

Golden Hills School Division No.75



3rd Quarterly Report – draft V1.4

September 2017 – May 2018

Prepared by the Finance Department for the June 19, 2018 Board Meeting

Purpose of Quarterly Report

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

I Context

The third quarterly financial report lists revenues and expenditures recorded to **May 31, 2018**, which represent the first **nine** months of the fiscal year. The number of months expended in the 3rd quarter are nine (9); therefore the normal benchmark for comparison is 75% (9/12 months) or 90% (9/10 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 - May 31, 2018							
	Initial 2017/18 Annual Budget submitted June 20, 2017	Revised 2017/18 Annual Budget submitted Nov 30, 2017	Prorated Budget for Q3	YTD Actuals 2017/2018 -Q3	YTD Budget Variance-Q3	% Budget Rec'd/Used	Management Benchmark %
Revenues							
Alberta Education	69,507,360	70,428,981	52,821,736	51,706,167	(1,115,568)	73%	75%
Federal Government and/or First Nations	1,404,765	1,537,565	1,153,174	1,297,497	144,323	84%	75%
Alberta Municipalities	70,000	40,000	30,000	47,200	17,200	118%	100%
Fees	6,723,772	6,166,504	4,624,878	6,739,957	2,115,079	109%	100%
Other Revenues	1,321,500	3,372,761	2,529,571	3,844,059	1,314,488	114%	95%
Amortization	3,513,950	3,650,000	2,737,500	2,878,141	140,641	79%	75%
Total Revenues	82,541,347	85,195,811	63,896,858	66,513,021	2,616,163	78%	78%
EXPENSES							
Certificated Salaries and Benefits	46,046,673	47,164,507	35,373,380	34,630,022	743,358	73%	75%
Non-Certificated Salaries and Benefits	14,356,609	15,375,526	11,531,645	12,378,575	(846,931)	81%	80%
Sub-Total	60,403,282	62,540,033	46,905,025	47,008,598	(103,573)	75%	76%
Supplies and Services	18,075,016	18,339,388	13,754,541	15,262,681	(1,508,140)	83%	80%
Amortization	5,124,269	5,298,333	3,973,750	3,957,177	16,572	75%	75%
Interest Charges	70,000	70,000	52,500	61,362	(8,862)	88%	75%
Total Expenses	83,672,567	86,247,754	64,685,816	66,289,818	(1,604,003)	77%	77%
Surplus/(Deficit)	(1,131,220)	(1,051,943)	(788,957)	223,203			
POSITIVE/(NEGATIVE) BUDGET VARIANCE					1,012,160		

Notes: Overall, a surplus of \$223K for the third quarter is well below the projected deficit budget planned for the 2017-18 fiscal year.

B. Notes on Comparison to Budget – Revenues

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** which is not included in the overall revenues.

- The overall **\$223K** year-to-date excess of revenues over expenses 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 Q3		
Name of Grant	Amount Received	% of Grant Received
Building Collaboration/Capacity in Education	\$ 53,265	100%
Innovation in First Nations Educatin (IFNE)	\$ 89,358	100%
Regional Collaborative Service Delivery	\$ 880,721	100%
School Nutrition Program	\$ 140,927	100%
Supernet grant	\$ 241,600	100%
Family School Resource Counseling	\$ 163,980	75%

Total **\$ 1,569,851**

- Revenues from Alberta Education have contributed to the overall revenue variance by \$353K (1,570K less a 9-month calculated equivalent of 1,217K), primarily due to certain grants being received in lump amounts covering more than 9 months of revenues.
- Included in the Third Quarters’ operations are the following:

SGF Revenues	\$3,435,473
SGF Expenses	<u>-\$3,158,075</u>
Under expended	\$ 277,398

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 3rd quarter were **\$34,630,022** (73% of a \$46.1M budget) which is less than what the budget would permit by the 3rd 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 3rd quarter were **\$12,378,575** (81% 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 -\$846K will be monitored over the next quarter; however, because of the decreased payroll costs over the summer months, we anticipate this variance to significantly reduce by year-end.

Supplies and Services

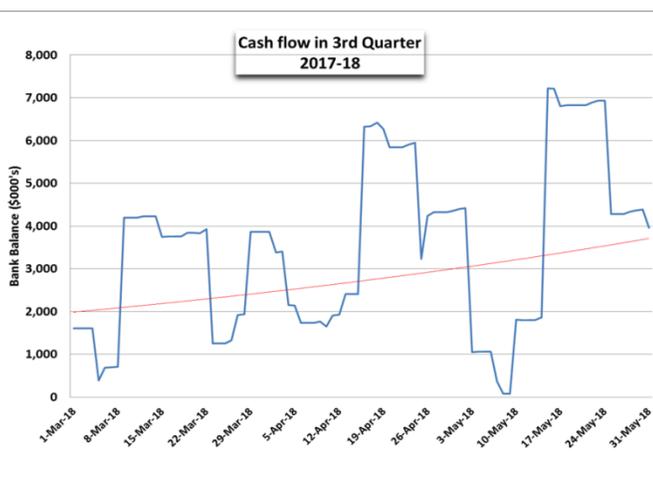
Supplies and services year-to-date are **\$15,390,394** (84% of \$18.3M budget). Because many of these costs occur over a 10-month school year and not the 12-month fiscal year, this results in higher costs in the first 3 quarters and lower costs in the 4th quarter. Department managers will continue to carefully monitor their budgets throughout the year to ensure they stay within their spending limits.

