



## ***Lethbridge School District No. 51***

# Year End Report

August 31st

# 2015

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This document is Management's Discussion and Analysis of the Audited Financial Statements for the year ended August 31, 2015. *This report should be read in conjunction with the Audited Financial Statements.*

Report to the  
Board of Trustees  
November 23th, 2015



## *Lethbridge School District No. 51*

### **Management Discussion and Analysis Report Year ended August 31, 2015**

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## **Lethbridge School District No. 51**

Management Discussion and Analysis Report  
Year Ended August 31, 2015

### **Executive Summary**

Lethbridge School District No. 51 expended \$105.5 million to provide public education services to the citizens of the City of Lethbridge, Alberta, Canada for the 2014-2015 school year.

The School District was established in 1886 and has proudly served our community for over 129 years. Lethbridge School District No. 51 served approximately 9800 students from early education (pre-school) to grade twelve in 2014-2015. The District provides high quality learning experiences for students through a broad range of educational programs in nineteen schools and four institutional programs.

The District experienced overall enrolment growth in 2014-2015 of 397 full time equivalent students (4.45%) over 2013-2014 and is expected to continue to grow another 5% in 2015-2016 with the addition of Immanuel Christian Schools to the District.

Lethbridge School District No. 51 believes in fiscal accountability and transparency through regular financial monitoring and reporting. Under *Policy 801.1 System Budgeting*, the Board directs that the expenditure of funds be within the guidelines established and be the responsibility of the designated District or school-based administrator. The executive summary presents highlights of the school district's financial operations for the period September 1, 2014 until August 31, 2015 to provide fiscal accountability within the established guidelines.

#### **Financial Position**

At August 31st Lethbridge School District No. 51 has total financial assets of \$21.5 million and liabilities of \$96 million for net financial debt of \$74.5 million. A net debt position is not necessarily an indication that a District is in financial difficulty.

Net financial debt includes \$86.9 million of deferred revenue related to the amortization of supported capital assets (Expended Deferred Capital Revenue), which will be amortized into revenues in subsequent years to offset the amortization cost of supported capital assets. Supported Capital Assets are those assets that have been funded by the Province of Alberta.

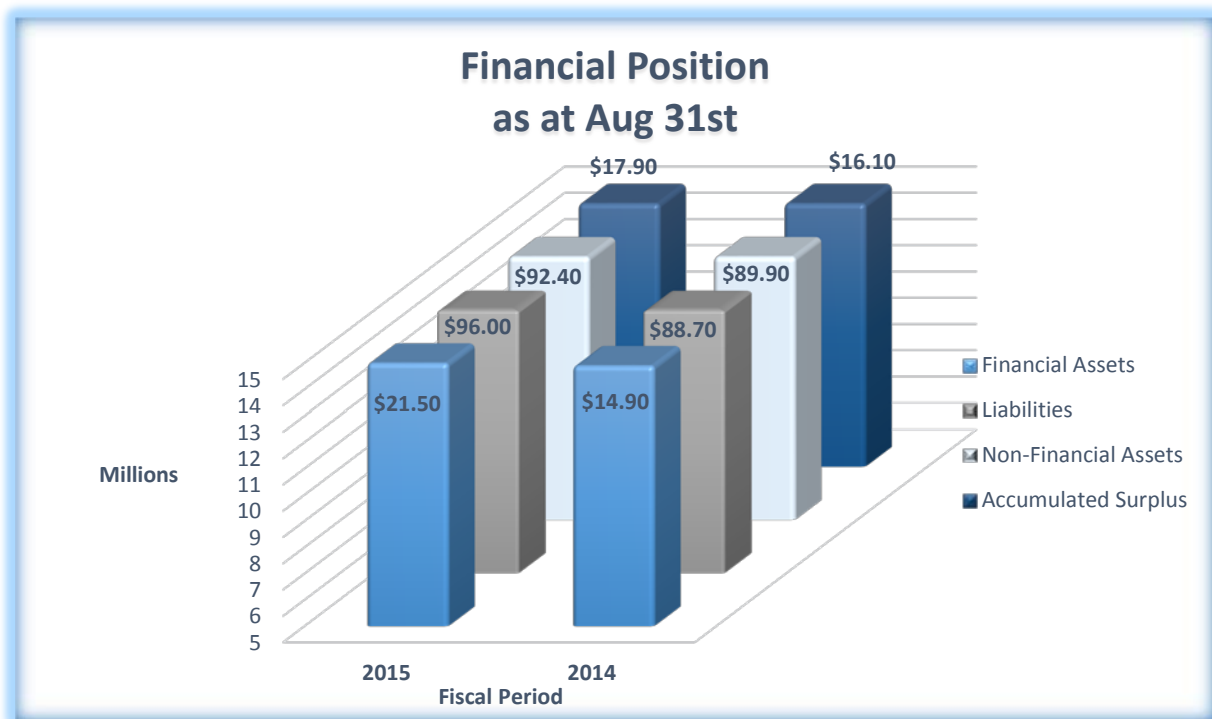
Before consideration of Expended Deferred Capital Revenue, the District had Net Assets of \$12.4 million. Of this \$12.4 million, \$10.6 million is in operating reserves which have been restricted for future use with the majority related to instructional programming and

school generated activities. Net financial assets also relate to unrestricted reserves, capital reserves, and endowment funds.

