



Lethbridge School District No. 51

Year End Report

August 31st

2017

This document is Management's Discussion and Analysis of the Audited Financial Statements for the year ended August 31, 2017. *This report should be read in conjunction with the Audited Financial Statements.*

Report to the
Board of Trustees
November 28th, 2017



Lethbridge School District No. 51

Management Discussion and Analysis Report For the year ended August 31, 2017

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Lethbridge School District No. 51

Management Discussion and Analysis Report
For the year ended August 31, 2017

Executive Summary

Lethbridge School District No. 51 expended \$117.9 million to provide public education services to the citizens of the City of Lethbridge, Alberta, Canada in the 2016-2017 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 10,650 students from early education (pre-school) to grade twelve in 2016-2017. The District provides high quality learning experiences for students through a broad range of educational programs in twenty one schools and four institutional programs.

The District experienced overall enrolment growth in 2016-2017 of 153 students (1.46%) over 2015-2016. It is anticipated that enrolment growth will be around 4.91% in the 2017-2018 school year which will bring the student population to over 11,170.

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, 2016 until August 31st, 2017 to provide fiscal accountability within the established guidelines.



Financial Position

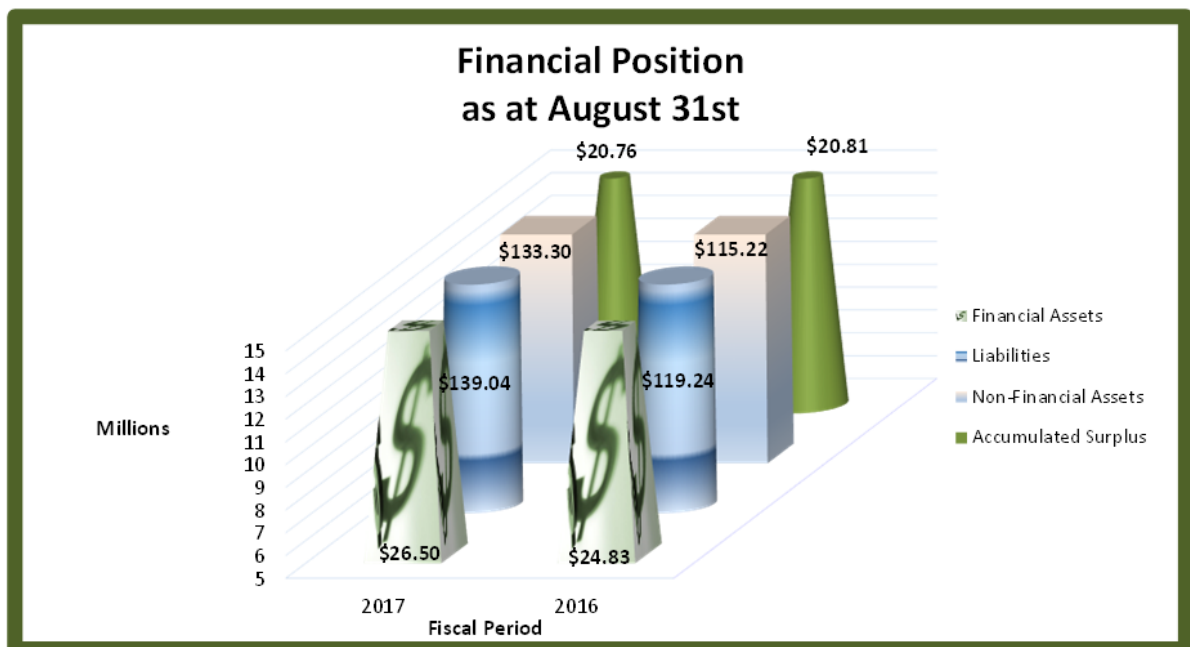
As at August 31, 2017 [Lethbridge School District No. 51](#) has total financial assets of \$26.50 million and liabilities of \$139.04 million for net financial debt of \$112.5 million. A net debt position is not necessarily an indication that a District is in financial difficulty.

Net financial debt includes \$127.2 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 \$14.6 million. Of this \$14.6 million, \$11.9 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 \$836,700 of unrestricted reserves, and \$1.92 million of capital reserves.

There is \$133.3 million of non-financial assets (tangible capital assets, prepaid expenses, and supplies inventory) which is represented mostly by Deferred Expended Capital Revenue of \$127.2 million as explained above, the District's investment in capital assets of \$5.76 million, prepaid expenses, and other non-financial assets.

