

**AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012**
[School Act, Sections 147(2)(a), 148, 151(1) and 276]

Palliser Regional Division No. 26

Legal Name of School Jurisdiction

101, 3305 18 Avenue North, Lethbridge, AB T1H 5S1

Mailing Address

Telephone: 403-328-4111; Fax: 403-380-6890

Telephone and Fax Numbers

SCHOOL JURISDICTION MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of **Palliser Regional Division No. 26** presented to Alberta Education have been prepared by school jurisdiction management which has responsibility for their preparation, integrity and objectivity. The financial statements, including notes, have been prepared in accordance with generally accepted accounting principles and follow format prescribed by Alberta Education.

In fulfilling its reporting responsibilities, management has maintained internal control systems and procedures designed to provide reasonable assurance that the school jurisdiction's assets are safeguarded, that transactions are executed in accordance with appropriate authorization and that accounting records may be relied upon to properly reflect the school jurisdiction's transactions. The effectiveness of the control systems is supported by the selection and training of qualified personnel, an organizational structure that provides an appropriate division of responsibility and a strong system of budgetary control.

Board of Trustees Responsibility

The ultimate responsibility for the financial statements lies with the Board of Trustees. The Board reviewed the audited financial statements with management in detail and approved the financial statements for release.

External Auditors

The Board appoints external auditors to audit the financial statements and meets with the auditors to review their findings. The external auditors were given full access to school jurisdiction records.

Declaration of Management and Board Chairman

To the best of our knowledge and belief, these financial statements reflect, in all material respects, the financial position and results of operations and cash flows for the year in accordance with generally accepted accounting principles and follow the financial reporting requirements prescribed by Alberta Education.

BOARD CHAIR

Donald Zech

Name

"ORIGINAL SIGNED"

Signature

SUPERINTENDENT

Kevin Gletz

Name

"ORIGINAL SIGNED"

Signature

SECRETARY TREASURER OR TREASURER

Michelle Gibb

Name

"ORIGINAL SIGNED"

Signature

26-Nov-12

Board-approved Release Date

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Palliser Regional Division No. 26

We have audited the accompanying financial statements of Palliser Regional Division No. 26, which comprise the statement of financial position as at August 31, 2012, the statements of revenues and expenses, changes in net assets, capital allocations and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Palliser Regional Division No. 26 as at August 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Other Matter

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules A, B and C is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Comparative Information

The financial statements of the Palliser Regional Division No. 26 as at and for the year ended August 31, 2012 were audited by another auditor who expressed an unmodified opinion on the financial statements dated November 29, 2011.

KPMG LLP

Chartered Accountants

November 26, 2012
Lethbridge, Canada

STATEMENT OF FINANCIAL POSITION

as at August 31, 2012

(in dollars)

	2012	2011
ASSETS		
Current assets		
Cash and temporary investments (Note 3)	\$10,514,737	\$6,682,393
Accounts receivable (net after allowances) (Note 4)	\$1,004,347	\$1,237,093
Prepaid expenses	\$175,749	\$108,104
Other current assets	\$5,580	\$5,097
Total current assets	\$11,700,413	\$8,032,687
Trust assets (Note 5)		
Long term accounts receivable	\$0	\$0
Long term investments (Note 8)	\$55,602	\$58,597
Capital assets (Note 7)		
Land	\$340,000	\$340,000
Construction in progress	\$10,866,022	\$4,551,359
Buildings	\$44,753,235	
Less: accumulated amortization	(\$23,807,325)	\$20,945,910
Equipment	\$3,421,157	
Less: accumulated amortization	(\$3,011,523)	\$409,634
Vehicles	\$7,425,601	
Less: accumulated amortization	(\$5,518,886)	\$1,906,715
Total capital assets	\$34,468,281	\$29,146,776
TOTAL ASSETS	\$47,522,016	\$38,265,901
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 6)	\$0	\$0
Accounts payable and accrued liabilities	\$4,137,955	\$1,242,506
Deferred revenue (Note 10)	\$1,868,750	\$2,077,779
Deferred capital allocations (Note 12)	\$3,367,694	\$3,057,020
Current portion of long term debt	\$320,211	\$356,362
Total current liabilities	\$9,694,610	\$6,733,667
Trust liabilities (Note 5)		
Employee future benefit liabilities (Note 8)	\$97,300	\$141,500
Long term debt (Note 11)		
Supported: Debentures and other supported debt	\$1,579,072	\$1,935,434
Less: Current portion	(\$320,211)	(\$356,362)
Unsupported: Debentures and capital loans	\$0	\$0
Capital leases	\$0	\$0
Mortgages	\$0	\$0
Less: Current portion	\$0	\$0
Other long term liabilities	\$0	\$0
Unamortized capital allocations (Note 13)	\$28,431,833	\$22,452,065
Total long term liabilities	\$31,085,714	\$25,200,478
TOTAL LIABILITIES	\$40,780,324	\$31,934,145
NET ASSETS		
Unrestricted net assets	\$1,281,557	\$594,634
Operating reserves	\$1,002,757	\$977,843
Accumulated operating surplus (deficit)	\$2,284,314	\$1,572,477
Investment in capital assets	\$4,457,378	\$4,759,279
Capital reserves	\$0	\$0
Total capital funds	\$4,457,378	\$4,759,279
Total net assets	\$6,741,692	\$6,331,756
TOTAL LIABILITIES AND NET ASSETS	\$47,522,016	\$38,265,901

