.51	1,415,357.86	26%	27%
SERVICE, CONTRACTS AND SUPPLIES	1,527,134.13	2,634,130.56	2,124,075.16	1,328,289.56	375,928.40	1,189,925.29	9,179,483.10	30%	29%
AMORTIZATION		101,870.88	1,395,366.06	140,799.36	58,530.72	53,223.36	1,749,790.38	25%	25%
INTEREST CHARGES		456.00	9,883.80	-	19,375.02	35,734.27	65,449.09	24%	25%
TOTAL EXPENSES	1,527,134.13	26,974,707.88	5,007,702.13	2,136,296.09	1,244,901.35	1,557,730.13	38,448,471.71	25%	25%
POSITIVE/-NEGATIVE VARIANCE TO DATE	114,952.33	929,980.30	(139,015.97)	(224,072.71)	107,939.37	524,368.79	1,314,152.11		
Note: Add unrecorded earned grant revenues			-	-			-		
Actual Positive/-Negative Variance after ADJS.			(139,015.97)	(224,072.71)			1,314,152.11		

B. ANALYSIS OF REVENUE/ EXPENSES BY ENVELOPE

1. Instruction

- Within the Instruction envelope, a positive variance of \$930K occurred primarily because of a) the timing of certain grants resulted in higher revenues compared to budget and b) hiring continues to occur to fill all the required positions and benefit costs are lower towards the end of the calendar year because maximums on certain benefits premiums are reached.

- Instructional Resource Fees are collected at the schools and a process is in place for monthly submission by the schools to include in the quarterly reports.
- Analysis of collection of Instructional Resources Fees (current year) as at February 28, 2013 is as follows:

Invoiced	Collected	Waived
\$337,248	\$220,970 (65.5%)	\$795 (0.2%)

- Note: Resource fees for 2012-13 have been reduced by 50% over prior year's rates.
- In the previous year, collections of Resource Fees were at 61% at Feb 28, 2012.

2. Plant Operations and Maintenance

- A negative variance of approximately **-\$139,016** is the actual result at the end of the 2nd quarter. Utilities and snow removal are higher than anticipated as a result of a colder winter along with more snow. Often this balances out through the year. It is anticipated that Plant Operations & Maintenance will finish the year with a near balanced budget at fiscal year-end.

Golden Hills School Division No.75					
Statement of Revenue and Expenses - Comparison to Budget					
Plant Operations and Maintenance					
Period - September 2012 - February 2013					
Revenues	Total Budget Yr 2012/2013	YTD Actuals Yr 2012/2013	Budget Remaining	% Budget Used	Management Benchmark %
Alberta Education	5,837,009.00	3,334,815.75	2,502,193.25	57%	55%
Other Revenues	1,359,064.00	165,002.51	1,194,061.49	12%	12%
Amortization	2,636,284.00	1,368,867.90	1,267,416.10	52%	50%
Total Revenues	9,832,357.00	4,868,686.16	4,963,670.84	50%	50%
EXPENSES					
Non-Certificated Salaries and Benefits	3,021,939.00	1,478,377.11	1,543,561.89	49%	50%
Sub-Total	3,021,939.00	1,478,377.11	1,543,561.89	49%	50%
Supplies and Services	3,927,277.00	2,133,958.96	1,793,318.04	54%	50%
Amortization	2,883,141.00	1,395,366.06	1,487,774.94	48%	50%
Total Expenses	9,832,357.00	5,007,702.13	4,824,654.87	51%	50%
POSITIVE/(NEGATIVE) VARIANCE		-139,015.97			
YTD Actuals breakdown	YTD @ Feb 28, 2013				
NON-CERTIFICATED SALARIES & WAGES	1,182,796.06				
NON-CERTIFICATED BENEFITS	295,581.05				
TOTAL LABOUR EXPENSE	1,478,377.11				
SERVICE, CONTRACTS AND SUPPLIES	2,124,075.16				
INTEREST CHARGES	9,883.80				
AMORTIZATION	1,395,366.06				
TOTAL SERVICE & SUPPLIES	3,529,325.02				
TOTAL EXPENSES	5,007,702.13				

