

HIGH PRAIRIE SCHOOL DIVISION NO. 48
Notes to the Financial Statements
Year ended August 31, 2009

1. AUTHORITY AND PURPOSE

The School Jurisdiction delivers education programs under the authority of the *School Act*, Revised Statutes of Alberta 2000, Chapter S-3.

The jurisdiction receives instruction and support allocations under Regulation 77/2003. The regulation allows for the setting of conditions and use of grant monies. The School Jurisdiction is limited on certain funding allocations and administration expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations, which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

a) Revenue Recognition

Revenue is recognized as follows:

- Instruction and support allocations are recognized in the year to which they relate.
- Fees for services related to courses and programs are recognized as revenue when such courses and programs are delivered.
- Unrestricted contributions are recognized as revenue when received or receivable. Contributions in-kind are recorded at fair market value when reasonably determinable.
- Externally restricted contributions are deferred and recognized as revenue in the period in which the restriction is complied with. Endowment contributions are recognized as direct increases in net assets in the period in which they are received or receivable.

b) Capital Assets

Capital Assets are recorded at cost, and are amortized over their estimated useful lives on a straight-line basis, at the following rates:

Buildings	2.5% to 4%
Vehicles & Buses	10% to 20%
Equipment & Furnishings	10% to 20%
Computer Hardware & Software	10% to 20%

Capital assets with costs in excess of \$5,000 are capitalized. Capital allocations received for asset additions are amortized into revenue over the same period as the amortization expense.

c) School Generated Funds

These are funds which come under the control and responsibility of a school principal for school activities. They are usually collected, retained, and expended at the school level (e.g. yearbook sales, graduation fees, field trip fees, etc.)

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d) Vacation Pay

Vacation Pay is accrued in the period in which the employee earns the benefit.

e) Pensions

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

The current service and past service costs of the Alberta Teacher Retirement Fund are met by contributions by active members and the Government of Alberta. Under the terms of the Teachers Pension Plan Act, the High Prairie School Division No. 48 does not make pension contributions for certificated staff.

The school board participates in the multi-employer pension plan, Local Authorities Pension Plan. The expense for this pension plan is equivalent to the annual contributions of \$229,649 (2008 - \$177,596) for the Year ended August 31, 2009

. At December 31, 2008, the Local Authorities Pension Plan reported a deficiency of \$4,413,971,000 (2007 deficiency of \$1,183,334,000). Effective for the 2008-2009 fiscal year, the Government of Alberta has taken responsibility for the LAPP unfunded liability.

f) Inventories

Inventories are recorded at the lower of cost or net realizable value.

g) Prepaid Expenses

Certain expenditures incurred before the close of the school year are for school supplies which will be consumed subsequent to the year-end, and are accordingly recorded as prepaid expenses. Certain insurance expenses also fall into this category.

h) Contributed Services

Volunteers contribute a considerable number of hours per year to schools to ensure that certain programs are delivered, such as kindergarten, lunch services and the raising of school generated funds. Because of the difficulty of compiling these hours and the fact that these services are not otherwise purchased, contributed services are not recognized in the financial statements.

i) Operating and Capital Reserves

Reserves are established at the discretion of the Board of Trustees of the jurisdiction, to set aside funds for operating and capital purposes. Such reserves are appropriations of unrestricted net assets.

j) Employee Future Benefits

The jurisdiction accounted for the future cost of employee benefits commencing in the 2000/2001 school year using the retroactive approach. There is no financial impact on the jurisdiction at this time.

k) Investments

Short term Investments are valued at the lower of cost or market. Long term investments are valued at cost or, where there has been other than a temporary impairment in the value of the investment, at market value.

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l) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on estimated useful lives of capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

m) Capital Disclosures

The School Division's objectives when managing capital are to safeguard the entity's ability to continue as a going concern and to ensure the appropriate resources are available to continue school operations.