There is \$92.4 million of non-financial assets (tangible capital assets and prepaid expenses) which is represented mostly by the District's investment in capital assets of \$5 million, prepaid expenses of \$424,000 and Deferred Expended Capital Revenue of \$86.9 million as explained above.

Together the Net Financial Debt (Financial Assets less Liabilities) plus Non-Financial Assets equal the total Accumulated Surplus of \$17.9 million. The District has committed \$1.0 million of accumulated surplus to the replacement of technology in schools, and has committed \$880,000 to supporting initiatives such as community engagement and curriculum redesign, and \$430,000 towards planning, programming and resources for new school facilities to be opened in 2017 and 2018. Included in reserves is \$2 million, held by school sites for future school based expenditures, and \$1.7 million related to school activities and fundraising. In 2015-2016, \$900,000 of reserves will be allocated to provide specialized supports for students. Plant Operations and Maintenance has a reserve of \$737,000 which will be used to address operational costs in excess of grant funding over the next two years.

The chart below compares the financial position of August 31st with the prior year.



## **Operations**

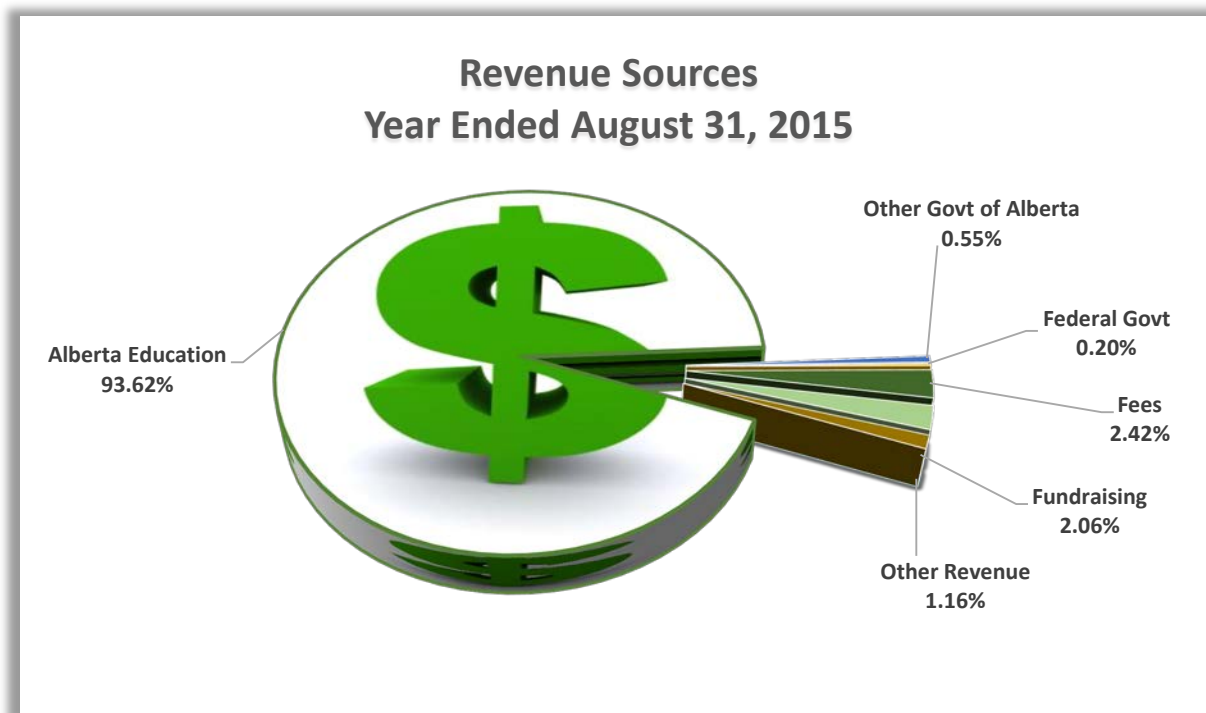
### **Revenues**

The District had total revenues of \$107.3 million for the school year ended August 31, 2015. This was \$6.1 million higher than the budget approved in May 2014.

Revenue from Alberta Education increased by \$4.9 million. Revenues were higher due to increased grants for enrolment, increased credits earned by students participating in the new High School Off Campus program, and revenues for Inclusive Education and early learners requiring specialized supports.

Due to an increase in school activities, fee revenue, and other sales and services, were higher than budget projections.

The chart below illustrates where [Lethbridge School District No. 51](#) received \$107.3 million of revenue for the 2014-2015 school year.



