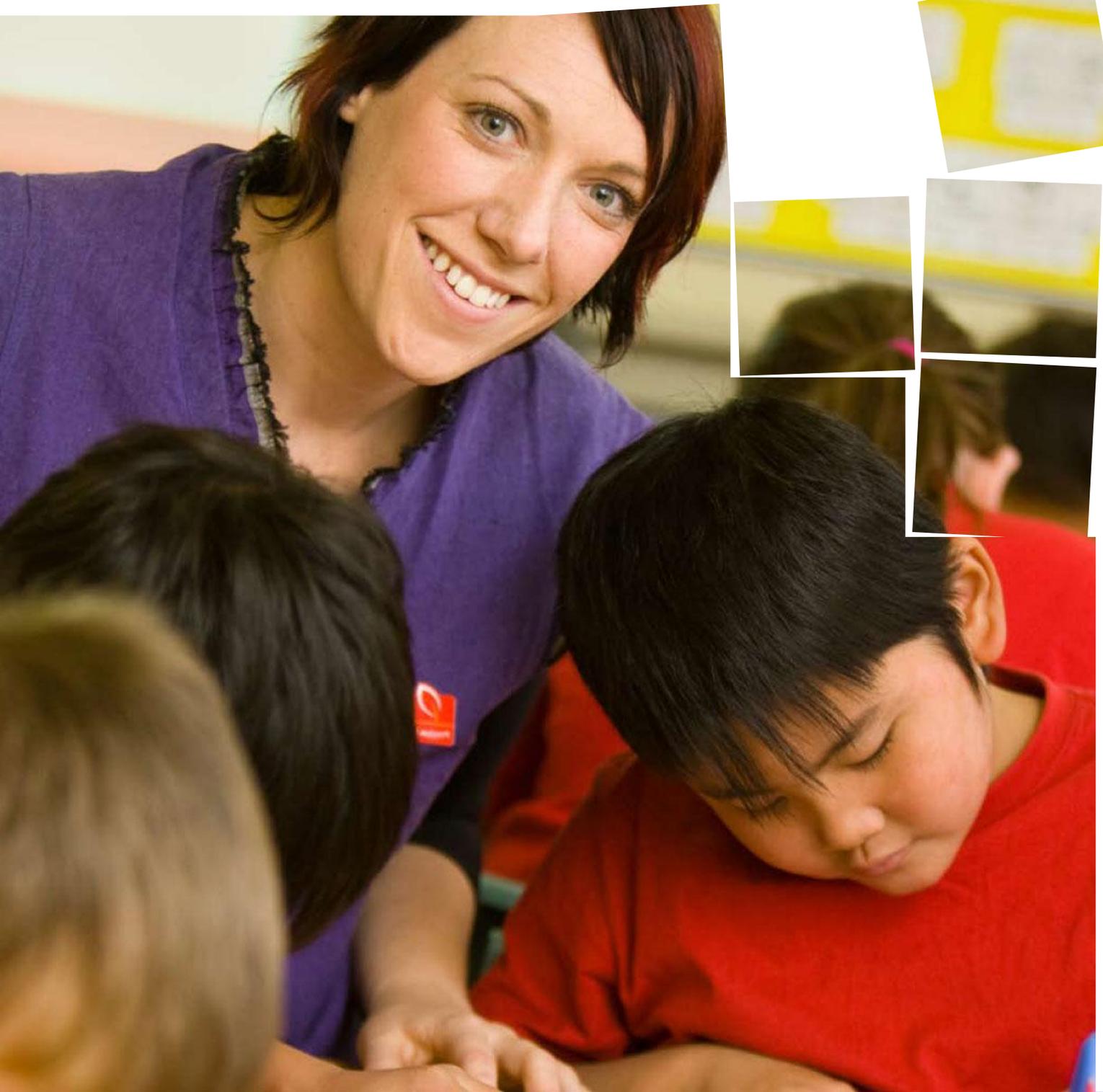


Operating Statement

A practical example and
explanation



**Published by the Communications Division
for [insert Division Name] Division
Department of Education and
Early Childhood Development**
Melbourne
May 2012

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and Early Childhood Development,
2 Treasury Place, East Melbourne, Victoria, 3002.
ISBN [to be inserted if required]
This document is also available on the internet at
www.education.vic.gov.au/management/financial/cases21

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Introduction

CASES21 Finance has provided a platform for the introduction of two accounting management reports for schools. The first of these reports is the Operating Statement which sets out the revenue and expenditure of the school for a defined period and produces a net outcome, whether a surplus or deficit.