Note: Please input "(Restated)" in 2011 column heading where comparatives are not taken from the finalized 2010/2011 Audited Financial Statements filed with Alberta Education.

STATEMENT OF REVENUES AND EXPENSES

for the Year Ended August 31, 2012

(in dollars)

	Actual 2012	Budget 2012	Actual 2011
REVENUES			
Government of Alberta	\$71,863,575	\$67,774,124	\$68,419,525
Federal Government and/or First Nations	\$218,450	\$373,759	\$500,880
Other Alberta school authorities	\$0	\$50,000	\$108,125
Out of province authorities	\$0	\$0	\$0
Alberta Municipalities-special tax levies	\$0	\$0	\$0
Fees	\$1,183,283	\$716,587	\$1,745,708
Other sales and services	\$403,202	\$27,559	\$955,000
Investment income	\$76,025	\$52,704	\$65,325
Gifts and donations	\$147,809	\$0	\$138,550
Fundraising	\$1,301,529	\$1,000,000	\$831,959
Rental of facilities	\$357,173	\$342,939	\$339,422
Gains on disposal of capital assets	\$13,000	\$0	\$30,000
Amortization of capital allocations	\$861,274	\$868,590	\$811,116
Other revenue	\$1,173,944	\$450,000	\$278,253
Total Revenues	\$77,599,264	\$71,656,262	\$74,223,863
EXPENSES			
Certificated salaries (Note 21)	\$37,479,177	\$35,949,618	\$35,278,524
Certificated benefits (Note 21)	\$7,908,306	\$4,443,211	\$7,327,361
Non-certificated salaries and wages (Note 21)	\$12,382,167	\$10,836,079	\$11,535,942
Non-certificated benefits (Note 21)	\$2,854,486	\$2,880,477	\$2,543,653
Services, contracts and supplies	\$14,693,152	\$15,879,643	\$13,835,148
Capital and debt services			
Amortization of capital assets			
Supported	\$861,274	\$868,590	\$811,116
Unsupported	\$732,987	\$601,494	\$992,998
Total Amortization of capital assets	\$1,594,261	\$1,470,084	\$1,804,114
Interest on capital debt			
Supported	\$184,237	\$184,237	\$222,081
Unsupported	\$888	\$0	\$0
Total Interest on capital debt	\$185,125	\$184,237	\$222,081
Other interest and charges	\$0	\$0	\$0
Losses on disposal of capital assets	\$92,654	\$0	\$0
Other expense	\$0	\$0	\$0
Total Expenses	\$77,189,328	\$71,643,349	\$72,546,823
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE EXTRAORDINARY ITEM			
	\$409,936	\$12,913	\$1,677,040
Extraordinary Item	\$0	\$0	\$0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$409,936	\$12,913	\$1,677,040

Note: Please input "(Restated)" where Actual 2011 comparatives are not as presented in the finalized 2010/2011 Audited Financial Statements filed with Alberta Education. Budget 2012 comparatives presented are final budget amounts formally approved by the Board.