## Expenditures

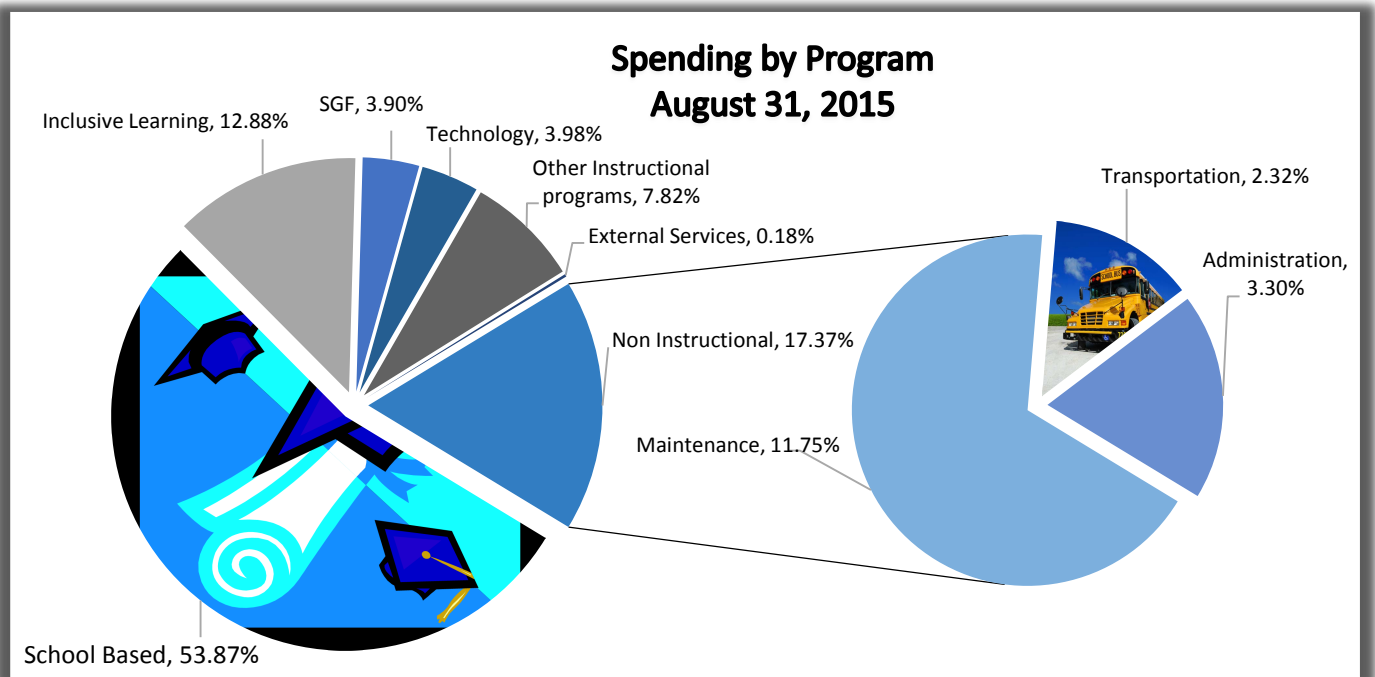
Instructional Expenditures were higher than originally budgeted due to the addition of 12.5 full time equivalent (FTE) teachers and 18 additional support staff hired to address the increase in student enrolment as of September 30<sup>th</sup>, 2014. The total increase in teacher staffing in 2014-2015 over 2013-2014 was 24.36 FTE and support staff increased by 19.69 FTE.

Plant Operations and Maintenance expenditures were higher than budgeted due to spending for Infrastructure Maintenance and Renewal projects.

Transportation costs were higher than budget due to the District's cost share to replace aging school buses. Board and System administration spending was slightly less than budget. External Services expenditures represent expenditures related to the District's International Services program.

It cost approximately \$11,415 to educate each full time equivalent student (early education to grade 12) in 2014-2015 compared to \$11,147 in 2013-2014.

Spending by major program area for the year ended August 31, 2015 is illustrated below:



### Capital Expenditures

During the 2014-2015 school year, capital expenditures included supported building construction and installation, such as work on the Wilson Middle School modernization, construction of the new West Lethbridge Elementary School, planning and design on the new West Lethbridge Middle School, and installation of modular facilities. Capital expenditures that were district funded included the District's cost share of modular facilities, new maintenance vehicles, school activity buses, servers, and office equipment.

### Summary Comments

As of August 31, 2015, [Lethbridge School District No. 51](#) had an operating surplus of \$1.8 million. This surplus is due to a number of factors such as additional funds received during the year, and average salary costs for teachers being lower than projected due to retirements and new hires during the year, which resulted in additional funds being available.

The District is considered to be in good financial health due to additional funds received and costs being less than anticipated in 2014-2015. Prudent future use of these unexpended one-time funds will help to smooth staffing cost fluctuations in the next few years, target priority initiatives, and assist in sheltering the impact on the classroom and district operations from unexpected changes in the provincial fiscal climate.



**Lethbridge School District No. 51**  
**Notes to the Statement of Financial Position**  
*As at August 31, 2015*

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**Financial Assets**

Financial assets consist of assets that are readily converted to cash.

**Cash and Cash Equivalents**

Cash at August 31, 2015 includes unspent capital contributions received for modular facilities and new school construction or modernization, deferred operating revenue, endowment funds, and Accumulated Surplus from Operations.

**Accounts Receivable**

Accounts receivable at August 31, 2015 includes supported debenture debt to be paid by the Province on the District's behalf, GST rebates receivable, capital contributions receivable for the initial planning of the new West Lethbridge Middle School, funding for the installation of new modular facilities, and other miscellaneous funds owing to the District. *See Note 4 in the notes to the Audited Financial Statements for a detailed breakdown of Accounts Receivable.*

**Portfolio Investments**

Portfolio investments represent one-year term savings certificates held at the school level for school generated activities.

**Other Financial Assets**

Other financial assets represent inventories of supplies and materials on hand to be used in a subsequent fiscal period.

**Total Financial Assets of the District at August 31, 2015 are \$21.5 million dollars.**

## **Liabilities**

### **Accounts Payable**

Accounts payable at August 31st mostly includes payments for contractual obligations for the construction of new schools and installation of modular facilities. Employee vacation pay entitlements that are owing at the end of the fiscal year are also included. *See Note 8 in the notes to the Audited Financial Statements for a detailed breakdown of Accounts Payable.*

### **Deferred Revenue**

Included in Deferred Revenue is Unexpended Capital Revenue and Expended Capital Revenue. See the Statement of Capital Revenue.