The School Division sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

n) Long-lived Assets

Long-lived assets consist of property, plant and equipment with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The School Division performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

a) Financial Instruments

Held for Trading The School Division has classified the following financial assets and liabilities as held for trading: cash and temporary investments and restricted cash (trust assets). These instruments are initially recognized at their fair value, determined by recent arm's length market transactions for the same instrument. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in income. Fees incurred on an exchange of financial liabilities or a modification of the terms of financial liabilities that is accounted for as an extinguishment are included as part of the gain or loss on extinguishment, while any related other costs incurred are recognized in current year earnings. All fees and costs incurred on the exchange or modification of a financial liability not accounted for as an extinguishment, are recognized in current year earnings.

Held for trading financial instruments are subsequently measured at their fair value, without any deduction for transactions costs incurred on sale or other disposal. Gains and losses arising from changes in fair value are recognized immediately in income.

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Loans and Receivables

The School Division has classified the following financial assets as loans and receivables: accounts receivable. These assets are initially recognized at their fair value, approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in income.

Total interest income, calculated using the effective interest rate method, is recognized in net income.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Other Financial Liabilities

The School Division has classified the following financial liabilities as other financial liabilities: accounts payable and accrued liabilities, trust liabilities, and term debt. These liabilities are initially recognized at their fair value, determined by the discounted cash flow method. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in income. Total interest expense, calculated using the effective interest rate method, is recognized in net income.

Fees incurred on an exchange of financial liabilities or a modification of the terms of financial liabilities that is accounted for as an extinguishment are included as part of the gain or loss on extinguishment, while any related other costs incurred are recognized in current earnings. All fees and costs incurred on the exchange or modification of a financial liability not accounted for as an extinguishment are included in the carrying amount of the modified financial liability and amortized over its remaining expected life. Any related other costs incurred are recognized in current year earnings.

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3 CHANGE IN ACCOUNTING POLICIES

Financial instruments

Effective September 1, 2007, the School Division adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards.

Although the requirements of CICA 1530 Comprehensive Income are not applicable for not-for-profit organizations, amendments to CICA 4400 Financial Statement Presentation by Not-For-Profit Organizations require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets.

CICA 3855 Financial Instruments – Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3861 Financial Instruments – Disclosure and Presentation discusses the presentation and disclosure of these items. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

As described in Accounting Policies, Note 2, the School Division recognizes its held for trading financial assets at their fair value. Prior to this classification, required at the time the School Division adopted the Financial Instruments standards, these items were recognized at their historical cost, adjusted for any permanent impairment. There was no significant result of the application of this policy in the current period. The new requirements were applied prospectively and prior periods have not been restated.

As described in Accounting Policies, Note 2, the School Division's loan and receivable financial assets, and its other financial liabilities, are recognized at their amortized cost, using the effective interest method. Prior to this classification, these items were recognized at their historical cost, adjusted for any permanent impairment. There was no significant result of the application of this policy in the current period. The new requirements were applied prospectively and prior periods have not been restated.

Financial Statement Presentation

Effective September 1, 2008, the School Division adopted the amendment to CICA Handbook Section 1400 *General Standards of Financial Statement Presentation*. This Section has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on the School Division's ability to continue as a going concern, those uncertainties are disclosed. In assessing the going concern assumption, management considers all available information about the future, which is at least, but is not limited to, twelve months from August 31, 2009.

The adoption of this amendment to Section 1400 did not have a material impact on the School Division's financial statements.

Capital Disclosures

Effective September 1, 2008, the School Division adopted the Canadian Institute of Chartered Accountants' new recommendations for disclosures about capital. Section 1535 *Capital Disclosures* establishes standards for disclosing what an entity regards as capital and an entity's objectives, policies and processes for managing its capital. The Section also prescribes regarding whether an entity has complied with any externally imposed capital requirements, and if not, the consequences of such non-compliance.