- Overall, the spend % of supply costs year-to-date at May 31st is comparable to prior years. 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 May 31, 2018:

Statement of Cash Flow	
Grants/Fees	6,856,000.00
Account Receivable	375,000.00
Total Cash In	7,231,000.00
Accounts Payable	2,950,000.00
Payroll	4,025,000.00
Total Cash Out	6,975,000.00



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 May 31, 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 May 31st, Canaccord Genuity held \$3.0M in GIC's and Raymond James \$1.5M with maturing dates ranging from June 25' 2018 to February 26' 2019, earning yields ranging from 1.75%-2.10%.

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. 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 – May 31, 2018

A.

GOLDEN HILLS SCHOOL DIVISION #75									
Revenue and Expenses by Envelope									
From September 1, 2017 - May 31, 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		42,961,953.64	3,713,635.13	2,770,059.93	2,105,912.63	0.00	51,551,561.33	73%	75%
OTHER - GOVERNMENT OF ALBERTA		304,907.00	0.00	0.00	0.00	0.00	304,907.00	25%	75%
FEDERAL GOV'T AND/OR FIRST NATIONS		1,109,997.18	187,499.98	0.00	0.00	0.00	1,297,497.16	84%	75%
ALBERTA MUNICIPALITIES/SCHOOL AUTH.		47,200.00	0.00	0.00	0.00	0.00	47,200.00	118%	100%
ADULT/ALTERNATIVE FEES		62,050.00		0.00	0.00	0.00	62,050.00	109%	95%
FEES	974,438.34	0.00				5,553,167.11	6,527,605.45	108%	75%
FUNDRAISING REVENUES -SGF	349,266.68						349,266.68	54%	75%
OTHER SALES AND SERVICES	2,078,274.25	1,369,651.29	1,267.00	75,770.04	84.45	(1,063,391.15)	2,461,655.88	197%	90%
INVESTMENT INCOME		0.00		0.00	95,289.29	0.00	95,289.29	100%	75%
GIFTS AND DONATIONS -SGF	33,493.40	107,182.90	0.00	0.00	0.00	0.00	140,676.30	33%	75%
RENTAL OF FACILITIES		2,427.66	104,852.29	0.00	0.00	22,000.00	129,279.95	121%	75%
OTHER REVENUES		121,044.60	521,016.89	24,486.96	1,342.57	0.00	667,891.02	112%	90%
AMORTIZATION OF CAPITAL ALLOCATIONS		140,692.50	2,737,448.25	0.00	0.00	0.00	2,878,140.75	79%	75%
TOTAL REVENUES	3,435,472.67	46,227,106.77	7,265,719.54	2,870,316.93	2,202,628.94	4,511,775.96	66,513,020.81	78%	77%
EXPENDITURES									
CERTIFICATED SALARIES		27,671,526.86	0.00	0.00	294,465.06	275,951.45	28,241,943.37	73%	75%
CERTIFICATED BENEFITS		6,283,591.42	0.00	0.00	72,054.44	32,433.20	6,388,079.06	75%	75%
NON-CERTIFICATED SALARIES & WAGES		5,885,609.38	1,386,105.38	1,409,417.83	869,386.67	426,205.89	9,976,725.15	82%	80%
NON-CERTIFICATED BENEFITS		1,620,035.59	350,719.41	145,896.26	197,405.63	87,793.18	2,401,850.07	74%	80%
SERVICE, CONTRACTS AND SUPPLIES	3,158,074.87	3,969,428.88	2,958,707.12	1,234,253.31	631,826.27	3,310,391.00	15,262,681.45	83%	80%
AMORTIZATION		277,742.77	2,926,547.17	575,623.79	64,110.62	113,153.08	3,957,177.43	75%	75%
INTEREST CHARGES		1,107.00	0.00	0.00	18,000.00	42,254.66	61,361.66	88%	75%
TOTAL EXPENSES	3,158,074.87	45,709,041.90	7,622,079.08	3,365,191.19	2,147,248.69	4,288,182.46	66,289,818.19	77%	77%
POSITIVE/-NEGATIVE VARIANCE TO DATE	277,397.80	518,064.87	(356,359.54)	(494,874.26)	55,380.25	223,593.50	223,202.62		
ECS -Grade 12 labor cost analysis									
	2016-17 Q3	2017-18 Q3	change						
CERTIFICATED SALARIES	27,987,256	27,671,527	-315,729	-1.1%					
CERTIFICATED BENEFITS	5,950,095	6,283,591	333,497	5.6%					
NON-CERTIFICATED SALARIES & WAGES	5,826,970	5,885,609	58,640	1.0%					
NON-CERTIFICATED BENEFITS	1,617,319	1,620,036	2,716	0.2%					
	41,381,640	41,460,763	79,123	0.2%					