Deferred revenue, excluding capital revenue noted above, is mainly unspent Infrastructure Maintenance and Renewal (IMR) grant funding. Funding is allocated to revenue as funds are expended. Deferred revenue also includes externally restricted School Generated Funds, such as student travel group deposits or school activity fees. *See Note 9 in the notes to the Audited Financial Statements for a detailed breakdown of deferred revenue.*

### **Employee Future Benefits**

Consists of benefits earned but not utilized that relate to banked time that will be utilized in a future period.

### **Debt**

Debt is debt supported by the Province of Alberta on school facilities.

**Total liabilities at August 31, 2015 are \$96 million.**

### **Net Financial Assets (debt)**

Net financial assets (debt), which is the funds available (owing) after discharging the District's financial obligations, is a ***net debt position of \$74.5 million***. A net debt position does not necessarily mean the District is in financial difficulty. Net financial debt includes \$86.9 million of deferred revenue related to supported capital from the Province of Alberta. These funds are related to the amortization of supported capital assets (Expended Deferred Capital Revenue), which will be amortized into revenues in subsequent years to offset the amortization cost of supported tangible capital assets. Supported tangible capital assets are those assets that have been funded by the Province of Alberta.

**Before consideration of Expended Deferred Capital Revenue, the District had Net Assets of \$12.4 million.**

### **Non-Financial Assets**

Non-financial assets are tangible assets that are used in the operations of the District and are not readily converted to cash.

### **Capital Assets**

Capital assets include land, buildings, equipment and vehicles used in the operations of the District. These assets are amortized over their estimated useful lives to arrive at a net value of \$92 million as of August 31, 2015. Capital activity during the year included the installation of modular facilities at Nicholas Sheran, Lakeview, Agnes Davidson, Dr. Gerald B. Probe, and Mike Mountain Horse Elementary Schools. During the year, construction began on the new west side elementary school in Copperwood and the modernization of Wilson Middle School. Planning and design costs were incurred for the construction of a new west side middle school in Waterbridge.

### **Prepaid Expenses**

Prepaid expenses represent insurance, licenses, and materials that are for a subsequent fiscal period.

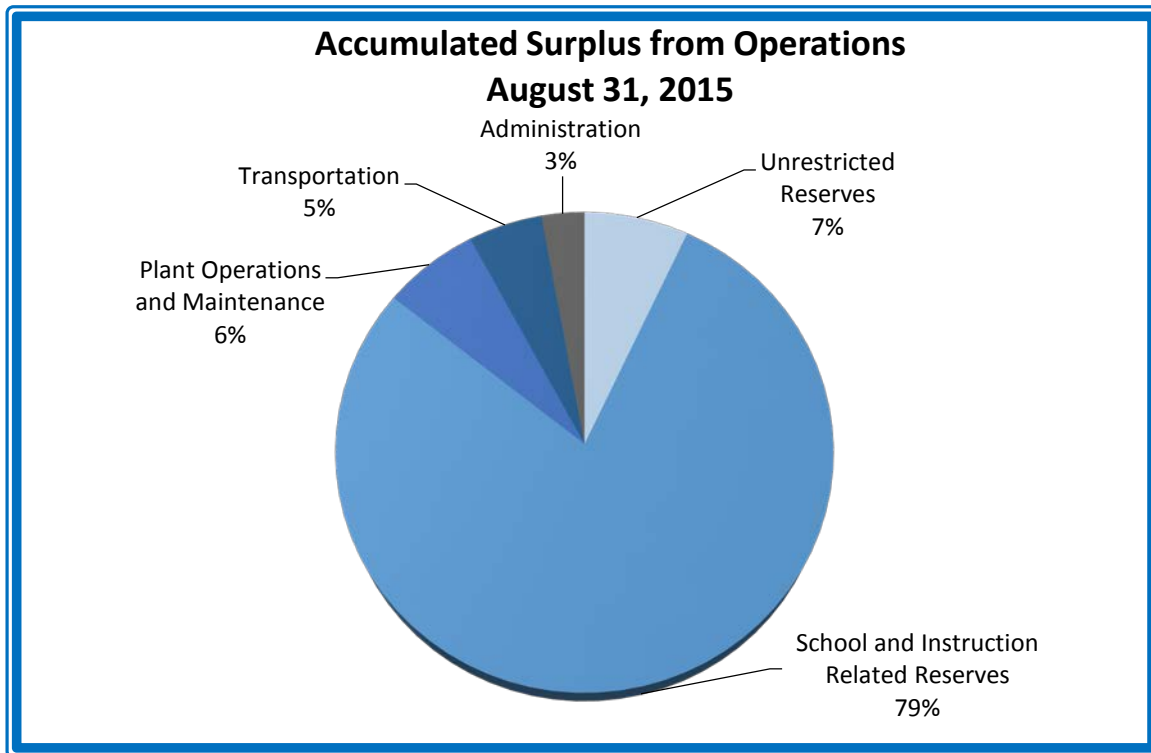
**Total Non-Financial Assets as of August 31, 2015 are \$92.4 million.**