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4. CASH AND TEMPORARY INVESTMENTS

	2009			2008		
	Effective (Market) Yield	Cost	Fair Value	Effective (Market) Yield	Cost	Fair Value
Cash and cash equivalents	-	\$21,657,811	\$21,657,811	-	\$13,161,348	\$13,161,348
Fixed-income securities						
Government of Canada, direct and guaranteed	%	0	0	%	0	0
Provincial, direct and guaranteed	%	0	0	%	0	0
Corporate	%	0	0	%	0	0
Municipal	%	0	0	%	0	0
Pooled investment funds	%	0	0	%	0	0
Total fixed-income securities	<u>%</u>	<u>0</u>	<u>0</u>	<u>%</u>	<u>0</u>	<u>0</u>
Total cash and temporary investments	<u>%</u>	<u>\$21,657,811</u>	<u>\$21,657,811</u>	<u>%</u>	<u>\$13,161,348</u>	<u>\$13,161,348</u>

5. ACCOUNTS RECEIVABLE

	2009	2008
Provincial Government	\$ 18,520	\$ 95,646
Federal Government	141,177	202,789
Other	311,345	146,661
Total	\$ 471,042	\$ 445,096

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6. TANGIBLE CAPITAL ASSETS

	Land	Construction In Progress - New Building	Buildings	Equipment - Computer Hardware & Software	Other Equipments	Vehicles	Total Aug. 31, 2009	Total Aug. 31, 2008
Estimated Useful life			25-40 Years	5-10 Years	5-10 Years	5-10 Years		
Historical cost								
September 1, 2008	280,481	30,983	36,681,410	331,014	18,585	7,003,638	44,346,111	43,833,395
Additions	-	3,792,403	7,288	166,862	144,093	800,165	4,910,811	878,511
Transfers in (out)	-	-	-	-	-	-	-	-
Less disposals including write-offs	-	-	-	-	-	(118,333)	(118,333)	(365,795)
August 31, 2009	280,481	3,823,386	36,688,698	497,876	162,678	7,685,470	49,138,589	44,346,111
Accumulated amortization								
September 1, 2008	-	-	18,115,756	100,434	-	4,241,434	22,457,624	21,167,646
Amortization expense	-	-	1,009,192	66,204	3,717	591,104	1,670,217	1,651,078
Transfers in (out)	-	-	-	-	-	-	-	-
Effect of disposals	-	-	-	-	-	(88,444)	(88,444)	(361,099)
August 31, 2009	-	-	19,124,948	166,638	3,717	4,744,094	24,039,397	22,457,625
Net Book Value at August 31, 2009	<u>280,481</u>	<u>3,823,386</u>	<u>17,563,750</u>	<u>331,238</u>	<u>158,961</u>	<u>2,941,376</u>	<u>25,099,192</u>	<u>21,888,486</u>

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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Alberta Education	\$ -	\$ 42,590
Alberta Finance	-	-
Federal Government	-	6,576
First Nations	-	-
Other Trade Payables and Accrued Liabilities	2,218,923	768,442
Other Alberta School Jurisdictions	-	-
Total	\$ 2,218,923	\$ 817,608

8. DEFERRED REVENUE

	2009	2008
Class Size Initiative	-	-
Infrastructure Maintenance Renewal (IMR)	267,805	190,674
CTS Grant	112,098	-
ATA	-	10,000
Skills Canada	146,177	292,357
One Time Grant	61,020	315,779
Student Engagement Project	50,337	56,035
Other	-	-
Totals	\$ 637,437	\$ 864,845

9. TRUST ASSETS AND LIABILITIES

These balances represent cash that is held in trust by the jurisdiction.

	2009	2008
Deferred Salary Leave Plan	\$ -	\$ -
Scholarship Trusts	-	-
Student Health Initiative Trust (SHI Banker Board)	727,707	783,866
Children and Youth with Complex Needs (Banker Board)	-	-
Total	\$ 727,707	\$ 783,866

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10. LONG TERM DEBT

Debentures mature at various dates through November 15, 2013, bearing rates of interest from 6.875 percent to 12 percent. All debentures are supported as to principal and interest.

	2009	2008
Debentures	\$ 252,512	\$ 498,579
Mortgage	-	-
Due within one year	(140,549)	(246,067)
Total	\$ 111,963	\$ 252,512

Principal repayments required in each of the next five fiscal years are as follows:

	Principal	Interest	Total
2010	140,549	28,064	168,613
2011	102,241	12,250	114,491
2012	3,241	1,033	4,274
2013	3,241	689	3,930
2014	3,240	-	3,240
Total	\$ 252,512	\$ 42,036	\$ 294,548

11. COMMITMENTS

Payments under operating equipment leases in each of the next five years are as follows:

2010	\$ 96,115
2011	\$ 76,459
2012	\$ 28,692
2013	\$ 28,692
2014	\$ 12,392

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Reserves created by authorization of the Board of Trustees represent funds allocated for future capital expenditures and future operating expenses. The reserves are established and expended in accordance with terms and conditions established by the Board.