B. ANALYSIS OF REVENUE/EXPENSES BY ENVELOPE

1. Instruction

- A surplus variance within the Instruction envelope occurred primarily because of the timing of certain grants which 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 May 31, 2018 is as follows:

Invoiced	Collected –prior years	Waived
\$ 0	\$ 4,050	\$ 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 \$59,374 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. Amounts requiring collection have lessened with the introduction of KEV as roughly 65% of parents are utilizing the payment-on-line option for school fees.

2. Plant Operations and Maintenance (PO&M)

Note: not included are 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 - May 2018					
Revenues	Total Budget	YTD Actuals	Budget	% Budget	Management
	Yr 2017/2018	Yr 2017/2018	Remaining	Used	Benchmark %
Alberta Education	6,796,567	3,713,635	3,082,932	55%	75%
Other Revenues	560,917	814,636	-253,719	145%	75%
Amortization	3,650,000	2,737,448	912,552	75%	75%
Total Revenues	11,007,484	7,265,720	3,741,764	66%	75%
EXPENSES					
Non-Certificated Salaries and Benefits	2,293,984	1,736,825	557,159	76%	75%
Sub-Total	2,293,984	1,736,825	557,159	76%	75%
Supplies and Services	5,083,819	2,958,707	2,125,112	58%	75%
Amortization	3,898,478	2,926,547	971,931	75%	75%
Total Expenses	11,276,281	7,622,079	3,654,202	68%	75%
POSITIVE/(NEGATIVE) VARIANCE	-268,797	-356,360			
ALAIRE dissolution asset distribution (\$457,377) not included.					
YTD Actuals breakdown	YTD @ May 31, 2018	Prior YTD @ May 31, 2017	\$ increase (decrease) over Prior Year	% increase (decrease)	
NON-CERTIFICATED SALARIES & WAGES	1,386,105	1,626,810	(240,705)	-15%	
NON-CERTIFICATED BENEFITS	350,719	430,877	(80,158)	-19%	
TOTAL LABOUR EXPENSE	1,736,825	2,057,687	(320,862)	-16%	
SERVICE, CONTRACTS AND SUPPLIES	2,958,707	2,698,114	260,593	10%	
INTEREST CHARGES	-	-	0		
AMORTIZATION	2,926,547	2,418,423	508,124	21%	
TOTAL SERVICE & SUPPLIES	5,885,254	5,116,537	768,717	15%	
TOTAL EXPENSES	7,622,079	7,174,224	447,855	6%	

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 - May 31, 2018					
Revenues	Total 2017-18 Budget	YTD Actuals	Budget Remaining	% Budget Used	Management Benchmark %
Alberta Education	3,748,655	2,770,060	978,595	73.9%	75.0%
Other Revenues	70,000	100,257	(30,257)	143.2%	75.0%
Total Revenues	3,818,655	2,870,317	948,338	75.2%	75.0%
EXPENSES					
Non-Certificated Salaries and Benefits	1,860,610	1,555,314	305,296	83.6%	80.0%
Sub-Total	1,860,610	1,555,314	305,296	83.6%	80.0%
Services and Supplies	1,394,203	1,234,253	159,950	88.5%	80.0%
Amortization	789,874	575,624	214,250	72.9%	75.0%
Total Expenses	4,044,687	3,365,191	679,496	83.2%	78.0%
POSITIVE/(NEGATIVE) VARIANCE	(226,032)	(494,874)			
Variations in Services and Supplies					
	Budget	Actual	% of Budget Used	Management Benchmark %	
Contracted Bus Services	210,000.00	87,605.28	42%	85%	
Fuel	650,000.00	570,808.22	88%	85%	
Other supplies	534,203.00	575,839.50	108%	85%	
Total	1,394,203.00	1,234,253.00	89%	85%	

- a. For the 3rd quarter, a negative YTD variance of **-\$495K** 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 come close to meeting 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 **\$55K** for the third quarter. 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 has 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, 2017 TO MAY 31, 2018						
		ANNUAL	YTD	BUDGET	%	
Expense		BUDGET	ACTUALS	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	122,398.61	3,801.39	97%	
Trustee Travel & Supplies		46,000.00	64,380.61	- 18,380.61	140%	
TOTAL EXPENSES		\$ 172,200.00	\$ 186,779.22	-\$ 14,579.22	108%	

- 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 third quarter, External Services has a positive variance of **\$224K**.

External Services includes International Services, joint use agreements and external contract service agreements. Included within this 9-month period is the full recognition of **\$5,703,468** of Deferred Revenues - ISS tuition fee revenues, from which **\$1,296,042** was transferred over from External Services to the Instruction envelope, as “*Other Sales and Services*”, to cover the cost related to International students. 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.