## High School Work Experience



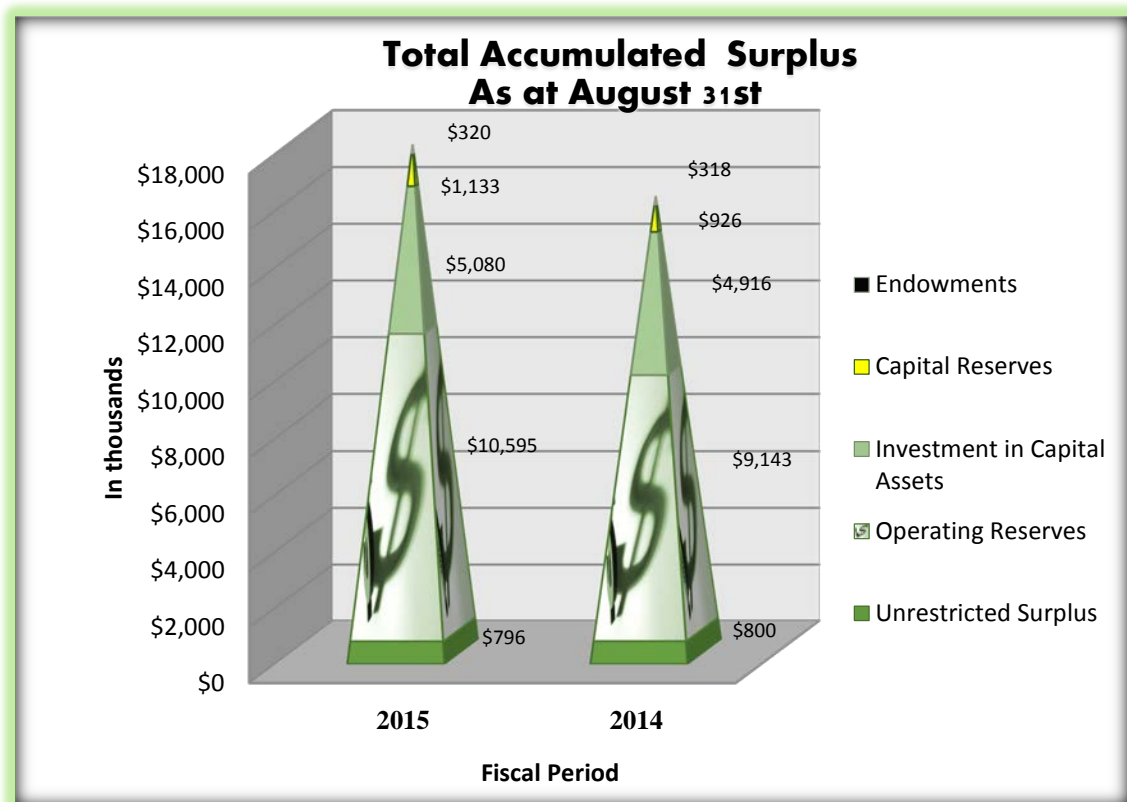
### **Accumulated Surplus**

Accumulated surplus is represented by accumulated surplus from operations which is made up of unrestricted reserves and operating reserves. Also included in accumulated surplus are capital funds which include investment in capital assets and capital reserves. Funds held by the District where the principal must be maintained permanently, called endowments, are also included in accumulated surplus. See *Note 14 in the notes to the Audited Financial Statements for a detailed breakdown of Accumulated Surplus.*



From the chart above, 7% of accumulated surplus from operations is in unrestricted reserves. Restricted operating reserves consist of 79% related to school and instruction reserves which includes reserves held at school sites for future operating expenditures, reserves for the future replacement of technology, reserves to be spent over the next three years for curriculum and system improvement, funds to support inclusive learning, funds to provide for the planning, programming and resources required for new school facilities, and unspent funds related to school generated activities. Support related reserves are 14% of the restricted operating reserves.





Unrestricted surplus are funds that are not designated for a specific purpose and operating reserves are funds that have been designated for a specific program of the District.

Investment in capital assets represents the net book value of capital assets that have been paid from District revenues and are not supported by the Province or external contributions.

Capital reserves are funds that have been set aside for future replacement of District assets that are not supported by the Province or external contributions. The District contributes the budgeted amount of amortization on unsupported assets into the capital reserve fund, as per the approved budget, to fund future asset replacement.

**The total accumulated surplus for the District which consists of both operating and capital funds is \$17.9 million. The total of net financial assets (debt) plus total non-financial assets equates to the total accumulated surplus at August 31, 2015.**

**Lethbridge School District No. 51**  
**Notes to the Statement of Operations**  
*For the year ended August 31, 2015*

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**REVENUES**

**Alberta Education**

Revenues from Alberta Education exceeded budget projections by \$4.9 million. This increase is mainly attributed to an increase in enrolment over budget projections as of September 30, 2014. The District has also received an increase in the Inclusive Education grant and Program Unit Funding grant to provide specialized supports to students. The District implemented a new High School Off Campus program during the year to provide students with greater opportunity to explore registered trades and gain work experience while earning high school credit. This program increased grant revenues for grades 10 – 12 by \$900,000. Also included in Alberta Education revenues is \$3.3 million related to capital allocation revenue to offset the amortization of supported tangible capital assets.

**Other Government of Alberta**

This revenue relates to interest paid on debenture debt that is paid on the District's behalf by Alberta Education to Alberta Treasury and Finance, and funding from Alberta Mental Health and Southwest Child and Family Services for the Making Connections Program. Revenue is higher than budget due to funding for Making Connections.