	Balance Beginning of Year	Appropriated During the Year	Utilized During the Year	Balance End of Year
Operating	\$ 8,090,122	\$ 2,266,899	\$ (930,207)	\$ 9,426,814
Capital				
Land	\$ 34,752	\$ -	\$ -	\$ 34,752
Buildings	1,486,594	308,889	-	1,795,483
Equipment	136,475	69,919	-	206,394
Vehicles	2,540,278	643,415	(800,165)	2,383,528
	<u>\$ 4,198,099</u>	<u>\$ 1,022,223</u>	<u>\$ (800,165)</u>	<u>\$ 4,420,157</u>
	<u>\$ 12,288,221</u>	<u>\$ 3,289,122</u>	<u>\$ (1,730,372)</u>	<u>\$ 13,846,971</u>

The operating reserve balance is comprised of the following:

	<u>2009</u>	<u>2008</u>
Specific school surplus (deficit)		
C. J. Schurter	\$ 436,249	\$ 482,654
Prairie River	(73,231)	96,297
Kinuso	457,898	285,118
Roland Michener	96,679	189,541
Lakeside	653,308	547,890
E. W. Pratt	275,438	309,521
H. P. Elementary	177,513	192,978
Joussard	277,027	346,782
Routhier	241,389	193,657
E. G. Wahlstrom	174,514	124,218
Joint fund	5,250	9,928
Prairie View Outreach	30,988	60,007
G. P. Vanier	49,370	(46,815)
	<u>2,802,392</u>	<u>2,791,776</u>
Administration	674,769	799,589
Technology	434,785	409,898
Maintenance	475,400	388,181
Transportation	467,733	440,069
General instruction	4,571,735	3,260,609
	<u>\$ 9,426,814</u>	<u>\$ 8,090,122</u>

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13. DEFERRED CAPITAL ALLOCATIONS

Deferred capital allocations represent externally-restricted supported capital funds provided for a specific capital purpose received or receivable by the jurisdiction, but the related expenditure had not been made at year-end. When expended, these deferred capital allocations are transferred to unamortized capital allocations.

14. UNAMORTIZED CAPITAL ALLOCATIONS

Unamortized capital allocations represent externally-restricted supported capital funds that have been expended, but have yet to be amortized over the useful life of the related capital asset. The unamortized capital allocations account balance is increased by transfers of deferred capital allocations expended, as well as fully-supported debenture principal repayments.

15. CAPITAL RECONCILIATION

TOTAL CAPITAL ASSETS		\$	25,099,192	
Deduct: Long term debt				
	Supported		(252,512)	
	Unsupported		-	
NET TOTAL				\$ 24,846,680
UNAMORTIZED CAPITAL ALLOCATIONS		\$	20,400,753	
	Add: Investment in Capital Assets		4,445,927	
NET TOTAL				\$ 24,846,680
VARIANCE				\$ -

16. RELATED PARTY TRANSACTIONS

Effective 2005/2006, school jurisdictions are controlled by the Government of Alberta according to criteria set out in PSAB 1300. All entities consolidated or accounted for on a modified equity basis in the accounts of the Government of Alberta are now related parties of school jurisdictions. These include government departments, health authorities, post-secondary institutions and other school jurisdictions in Alberta.