Together the Net Financial Debt (Financial Assets less Liabilities) plus Non-Financial Assets equal the total Accumulated Surplus of \$20.76 million. The chart below compares the financial position of August 31st with the prior year.



Summary of Operations

The following is an overview of the District's operations, including the Approved Budget prepared in May 2016 (as included in the Financial Statements), the updated September 30th, 2016 budget, and the actuals for the District's revenues and expenses.

	Approved May Budget	September 30th Budget	Actual
REVENUES			
Alberta Education	\$ 110,643,265	\$ 111,605,388	\$ 111,305,259
Other - Government of Alberta	\$ 498,453	\$ 498,453	\$ 485,505
Federal Government and First Nations	\$ 170,312	\$ 288,928	\$ 317,681
Fees	\$ 1,420,219	\$ 1,569,168	\$ 1,530,073
Other sales and services	\$ 950,226	\$ 721,526	\$ 1,317,898
Investment income	\$ 143,000	\$ 143,000	\$ 181,980
Gifts and donations	\$ 390,000	\$ 390,000	\$ 681,862
Rental of facilities	\$ 35,900	\$ 34,704	\$ 32,904
Fundraising	\$ 2,461,000	\$ 2,461,000	\$ 2,029,497
Total revenues	\$ 116,712,375	\$ 117,712,167	\$ 117,882,659
EXPENSES			
Instruction - ECS	\$ 5,952,585	\$ 6,613,543	\$ 6,877,842
Instruction - Grades 1 - 12	\$ 93,305,148	\$ 95,683,198	\$ 91,002,015
Plant operations and maintenance	\$ 14,473,006	\$ 14,579,083	\$ 13,310,646
Transportation	\$ 2,499,462	\$ 2,499,462	\$ 2,477,281
Board & system administration	\$ 3,953,550	\$ 3,930,851	\$ 3,979,508
External services	\$ 253,000	\$ 252,999	\$ 283,667
Total expenses	\$ 120,436,751	\$ 123,559,136	\$ 117,930,959
Operating surplus (deficit)	\$ (3,724,376)	\$ (5,846,969)	\$ (48,300)

Note: The above budgets exclude the transfers to/from operating and capital reserves.

Budget Update as of September 30th

The revised budget for the 2016-2017 school year reflects changes to the district budget as of September 30th, 2016. Revenue in the revised budget increased over preliminary budget projections developed in May 2016. This increase is due to increased student enrolment at September 30th of 74 students (0.7%) above preliminary projections. An additional 0.5 full time equivalent teachers were hired as well as 8 additional support staff positions in the revised budget.

In budget 2016-2017, \$5.8 million of one-time reserves will be utilized for staffing in Inclusive Education, resources for French Immersion programming, Coalbanks Elementary school start-up costs, Literacy resources, staffing for ESL, Literacy and Technology integration support, supporting K&E programming at Victoria Park and technology evergreening at elementary schools.



Revenues

The District had total revenues of \$117.9 million for the school year ended August 31, 2017. This was \$1.17 million higher than the \$116.7 million budget approved in May 2016; whereas, this was more comparable to the \$117.7 million included in the September 30th budget.

Revenue from Alberta Education increased by \$962,000 compared to the May budget. Revenues were higher due to grants for increased enrolment, Inclusive Education, and early learners requiring specialized supports. The September 30th budget amount is typically a more accurate figure as it consists of more current information; whereas the actual is more comparable to this budget.

The chart below illustrates the source of funding for every \$100 of revenue as at August 31st. 2017.



Expenditures

The District had total expenditures of \$117.9 million for the school year ended August 31, 2017. This was \$5.63 million lower than the \$123.56 million included in the September 30th budget. The majority of this reduction in expenditures related to the Grades 1-12 Instructional program and the Plant Operations and Maintenance program.

The ECS Instructional expenditures were greater than budgeted mostly due to additional Program Unit Funding (PUF) staffing which exceeded the budget for the wages and benefits.