**Federal Government and First Nations**

Represents amounts billed for tuition for students living on the Kainai reserve, and FNMI student mentor grant. Revenue is lower than budget due to special grant funding not received as originally budgeted.

**Fees**

Reflects funds collected by schools for school fees, early learning program fees, and international students. Fees for school generated activities are also included. There was an increase in fee revenue over budget projections of \$676,000. This is mainly attributed to fees collected at schools sites for extracurricular activities and option courses at the school. There is also an increase due to fees collected for the District's early education program.

**Other Sales and Services**

Mainly includes funds received for staff that are seconded to the University of Lethbridge. Other sales and services are mainly from school generated activities.

### **Investment Income**

Interest earned on operating revenue. Investment income has increased due to increased revenue received and unexpended throughout the year.

### **Gifts and donations**

Gifts and donations that have been received directly by schools for student activities is higher than budgeted. Donations are significantly less than the prior year due to donations received in 2013-2014 for the replacement of the playground at Westminster Elementary School. Donations also include donations received for the District's Poverty Intervention program.

### **Rental of Facilities**

Funds charged for use of facility space for external programs and operations such as the Southern Alberta Professional Development Consortia and the Boys and Girls Club of Lethbridge.

### **Fundraising**

Funds raised for the benefit of school generated activities and special projects that are co-curricular in nature. Fundraising includes a-thons, and fundraising sales.

**Overall, revenues are higher at August 31, 2015 due to increased Alberta Education grant revenues, as well as fees from school generated activities.**



Herald photo by Tijana Martin

From left Connie Wall, Kendra Greve, principal Dean Hawkins and Carol Young are all members of the literacy team at Wilson Middle School and were recently awarded a \$125,000 grant to help build a new library to support literacy within their school.

## **EXPENSES**

Expenditures are reported as a total for each functional area within the District. For further information on types of expenditures and spending in these functional areas please see the *Schedule of Program Operations* that follows in this document.

<b><i>BUDGET AREA</i></b>	<b><i>EXPENDITURES</i></b>	<b><i>PERCENT OF TOTAL</i></b>
<b><i>Instruction - ECS</i></b>	<b><i>\$ 6,022,805</i></b>	<b><i>5.71%</i></b>
<b><i>Instruction – Grades 1 - 12</i></b>	<b><i>\$ 80,951,234</i></b>	<b><i>76.74%</i></b>
<b><i>Operations and Maintenance</i></b>	<b><i>\$ 12,399,696</i></b>	<b><i>11.75%</i></b>
<b><i>Transportation</i></b>	<b><i>\$ 2,443,535</i></b>	<b><i>2.32%</i></b>
<b><i>Board and System Administration</i></b>	<b><i>\$ 3,483,024</i></b>	<b><i>3.30%</i></b>
<b><i>External Services</i></b>	<b><i>\$ 185,428</i></b>	<b><i>0.18%</i></b>
<b><i>TOTAL</i></b>	<b><i>\$105,485,722</i></b>	<b><i>100.0%</i></b>

### **Instruction - ECS**

Instruction ECS, represents expenditures from early education to kindergarten, which includes the early education program, program unit funding for early learners requiring specialized supports, and the kindergarten program at elementary schools.

Instructional expenditures in ECS are greater than budget by \$481,000 due to increased numbers of students requiring specialized supports under the Program Unit Funding (PUF) program.

### **Instruction- Grades 1 - 12**

Instruction Grades 1 – 12, represent expenditures from grade one to grade twelve, school generated activities and supporting programs such as Inclusive Education, Technology, Instructional support, counselling, First Nations Metis and Inuit programming, and Institutional programs.

Instructional expenditures were greater than budget by \$2.9 million. This is due to 12.5 full time equivalent teaching staff hired in September 2014 to address enrolment growth. These new hires brought the total increase in teacher staffing over 2013-2014 to 24.36 full time equivalent teachers. There was additional support staff hired to provide specialized support to students of 18 full time equivalent over 2013-2014. During the year the District purchased over 5000 pieces of technology equipment as part of the

evergreening of secondary schools and the replacement of elementary school laptops for a cost of approximately \$2.3 million.

Although expenditures were higher than budget projections, due to retirements after original budget projections were developed and the hiring of beginning teachers in the fall, the average cost of teacher salaries was lower than budgeted. Also, high school credit earnings were higher than anticipated due to the new High School Off Campus Program. This resulted in unexpended funds at the end of the school year. Unexpended funds have been allocated to restricted reserves to address moving to a five year technology evergreening cycle from a six year cycle, funds set aside to assist with planning, programming and resources for new school facilities, and funds to provide additional support for Inclusive Education.

### **Plant Operations and Maintenance**

Plant operations and maintenance expenditures represent spending on operating and maintaining the District's schools and facilities. These expenditures include maintenance and caretaking personnel, utilities, contracted maintenance, and Infrastructure Maintenance and Renewal (IMR) projects.

Maintenance expenditures are higher than budget due to increased funding provided for IMR projects. Any unspent funds for IMR have been deferred to the 2015-2016 school year.

### **Transportation**

Transportation expenditures represent the cost of contracted bussing to bus students who reside more than 2.4 km away from their resident school. These costs include the operation of buses, cost sharing arrangements between the City of Lethbridge and Holy Spirit Catholic Schools, and the future replacement of yellow school buses. Costs include the provision of specialized bussing needs for students with disabilities.

Transportation costs are slightly higher than budgeted at year-end due to the payment for replacement of school buses.