	Balances		Transactions	
	Assets (at cost or net realizable value)	Liabilities (at fair value)	Revenues	Expenses
2008-2009				
Government of Alberta:				
Education		\$0	34,587,364	-
Infrastructure & Transportation	-	0	-	-
Finance	23,435	0	-	-
Health & Wellness	-	0	-	-
Human Resources/Employment	-	0	-	-
Other Gov't of Alberta departments	83,341	0	443,637	-
Other:				
Health authorities	-	0	-	-
Post-secondary institutions	-	0	-	32,277
Other Alberta school jurisdictions	24,518	0	331,614	97,709
Other related parties	-	0	-	-
TOTAL 2008-2009	<u>131,294</u>	<u>\$0</u>	<u>35,362,615</u>	<u>129,986</u>
TOTAL 2007-2008	<u>82,964</u>	<u>\$42,590</u>	<u>34,832,639</u>	<u>\$0</u>

Contingencies or Contractual Obligations with related parties are under separate disclosure.

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17. TARGETED FUNDING FOR PROVINCIAL INITIATIVES EXPENSES

TARGETED FUNDING FOR PROVINCIAL INITIATIVES	Certificated Remuneration	Non-Certificated Remuneration	Supplies & Services	Other Expenses
Alberta Initiative for School Improvement	\$220,245	\$12,500	\$136,574	\$0
Children and Youth with Complex Needs	\$0	\$0	\$0	\$0
Francophone Student Health Services	\$0	\$0	\$0	\$0
Small Class Size Initiative	\$1,060,398	\$0	\$0	\$0
Student Health Initiative	\$0	\$362,204	\$389,520	\$0
SuperNet Service	\$0	\$0	\$84,588	\$0

18. REMUNERATION AND MONETARY INCENTIVES

The High Prairie School Division had paid or accrued expenses for the year ended August 31, 2009 to or on behalf of the following positions and persons in groups as follows.

Board Members:	FTE	Remuneration	Benefits	Negotiated Allowances	Performance Bonuses	ERIP's / Other	Expenses
Chair							
Joyce Dvornek	1.0	\$17,848	\$3,615	\$0			\$6,159
Other members							
Gary Doran	1.0	\$5,888	\$3,257	\$0			\$2,216
Karin Scholl	1.0	\$12,417	\$3,446	\$0			\$6,033
Rick Neidig	1.0	\$3,496	\$96	\$0			\$998
Rudy Willier	1.0	\$2,484	\$103	\$0			\$1,430
Marilyn Willier	1.0	\$2,304	\$829	\$0			\$470
Monica Edwards	1.0	\$9,844	\$3,365	\$0			\$2,818
Lenny Richer	1.0	\$14,076	\$2,916	\$0			\$6,052
Subtotal	8.0	\$68,357	\$17,627	\$0			\$26,176
Superintendent (Laura Poloz)	1.0	\$174,494	\$10,600	\$0	\$0	\$0	\$15,005
Board Secretary (Raymonde Lussier)	1.0	\$107,741	\$20,406	\$0	\$0	\$0	\$7,041
Board Treasurer (Paul Burrows)	1.0	\$107,741	\$20,406	\$0	\$0	\$0	\$7,003
Certificated Teachers	223.5	\$17,313,933	\$1,752,010	\$0	\$0	\$0	
Non-certificated - Other	211.0	\$7,879,007	\$1,487,480	\$0	\$0	\$0	
TOTALS		\$25,651,273	\$3,308,530	\$0	\$0	\$0	

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19. ECONOMIC DEPENDENCE ON RELATED THIRD PARTY

The jurisdiction's primary source of income is from the Alberta Government. The Division's ability to continue viable operations is dependent on this funding.

20. COMPARITIVE FIGURES

The comparative figures have been reclassified where necessary to conform to the 2009 presentation.

21. BUDGET AMOUNTS

The budget was prepared by the school jurisdiction and approved by the Board of Trustees on November 19, 2008. It is presented for information purposes only and has not been audited.

22. SUBSEQUENT EVENTS

During August 2009, the Government of Alberta announced a reduction in funding to school divisions for the 2009-10 school year. The Relative Cost of Purchasing Adjustment and Fuel Contingency grants were reduced or eliminated which will result in approximately \$337,000 less funding for operations. There was also a reduction in funding for 2009-10 of approximately \$863,000 based on the balance in the reserves from 2007-08.

The total reduction in funding for the 2010 school year is anticipated to be approximately \$1.2 million or an estimated 3.5% of the school division's grant funding from the province.