The second report is the Balance Sheet which provides information about the school's financial position, in particular the level of resources under the control of the school and the debts and other obligations that are associated with the ownership of those resources. Further information on the Balance Sheet can be found in the publication 'The Balance Sheet'

www.education.vic.gov.au/management/financial/cases21.htm

The Operating Statement, is an accrual-based, report for schools. That provides a better match of revenue and expenditure, leading to a more accurate picture of the school's financial outcome at balance date, by recognising revenue and expenditure when it is due to be received/paid – not only when it is actually received/paid.

The Operating Statement embodies a number of important accountability functions which provide school management with timely information on the school's financial performance.

Typically, we should expect the Operating Statement to:

- describe the allocation and use of financial resources for a defined period;
- detail the source and nature of revenue;
- reflect the extent to which revenue was sufficient to meet expenses;
- provide information on the financial condition of the school;
- set out the actual results of financial activities in comparison with those forecast in the budget (and those of past periods) and provide details of variances;

The Operating Statement is a key report for reporting to School Council on the financial performance of the school. It is an important document as it provides comparisons to schools and school council on actual revenue and expenditure versus budget. Under the Financial Management Act, school council should receive comparisons between budget and actual on a regular basis. Monitoring variances between budget and actual may highlight those areas that are under performing in financial terms therefore allowing action, such as budget revision or the curtailing of expenditure, to be taken.

This document outlines the features of an Operating Statement and aims to provide a better understanding of how the report should be interpreted.

The Operating Statement can be generated in Summary or Detail format

General Ledger

Operating Statement (GL21150) - Detail

for the period ending 30 November XXXX

Current month actual revenue includes all General Ledger receipts and Family/Sundry Debtor invoices generated within the reporting month.

Displays the Percentage of Budget Received Year to Date

GL Code	Account Title	Current Month			Year to Date			Annual Budget	% of Budget Received	Last Year Actual
		Actual	Budget	Variance	Actual	Budget	Variance			
REVENUE										
Dep't Grants										
70001	Cash Grant	0	0	0	199,783	188,000	11,783	188,000	106	168,934
70002	Ed'n Maintenance Allowance	0	0	0	3,881	4,000	-119	4,000	97	3,459
70080	Other Dep't Grants	0	0	0	121,000	119,900	1,100	119,900	101	11,390
		0	0	0	324,664	311,900	12,764	311,900	104	183,783
Commonwealth										
71002	Before/After School Care	0	3,750	-3,750	44,318	42,000	2,318	45,000	98	30,541
71080	Other C'wealth Gov't Grants				3,000	3,000	0	3,000	100	3,400
		0	3,750	-3,750	47,318	45,000	2,318	48,000	99	33,941
State Government										
	Joint Community Grants	0	0	0	1,700	1,700	0	1,700	100	0
		0	0	0	1,700	1,700	0	1,700	100	0
Other										
73001	Reimbursements	300	0	300	1,000	800	200	800	125	756
73002	Interest Received	559	800	-241	2,198	2,000	198	2,200	100	1,964
73003	Sale-Furn/Equipment/Motor V	0	0	0	50	0	50	0	0	227
73502	ATO Interest/Refunds	0	0	0	0	0	0	0	0	0
		859	800	59	3,248	2,800	448	3,000	108	2,947
Locally Raised Funds										
74001	Subject Contributions	-5,450	0	-5,450	61,450	60,000	1,450	63,000	97	59,880
74002	Sale of Class Materials	0	0	0	30,189	32,000	-1,811	32,000	94	29,780
74101	Fundraising Activities	1,356	1,100	256	48,756	40,000	8,756	46,700	104	43,478
74102	Donations	0	0	0	15,150	10,000	5,150	10,000	151	9,000
74301	Camps/Excursions/Activities	0	0	0	71,558	74,000	-2,442	74,000	97	63,450
74401	Before/After School Care	4,800	5,200	-400	21,030	24,000	-2,970	24,000	88	20,040
74403	Non Profit Trading Operations	0	0	0	62,572	61,000	1,572	61,000	103	56,301
74580	Other Locally Raised Funds	0	0	0	5,460	3,500	1,960	4,000	136	3,490
		706	6,300	-5,594	316,165	304,500	11,665	314,700	101	285,419
Total Operating Revenue		1,565	10,850	-9,285	693,095	665,900	27,195	679,300	102	506,090