### **Administration**

Administration expenditures represent the cost of the Board of Trustees, Finance, Human Resources, System Instructional Support, and the Office of the Superintendent.

Administration costs are slightly less than budgeted at year end due to lower utility costs on the Education Centre building and less spending required for contracted services than anticipated.

### **External Services**

An external service represents costs that are outside regular provincially mandated instruction and operations. For the District, the International Services program provides programming to students from other countries who pay tuition fees to attend District schools. Costs include costs of homestay providers, student insurance, student recruitment, and administration of the program. Tuition fees are collected from international students in this program.

### **Operating Surplus**

The operating surplus for the year ended August 31, 2015 is above budgeted projections. The surplus is attributed to additional high school credits earned, spending not occurring as anticipated at school sites, and lower costs on average teacher salaries due to additional teachers hired that were at the beginning of their career, along with the replacement of retired teachers, and those on leave, with beginning teachers.



Herald photo by Tijana Martin

## **SCHOOL'S GOT TALENT**

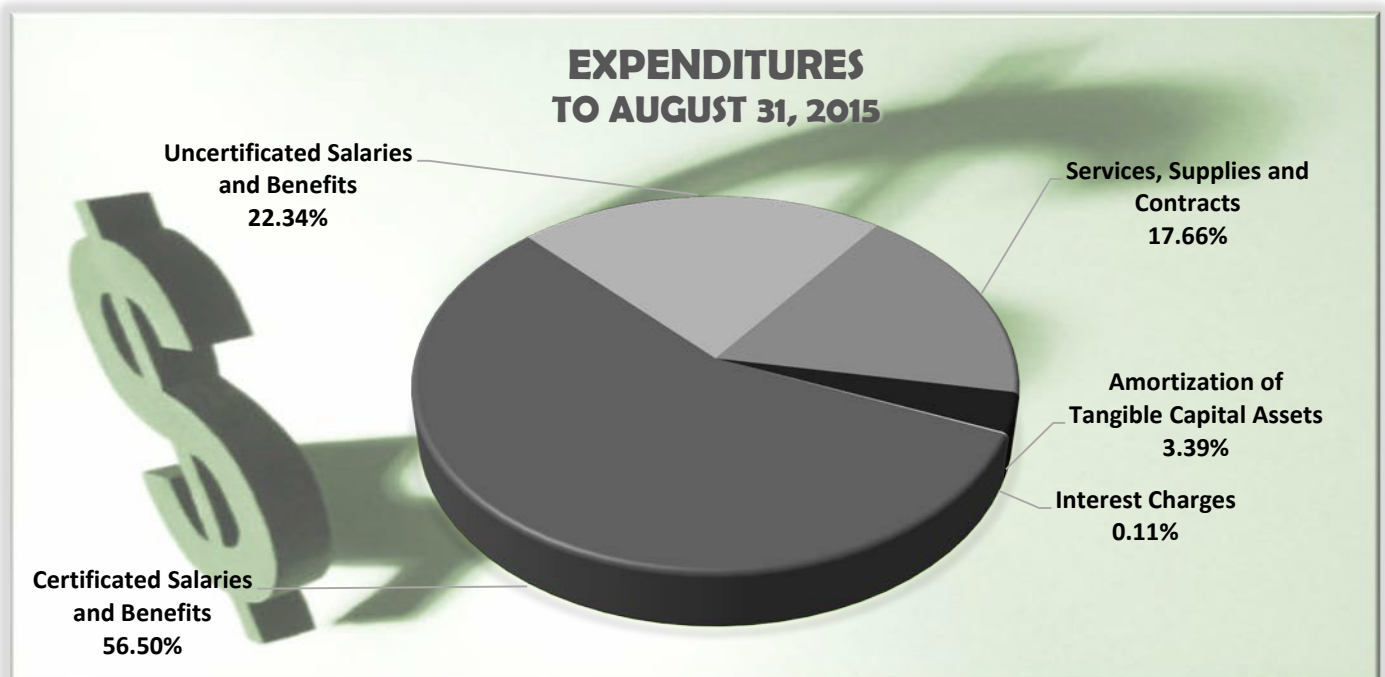
Grade 2 student Vienna Vanmill performs a gymnastics routine during a talent show at Park Meadows School Tuesday.

**Lethbridge School District No. 51**  
**Notes to the Schedule of Program Operations**  
*For the year ended August 31st, 2015*

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**About The Statement**

The Schedule of Program Operations shows the type of expenditure by each functional area of the District and the totals compared with the prior year. The expenditures are noted as a total for each functional area on the previous statement, the *Statement of Operations*.



**Certificated Salaries and Benefits**

Certificated salaries and benefits are higher than in 2014 by 3% due to the addition of 24.36 full time equivalent teaching staff over the prior year. Although there is the cost of experience increments for teachers as they gain experience each year, the result of retirements and the hiring of beginning teachers resulted in total costs being less than anticipated, despite the growth in teaching staff.

**Non-Certificated Salaries and Benefits**

Non-certificated salaries and benefits are higher than in 2014 by 6.3%. Spending in this area is higher due to additional staffing costs for additional support staff that work with early learning students as funded from Program Unit Funding from the Province of Alberta

and additional staff hired to provide specialized supports to students through Inclusive Education.