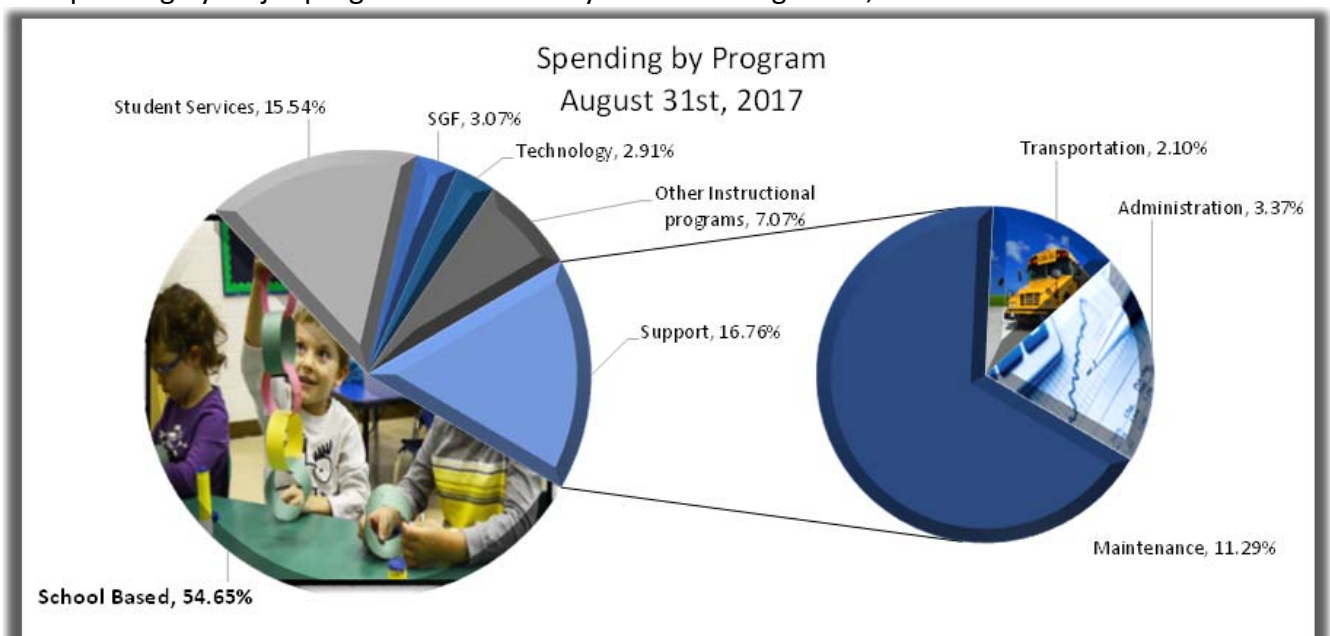
The Grades 1-12 Instructional expenditures were \$4.63 million less than September 30th budget (approx. 4.8%). The majority of these reductions were in three areas: staffing, technology, and School Generated Funds (SGF).

- In relation to staffing, the reduction compared to budget was mostly due to that the actual average cost of teacher salaries was less than projected; whereas, the actual was reduced due to retirements after original budget projections were developed and the hiring of beginning teachers in the fall.
- In relation to technology, there was significant costs savings in the current evergreening cycle due to utilization of the collaborative buying group. The District was able to utilize this buying group to obtain significantly lower pricing on the technology than what was originally budgeted. These savings were allocated back to the technology reserves to fund future evergreening projects.
- In relation to SGF, there were decreases from the budget (which was based on prior years) as there was a decrease in many of the school activities. This decrease correlates to the decrease in the fundraising revenues.

Plant Operations and Maintenance expenditures were less than the September 30th budgeted due to the Infrastructure Maintenance and Renewal (IMR) projects. The IMR was approx. \$1.1 million less than budget as the District was not able to complete all of the projected projects throughout the year (as the budget is typically for all potential projects); whereas, this correlates to the reduction in the IMR grant funding as provided by Alberta Education. These unspent funds are retained in the deferred revenues until the projects can be completed.

It cost approximately \$11,784 to educate each full time equivalent student (early education to grade 12) in 2016-2017 compared to \$11,580 in 2015-2016.

Spending by major program area for the year ended August 31, 2017 is illustrated below:



Capital Expenditures

During the 2016-2017 school year, the total \$22.3 million 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 (Coalbanks Elementary) and West Lethbridge Middle School, and installation of modular facilities. These are supported by funding through Alberta Education.

Capital expenditures that were district funded included the District's cost share of modular facilities, new tractors/mowers for maintenance, sound systems, surveillance systems, and servers.