Identifies sources of revenue by Chart of Accounts category and General Ledger Code

Annual Budget includes all revenue budget amounts approved by School Council and allocated for the year

Variance is the difference between the YTD budget and actual figures.

YTD Revenue budget is the School Council approved budget allocated from 1st Jan to current reporting period.

A negative amount in the current month may be the result of invoices relating to a previous period being written off (or journalled to Prov. For Non Recoverable Subject Contributions) during the current period.

Year to date actual revenue includes all General Ledger receipts and Family/Sundry Debtor invoices generated from 1 Jan to specified date.

Revenue (incorporating receipts and invoices) for the entire previous year.

Total of all revenue categories for the reporting month

Current month budget displays all revenue budget amounts entered in C21F for the month the report is generated.

Variance is the difference between Actual and Budget figures.

General Ledger

Operating Statement (GL21150) - Detail

for the period ending 30 November XXXX

Current month budget displays all expenditure budget amounts entered in C21F for the month the report is generated.

YTD Budget includes allocated budget amounts from 1 Jan to current reporting period.

Current month actual expenditure includes general ledger payments, payroll, creditor invoices and journals processed within the reporting month.

Last Year Actual includes all expenditure amounts (Creditor invoices, GL payments and Payroll) in the previous year.

Total expenditure for the reporting month.

Displays the total percentage of Annual Budget Expended Year to Date.

The net operating surplus/-deficit is calculated by subtracting expenditure for the relevant period from the revenue for the same period.

Annual Budget includes all expenditure budget amounts approved by School Council and allocated for the year.

The outstanding orders are the commitments that have not yet been invoiced.

YTD Actual includes all expenditure amounts (creditor invoices, GL payments and Payroll) processed from 1 Jan to current reporting period.

GL Code	Account Title	Current Month			Year to Date			Annual Budget	% of Budget Expended	Last Year Actual
		Actual	Budget	Variance	Actual	Budget	Variance			
EXPENDITURE										
Salaries and Allowances										
80050	Teaching Support Staff	1,479	1,500	-21	4,226	3,000	1,226	3,200	132	3,160
80052	Other Non Teaching Staff	2,819	2,800	19	111,866	105,000	6,866	110,000	101	103,458
80071	Casual Relief Teaching Staff	422	0	422	96,467	94,000	2,467	97,500	101	91,234
80080	Superannuation	0	0	0	7,642	12,000	-4,358	12,000	63	9,987
		4,720	4,300	420	220,201	214,000	6,201	222,700	98	207,839
Consumables										
86101	Office/Teacher Requisites	0	333	-333	11,761	10,800	961	10,800	108	8,200
86103	Printing	264	270	-6	17,286	16,500	786	17,300	100	19,045
86104	Class Materials	1,790	1,800	-10	35,356	43,600	-8,244	43,600	81	42,333
86105	Computer Software <\$5000	0	0	0	33,456	39,400	-5,944	39,400	85	40,199
		2,054	2,403	-349	97,859	110,300	-12,441	111,100	88	109,777
Utilities										
86452	Electricity	1,200	1,250	-50	14,400	13,750	650	15,000	96	13,866
86453	Gas - Mains	620	600	20	7,440	6,600	840	7,200	103	7,114
86455	Water incl Water Rates	0	0	0	3,996	3,900	96	4,300	93	4,188
		1,820	1,850	-30	25,836	24,250	1,586	26,500	97	25,168
Property Services										
86504	Building Works	0	0	0	23,450	18,000	5,450	18,000	130	26,446
		0	0	0	23,450	18,000	5,450	18,000	130	26,446
Trading and Fundraising										
89102	Non Profit Trading Operations	0	0	0	50,236	52,000	-1,764	52,000	97	141,352
89103	Donations Gifts and Awards	1,230	0	1,230	2,986	3,500	-514	3,500	85	3,246
89104	Fundraising Expenses	0	0	0	35,466	38,650	-3,184	38,650	92	6,334
		1,230	0	1,230	88,688	94,150	-5,462	94,150	94	150,932
Miscellaneous										
89302	Camps/Excursions/Activities	0	0	0	76,442	74,000	2,442	74,000	103	64,960
		0	0	0	76,442	74,000	2,442	74,000	103	64,960
	Total Operating Expenditure	9,824	8,553	1,271	532,476	534,700	-2,224	546,450	97	585,122
	Net Operating Surplus-Deficit	-8,259	2,297	-10,556	160,619	131,200	29,419	132,850		-79,032
	Outstanding Orders:									\$7,190.72