2. Transportation

Golden Hills School Division No.75					
Statement of Revenue and Expenses - Comparison to Budget					
Transportation					
Period - September 1, 2012 - February 28, 2013					
Revenues	Total 2012-13 Budget	YTD Actuals	Budget Remaining	% Budget Used	Management Benchmark %
Alberta Education	3,578,858	1,735,887	1,842,971	49%	50%
Other Revenues	280,000	176,336	103,664	63%	50%
Amortization	0	0	0		
Total Revenues	3,858,858	1,912,223	1,946,635	50%	50%
EXPENSES					
Non-Certificated Salaries and Benefits	1,143,705	667,207	476,498	58%	55%
Sub-Total	1,143,705	667,207	476,498	58%	55%
Services and Supplies	2,402,440	1,328,290	1,074,150	55%	57%
Amortization	312,713	140,799	171,914	45%	50%
Total Expenses	3,858,858	2,136,296	1,722,562	55%	54%
POSITIVE/(NEGATIVE) VARIANCE	0.00	-224,072.71			
Variances in Services and Supplies	Budget	Actual	% of Budget Used	Management Benchmark %	
Contracted Bus Services	1,678,943.00	963,407.23	57%	55%	
Fuel	410,991.00	202,132.80	49%	55%	
Other supplies	256,902.00	162,749.97	63%	60%	
Total	2,346,836.00	1,328,290.00	57%	57%	

a. For the second quarter a negative variance of **-\$224,072** is attributed 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 for the 2012-13 were charged. However, efforts are made to collect on the outstanding fees from 2011-12. (\$10,020)

Invoiced in Q1 – 2012-13	Collected from 2011-12 year	Waived
\$nil	\$1,270	nil

c. It is anticipated that due to the elimination of the Fuel Price Contingency mid-year, transportation will be in a deficit at year end.

4. Board and System Administration

A break-even year for Board and System Administration is expected for the year end.

System administration is on target with a positive variance of **\$107,939** showing for the second quarter. This is not enveloped funding, rather systems are permitted to spend 4% of their expenditures. 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 always under 4%, usually less than 25% below what is allowed under the current formula.

- 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 , 2012 TO FEBRUARY 28, 2013						
Expense		ANNUAL BUDGET	YTD ACTUALS	BUDGET REMAINING	% BUDGET USED	
Budgeted Revenues		180,805.00	180,805.00	-	100%	
TOTAL REVENUES		\$ 180,805.00	\$ 180,805.00	\$ -	100%	
Trustee Earnings and Benefits		106,000.00	46,643.19	59,356.81	44%	
Trustee Travel & Supplies		74,805.00	31,474.00	43,331.00	42%	
TOTAL EXPENSES		\$ 180,805.00	\$ 78,117.19	\$ 102,687.81	43%	

- Board expenses are well below the projected expenditure amount.

5. External Services

- For the second quarter, External Services has a year-to-date positive variance of **\$524,368**. External Services includes International Services, joint use agreements and external contract service agreements. Included within the first two quarters is the recognition of \$1,148,993 of ISS tuition fee revenues (originally recorded as Deferred Revenue). 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. This accelerated proration of revenue recognition in the first half of the fiscal year contributes approximately \$300K towards External Services' year-to-date positive variance.
- A break-even for External Services is anticipated for year-end.

SUMMARY OF QUARTERLY

Overall, GHSD appears to be on track and is aligned with meeting the Board November 30, 2012 approved and submitted budget with the exception of the mid-year elimination of Alberta Initiative for School Improvement (AIS) and Fuel Price Contingency. It is anticipated that due to unanticipated elimination of both these grants there will now be deficits in both the Transportation and AIS budgets.