Summary Comments

As of August 31, 2017, [Lethbridge School District No. 51](#) had an operating deficit of \$48,300. The budgets planned on utilizing reserves to fund many of these expenditures; in which, the actual amount of reserves required was reduced as the actual deficit was less than originally projected due to cost savings in the expenditures. Operating expenditures would indicate that spending is occurring for the benefit of today's students while not compromising opportunities for future operations of the District.

The District is considered to be in good financial health due to the strong financial position of the District in its financial assets and maintaining its reserves for the future. Prudent future use of these unexpended one-time funds (reserves) 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 31st, 2017

Financial Assets

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

Cash and Cash Equivalents

Cash at August 31st, 2017 includes unspent capital contributions received for capital projects, deferred operating revenue, endowment funds, and Accumulated Surplus from Operations.

Accounts Receivable

Accounts receivable at August 31st, 2017 includes supported debenture debt to be paid by the Province on the District's behalf, GST rebates receivable, capital contributions from the province, and other miscellaneous funds owing to the District.

Portfolio Investments

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

Total Financial Assets of the District at August 31, 2017 are \$26.5 million dollars.



Financial Liabilities

Accounts Payable

Accounts payable at August 31, 2017 mostly includes payments construction holdbacks on the District's capital projects. Other payables include employee benefits such as remittances to the Canada Revenue Agency, Local Authorities Pension Plan, and to the Alberta School Employee Benefit Plan.

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.

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 Financial Liabilities at August 31, 2017 are \$139.0 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 \$112.5 million***. A net debt position does not necessarily mean the District is in financial difficulty. Net financial debt includes \$127.2 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 \$14.6 million as at August 31, 2017.

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 \$132.9 million as of August 31, 2017. Capital activity during the period included construction costs associated with the modernization of Wilson Middle School, the construction of Coalbanks Elementary School and new west Lethbridge middle school.

Prepaid Expenses

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

Other Non-Financial Assets

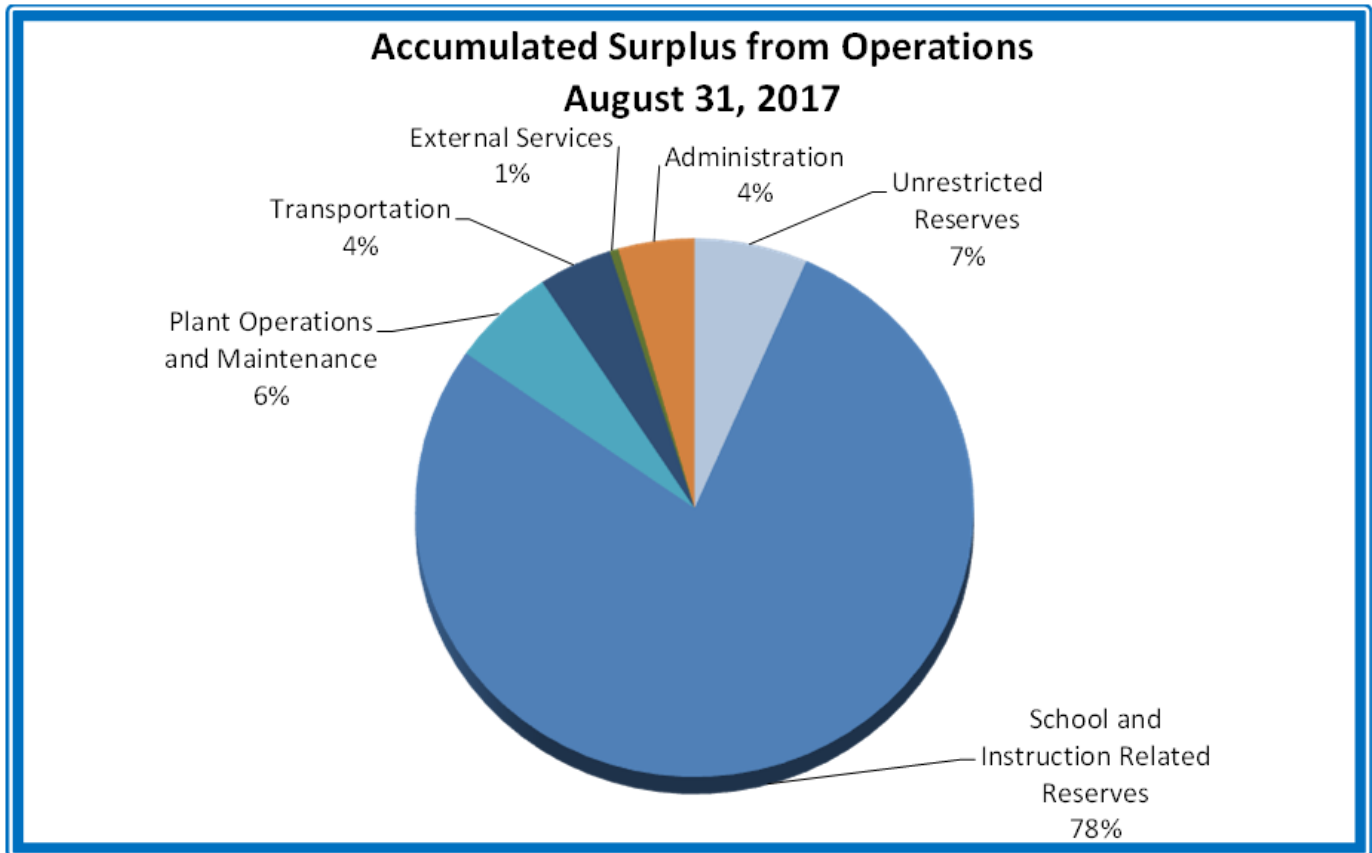
Other financial assets represent inventories of supplies and materials on hand to be used in a subsequent fiscal period.