General Ledger
Operating Statement (GL21150) - Detail
for the period ending 30 November XXXX

GL Code	Account Title	Current month			Year to Date			Annual Budget	% of Budget Expended	Last Year Actual
		Actual	Budget	Variance	Actual	Budget	Variance			
CAPITAL EXPENDITURE										
26202	Book and Libraries	6,679	7,000	-321	6,679	7,000	-321	7,000	92	5,229
26205	Computers/IT equipment >\$5000	0	0	0	5,898	6,000	-102	6,000	97	5,776
26210	Furniture and Fittings >\$5000	0	0	0	6,200	6,800	-600	6,800	67	
26214	Communications Equipment >\$5000	0	0	0	8,388	8,500	-112	8,500	97	6,450
26215	Plant & Equipment >\$5000	6,500	10,000	-3,500	9,585	10,000	-415	10,000	96	
26220	Other Assets >\$5000	7,600	10,000	-2,400	9,664	10,000	-336	10,000	97	8,330
Total Capital Expenditure		20,779	27,000	-6,221	46,414	48,300	-1,886	48,300	98	25,785
Outstanding Orders:		\$6,000.00								25,785
ASSET WRITE-DOWNS										
89591	Asset Write-Downs	2,000	0	2,000	4,800	0	4,800	0		7,669
	Asset Sale Proceeds	200	0	200	600	0	600	0		200
Total Asset Write-Downs		1,800	0	1,800	4,200	0	4,200	0		7,469
PRIOR YEAR ADJUSTMENTS										
	Total Prior year Adjustments	0	0	0	0	0	0	0		0

Capital expenditure represents the purchase of non-current assets >\$5,000

Total commitments relating to capital expenditure that have not been invoiced to date.

Asset Write-Downs is the total of asset disposals within the current month displayed at the initial purchase price.

Proceeds collected for the month from disposed of assets

Total Asset Write-Down is the original value of all disposed assets less any proceeds from sale of disposed of assets

General Ledger
Operating Statement (GL21150) - Detail
for the period ending 30 November XXXX

We certify that this report is a true and fair representation of the school's financial performance for the specified period.

School Principal _____

Date _____

School Council President _____

Date _____

1. Operating Statement - Detailed v Summary formats

The Operating Statement can be produced in either detailed or summary form.

The detailed format reports all revenue and expenditure activity for each General Ledger account code within the Chart of Accounts.

The summary format reports all revenue and expenditure activity as a total amount grouped by category as defined in the Chart of Accounts.

2. Revenue

Revenue, as reported in a school's Operating Statement, consists of all General Ledger receipts (actuals deposited into the bank), as well as family and sundry debtor invoices (accruals that are to be received) entered into CASES21 Finance (C21F) for the relevant period.

In relation to subject contributions, camps and excursions etc, it is at the point in time that a family invoice is processed in C21F that revenue is recognised in the Operating Statement. It is not when a family physically pays the invoice. When a family invoice is paid, the revenue in the Operating Statement does not increase as revenue has already been recognised at the time the invoice was processed.

In relation to grants a school may receive, such as the Cash Grant, trading operation, bank interest etc, the amount displayed **will always be the total** amount received as invoices are not entered for this type of revenue.

It should also be noted that credit notes allocated to family invoices

(when invoices are written off) will reduce revenue when processed and may create a negative figure in the current month 'Actual' revenue column of the Operating Statement. This will occur if:

- the original invoice was raised prior to the current period and the write off is the only activity for the current period or
- the amount of new invoice for the current period is less than the total amount of invoices written off for the relevant GL account code.