### **Services, Contracts and Supplies**

Services, Contracts, and Supplies are higher than in 2014 by 18.9%. Instruction expenditures are higher than in 2014 due to the evergreening of technology at the secondary school level. Plant Operations and Maintenance expenditures are higher due to increased spending on IMR projects due to an increase in the IMR grant. Transportation costs increased due to the increased costs of busing and replacement of school buses. Administration expenditures decreased due to building maintenance on the Education Centre building that occurred in 2013-2014.



Herald photo by Ian Martens

### **CHURCHILL PRIDE**

Grade 12 student Tyler Toth gives a lift to Grade 9 student Logan King as a circle of new schoolmates sings the school song at the end of Orange and Blue Day orientation activities Thursday at Winston Churchill High School. See story on Page A3.

### **Amortization of Supported Tangible Capital Assets**

Reflects the amortization of capital assets that have been acquired through specific financial support by the Province of Alberta, such as school facilities.

### **Amortization of Unsupported Tangible Capital Assets**

Reflects the amortization of capital assets that have been funded through the use of district operating funds.

### **Supported Interest on Capital Debt**

Interest charges are based on debenture debt that is paid on behalf of the District by the Province of Alberta.

**Lethbridge School District No. 51**  
**Notes to the Schedule of Capital Revenue**  
*For the year ended August 31, 2015*

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**Unexpended Deferred Capital Revenue**

This column shows restricted capital revenue that is unspent from the prior year, new capital contributions received by the district during the period, capital revenue that is still owing to the District, and funds expended on capital projects during the period.

Unexpended Capital Revenue Received

In the period September 1, 2014 to August 31, 2015, the District received funding for the build cost of new modulars, the construction of the new west side elementary school in Copperwood, the modernization of Wilson Middle School and planning and design funding for the new west side middle school in Waterbridge.

Unexpended Capital Revenue Receivable

The amount of \$509,337 relates to funds owing from Alberta Education on costs incurred to August 31st for costs incurred to date on the Wilson Middle School modernization, the new west side middle school and for the Province's cost share of modular facilities.



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*Architect Design for new West Lethbridge  
Middle School in Waterbridge, scheduled  
opening September 2018*

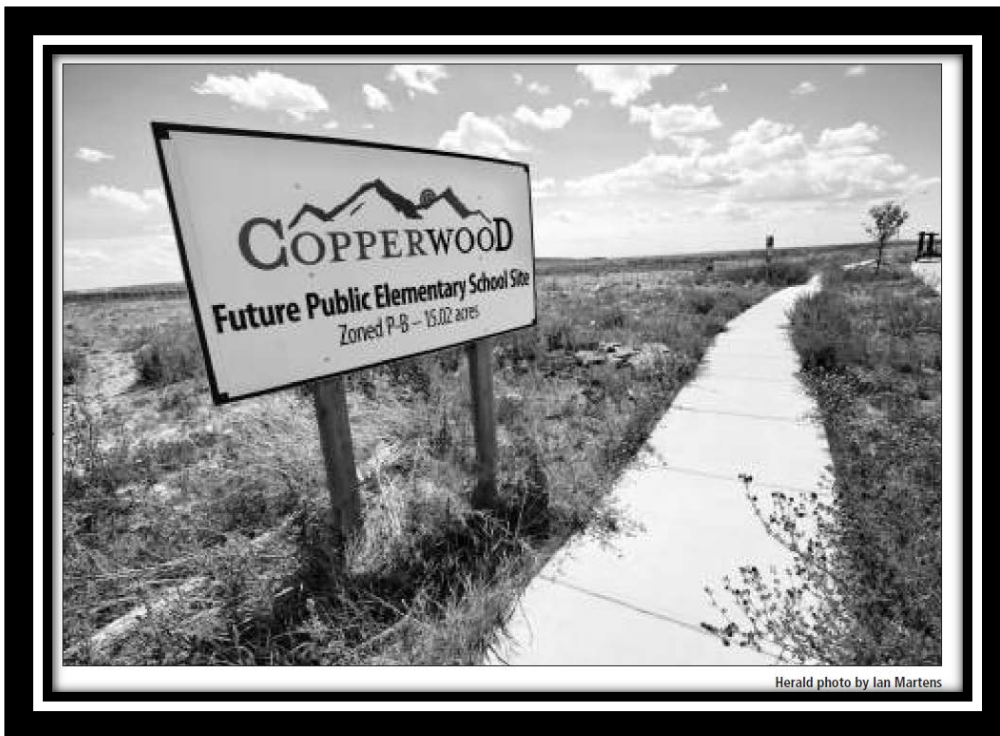
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### Expended Capital Revenue

In the period September 1, 2014 to August 31, 2015, the District expended \$5.8 million on capital projects. A significant portion of this funding was spent on new modular facilities, the Wilson Middle School modernization, new west Lethbridge elementary school and planning costs for the new west Lethbridge middle school. This amount also appears as an addition in the Expended Deferred Capital Revenue column.

### **Expended Deferred Capital Revenue**

Expended Deferred Capital Revenue shows the amount of supported capital funds that have been spent but have yet to be amortized over the useful life of the supported tangible capital assets purchased.



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*Work begins on the new West  
Lethbridge Elementary School*

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### Capital Revenue Recognized

The amount of capital allocations recognized as revenue in the period September 1, 2014 to August 31, 2015 is \$3.27 million. This revenue is included under revenues from Alberta Education. This amount is equal to amortization expense charged on supported capital assets. The purpose of this allocation is to create a revenue/expense neutral situation as the assets are supported by an external party.