Total non-financial assets as of August 31, 2017 are \$133.3 million.

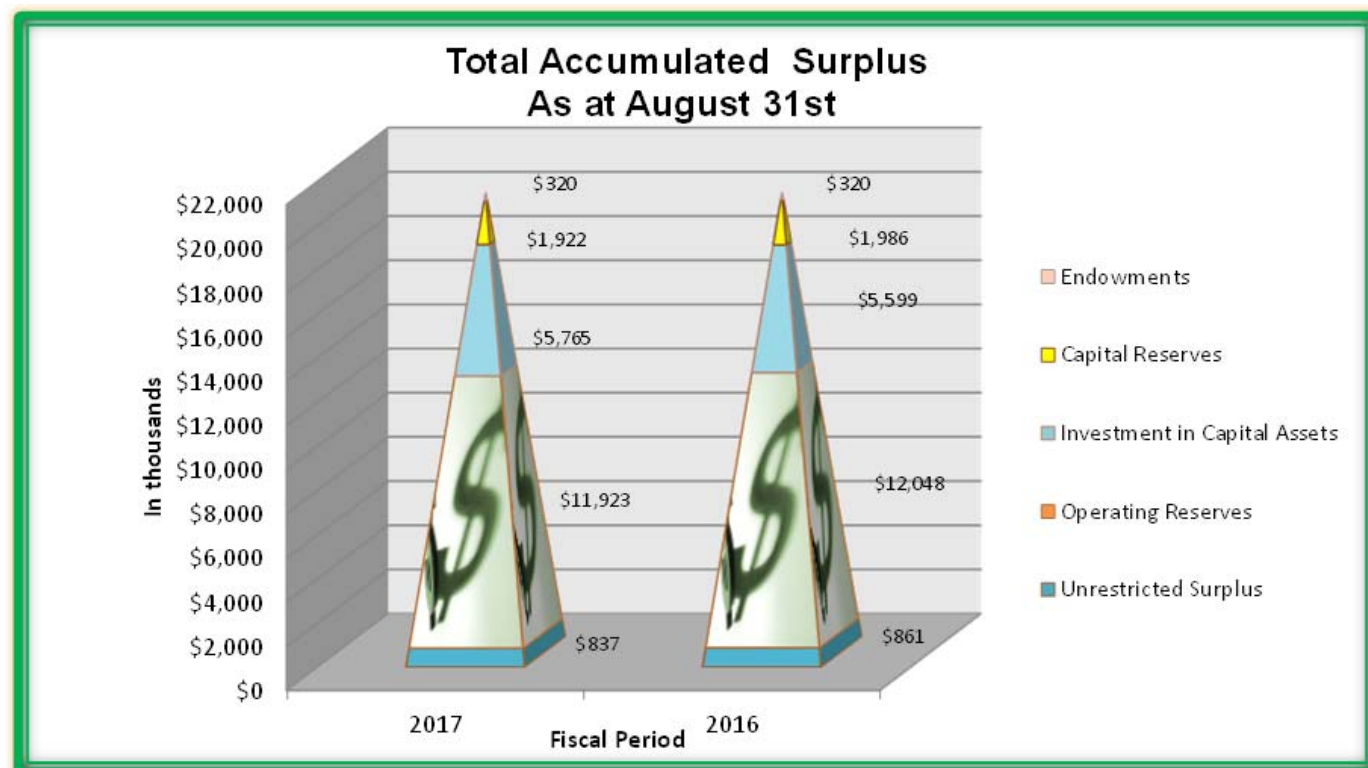


Accumulated Surplus

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 11 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 78% 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 15% 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 \$20.76 million. The total of net financial assets (debt) plus total non-financial assets equates to the total accumulated surplus at August 31st, 2017.

Lethbridge School District No. 51

Notes to the Statement of Operations

For the year ended August 31st, 2017

REVENUES

Alberta Education

This revenue relates to grant funding from Alberta Education for the operations of Lethbridge School District No. 51 and represents the vast majority of the operating and capital funding for the District (representing approx. 94.8% of all funding. The majority of the funding relates to enrollment based funding; however, there is also other funding for inclusive education, transportation, capital funding, and Program Unit Funding to provide specialized supports to students. Also included in Alberta Education revenues is \$3.47 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. It also includes grants received from Alberta Mental Health and Southwest Child and Family Services for the Making Connections Program.

Federal Government and First Nations

Represents amounts billed for tuition for students living on the Kainai reserve.

There was an increase in the number of students as compared to original budget projections.

Fees

Reflects fees that are collected for optional programming fees, school generated activity fees, Preschool Fees and tuition for foreign students. Overall there was a decrease in fees compared to prior years as many of these fees are no longer being charged.

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 more than the prior year due to donations received for playground replacement projects. 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 that are co-curricular in nature. Fundraising include a-thons, and fundraising sales.

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.

<i>BUDGET AREA</i>	<i>EXPENDITURES</i>	<i>PERCENT OF TOTAL</i>
<i>Instruction - ECS</i>	<i>\$ 6,877,842</i>	<i>5.83%</i>
<i>Instruction – Grades 1 - 12</i>	<i>\$ 91,002,015</i>	<i>77.17%</i>
<i>Operations and Maintenance</i>	<i>\$ 13,310,646</i>	<i>11.29%</i>
<i>Transportation</i>	<i>\$ 2,477,281</i>	<i>2.10%</i>
<i>Board and System Administration</i>	<i>\$ 3,979,508</i>	<i>3.37%</i>
<i>External Services</i>	<i>\$ 283,667</i>	<i>0.24%</i>
<i>TOTAL</i>	<i>\$117,930,959</i>	<i>100.0%</i>

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.

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.



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.

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.

Administration

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

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.