3. Expenditure (Recurrent)

Expenditure, as reported in a school's Operating Statement, represents the value of all General Ledger payments, Creditor invoices and payroll payments that have been entered into C21F within the relevant period.

It is at the point in time that the creditor invoice is processed in C21F that expenditure is recognised in the Operating Statement. When a payment is processed it is allocated against the original creditor invoice and the expenditure figure in the Operating Statement **does not increase** as expenditure has already been recognised at the time the invoice was processed.

In relation to bank charges and school level payroll, the amount displayed **will always be the total** amount paid as invoices are not entered for this type of expenditure.

4. Net Operating Surplus/-Deficit

The net operating surplus/-deficit is calculated by subtracting expenditure for the relevant period from the revenue for the same period.

If total revenue exceeds total expenditure, the net effect is an operating surplus. Conversely, if total revenue is less than total expenditure, the net effect is an operating deficit.

5. Outstanding Orders

Displays the total amount of orders (commitments) relating to recurrent expenditure that have been recorded on C21F but for which no invoice has been received or entered into C21F. Outstanding orders are displayed as a year to date (YTD) GST exclusive amount.

6. Capital Expenditure

Capital expenditure represents the purchase of Non-Current assets (Assets > \$5,000) that have a useful life greater than the current accounting period (e.g. Furniture and Equipment). These purchases are of a capital nature and do not form part of recurrent expenditure. As a result they are not included in the calculation of the operating surplus/-deficit, but do appear on the Operating Statement for information as an indication of the total capital expenditure for all sub programs.

The Capital Expenditure section on the Operating Statement displays the asset acquisitions a school has made for the current period and year to date. It also allows for tracking and comparison to budget.

7. Capital Expenditure Outstanding Orders

Displays the total amount of orders (commitments) relating to capital expenditure, that have been recorded on C21F but for which no invoice has been received.

Outstanding Orders are displayed as year to date (YTD) GST exclusive amount.

8. Asset Write-Downs

Displays the amount of the asset write-downs (asset disposals) that have been processed for the period and the proceeds that a school has collected in relation to the asset disposed

The 'Total Asset Write-Downs' is the net profit/loss (disposal amount less any proceeds from the sale) that a school has made for the period in relation to asset write-downs.

9. Current Month

The 'Current Month' refers to the current reporting month. The current month in the example provided is November 20XX as the final date of the report is November 30 20XX.

Information is displayed in three columns – 'Actual', 'Budget' and 'Variance'. The columns provide a comparison between actual

revenue and expenditure activity and the budget revenue and expenditure anticipated for the current month.

The variance is calculated by subtracting the budget amounts from the actual amounts (e.g. Actual – Budget = Variance).

Schools should consider apportioning budgets across months in which revenue and expenditure is anticipated as it will enable schools to more accurately monitor the timeliness of its revenue and expenditure processing.

10. Year to Date

The 'Year to Date' figures in the Operating Statement incorporate all revenue and expenditure activity from 1 January 20XX to the period specified. For example if the period chosen was August, the year to date figures would include revenue and expenditure transactions from 1 January 20XX up to and including August.

Similar to the Current Month, the columns provide a comparison between actual revenue and expenditure activity and the budget revenue and expenditure anticipated for the year to date. The variance is calculated by subtracting the budget from the actual (e.g. Actual – Budget = Variance).

Handy Hint

Schools should investigate any instances where total revenue received or total expenditure is significantly more/less than budgeted.

11. Annual Budget

The Annual Budget is the total budget for each GL account or category for the entire calendar year (January - December) regardless of the period selected when printing the report.

The annual budget should reflect the budget that has been approved by the School Council.

12. % of Budget

The % of Budget displays the percentage of the annual revenue budget received. It also displays the percentage of the Expenditure Budget that has been expended Year to Date.

13. Last Year Actual

The Last Year Actual figure is the total revenue or expenditure recorded on C21F at the end of the previous calendar year.

14. Report Certification

The parameters for the Operating Statement include the option to print a certification page. This should be included for the final report at the end of each period, signed and filed for audit purposes.