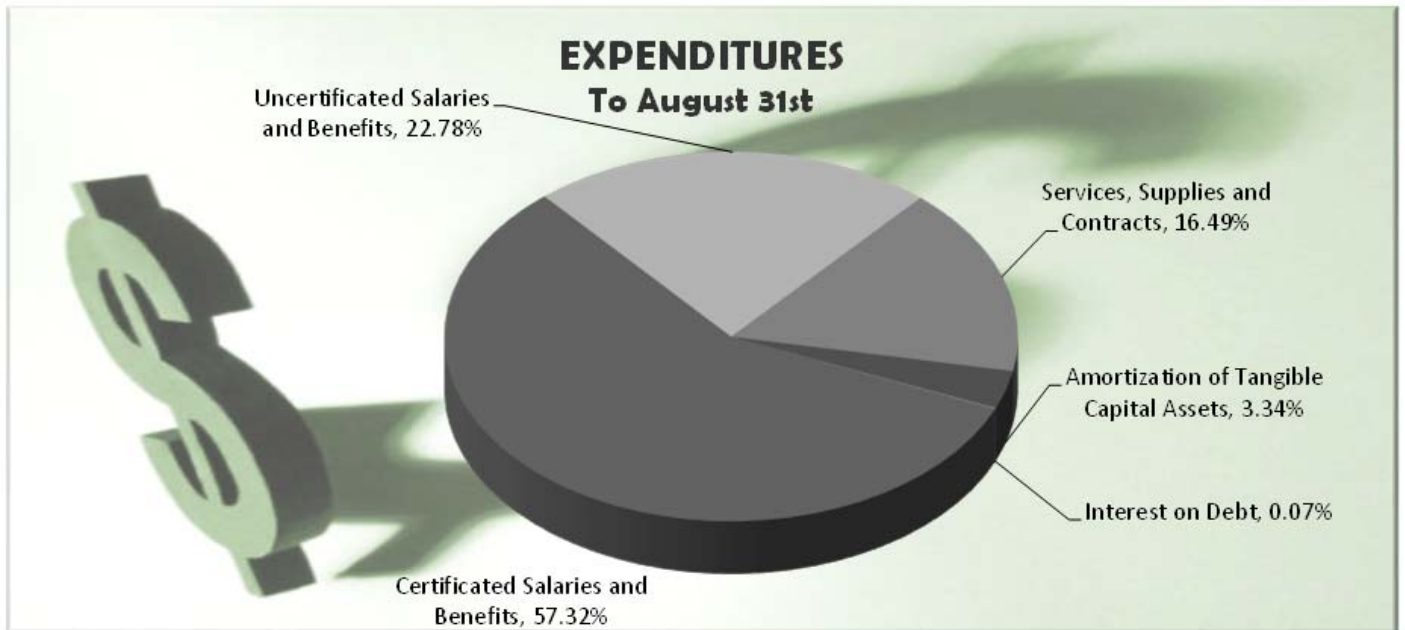
Operating Surplus

The operating surplus is the net of the revenues and expenses; whereas, this amount does not take into account the transfers to and from reserves and capital. This surplus is attributed to the Unrestricted Surplus (part of the Accumulated Surplus as shown on Schedule 1 of the Financial Statements). From this Unrestricted Surplus, the effects of the reserves and capital transfers are taken into account.

Lethbridge School District No. 51
Notes to the Schedule of Program Operations
For the year ended August 31st, 2017

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 in 2016-2017 by 1.17% due to the addition of 14.77 full time equivalent (FTE) 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 in 2016-2017 by 2.79%. There was an increase of 9.96 full time equivalent (FTE) support staff over the prior year. There were negotiated salary increases of 2% with support staff in 2016-2017.

Services, Contracts and Supplies

Services, Contracts, and Supplies are higher in 2016-2017 by 8.84% compared to the prior year. Instruction expenditures increased from prior year due to the evergreening of technology that occurred in 2016-2017; whereas, it was not done in the prior year. Plant Operations and Maintenance expenditures are higher due to increased spending on IMR projects due to an increase in the IMR grant.

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.

Other Interest and Finance Charges

Mainly service charges for online banking acceptance of credit cards. Also includes increased costs for changes in foreign currency payments.



FNMI – Feather Ceremony & Metis Sash Celebration



Lethbridge School District No. 51
Notes to the Schedule of Capital Revenue
For the year ended August 31st, 2017

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, 2016 to August 31, 2017, the district received \$18.2 million of funding from Alberta Education for capital projects, received \$500,000 from the City of Lethbridge related to the Coalbanks school gymnasium, and \$355,000 from the Family Center.

Unexpended Capital Revenue Receivable

At the end of August 2017, \$2.44 million of grant funding was receivable from the province to support capital projects.

Unexpended Deferred Capital Revenue Recognized

The total of the Unexpended Deferred Capital Revenue is reduced as the capital funds are used for the construction of the capital projects; which is effectively transferred to the Expended Deferred Capital Revenues.



	Deferred Capital Revenues	
	Unexpended	Expended
Opening balance	537,547	109,048,230
Funds Received	19,049,860	
Receivable	2,444,027	
Capital Projects	(21,687,677)	21,687,677
Capital Revenue Recognized		(3,472,584)
Disposal		(83,414)
Ending balance	343,757	127,179,909

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.

Expended Capital Revenue

In the period September 1, 2016 to August 31, 2017, the District expended \$21.7 million on capital projects. These funds were expended on construction costs for the new Coalbanks Elementary School in Copperwood and West Lethbridge middle school, installation of modular facilities, and construction costs for Wilson Middle School Modernization. This amount also appears as an addition in the Expended Deferred Capital Revenue column.

Capital Revenue Recognized

The amount of capital allocations recognized as revenue in the period September 1, 2016 to August 31, 2017 is \$3.47 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.



New Westside Middle School