STATEMENT OF CASH FLOWS
for the Year Ended August 31, 2012

(in dollars)

	2012	2011
CASH FLOWS FROM:		
A. OPERATIONS		
Excess (deficiency) of revenues over expenses	\$409,936	\$1,677,040
Add (Deduct) items not affecting cash:		
Amortization of capital allocations revenue	(\$861,274)	(\$811,116)
Total amortization expense	\$1,594,261	\$1,804,114
Gains on disposal of capital assets	(\$13,000)	(\$30,000)
Losses on disposal of capital assets	\$92,654	\$0
Changes in:		
Accounts receivable	\$232,746	\$136,636
Prepays and other current assets	(\$68,128)	\$290,477
Long term accounts receivable	\$0	\$0
Long term investments	\$2,995	(\$58,597)
Accounts payable and accrued liabilities	\$2,895,449	(\$343,622)
Deferred revenue	(\$209,029)	\$261,359
Employee future benefit liabilities	(\$44,200)	\$34,500
Other (describe) School Generated Funds Restatement	\$0	\$1,172,203
Total cash flows from Operations	\$4,032,410	\$4,132,994
B. INVESTING ACTIVITIES		
Purchases of capital assets		
Land	\$0	\$0
Buildings	(\$6,518,396)	(\$2,231,010)
Equipment	(\$22,604)	(\$48,445)
Vehicles	(\$538,536)	(\$96,966)
Net proceeds from disposal of capital assets	\$50,400	\$30,000
Other (describe)	\$0	\$0
Total cash flows from Investing activities	(\$7,029,136)	(\$2,346,421)
C. FINANCING ACTIVITIES		
Capital allocations	\$6,829,070	\$288,731
Issue of long term debt	\$0	\$0
Repayment of long term debt	(\$356,362)	(\$380,862)
Add back: supported portion	\$356,362	\$380,862
Other (describe)	\$0	\$0
Total cash flows from financing activities	\$6,829,071	\$288,731
Net cash flows from during the year	\$3,832,345	\$2,075,305
Cash and temporary investments, net of bank indebtedness, at Aug. 31/11	\$6,682,393	\$4,607,088
Cash and temporary investments, net of bank indebtedness, at Aug. 31/12	\$10,514,737	\$6,682,393

Note: Please input "(Restated)" where Actual 2011 comparatives are not as presented in the finalized 2010/2011 Audited Financial Statements filed with Alberta Education.

**STATEMENT OF CHANGES IN NET ASSETS
for the Year Ended August 31, 2012**

School Jurisdiction Code: **2255**

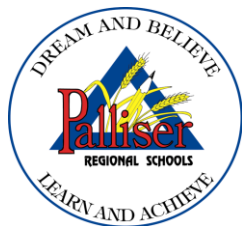
(in dollars)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	TOTAL NET ASSETS Cols. 2+3+4+5	INVESTMENT IN CAPITAL ASSETS	UNRESTRICTED NET ASSETS	INTERNALLY RESTRICTED NET ASSETS											
				TOTAL OPERATING RESERVES Cols. 6+8+10+12+14	TOTAL CAPITAL RESERVES Cols. 7+9+11+13+15	School & Instruction Related		Operations & Maintenance		Board & System Administration		Transportation		External Services	
						Operating Reserves	Capital Reserves	Operating Reserves	Capital Reserves	Operating Reserves	Capital Reserves	Operating Reserves	Capital Reserves	Operating Reserves	Capital Reserves
Balance at August 31, 2011	\$6,331,756	\$4,759,279	\$594,634	\$977,843	\$0	\$886,071	\$0	\$0	\$0	\$91,772	\$0	\$0	\$0	\$0	\$0
Prior period adjustments (describe)															
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted Balance, Aug. 31, 2011	\$6,331,756	\$4,759,279	\$594,634	\$977,843	\$0	\$886,071	\$0	\$0	\$0	\$91,772	\$0	\$0	\$0	\$0	\$0
Excess (deficiency) of revenues over expenses	\$409,936		\$409,936												
Board funded capital additions		\$561,140	(\$561,140)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Disposal of unsupported capital assets	\$0	(\$130,054)	\$130,054		\$0		\$0		\$0		\$0		\$0		\$0
Disposal of supported capital assets (board funded portion)	\$0	\$0	\$0		\$0		\$0		\$0		\$0		\$0		\$0
Direct credits to net assets	\$0	\$0	\$0												
Amortization of capital assets		(\$1,594,261)	\$1,594,261												
Amortization of capital allocations		\$861,274	(\$861,274)												
Debt principal repayments (unsupported)		\$0	\$0												
Net transfers to operating reserves			(\$340,503)	\$340,503		\$340,503		\$0		\$0		\$0		\$0	
Net transfers from operating reserves			\$315,589	(\$315,589)		(\$315,589)		\$0		\$0		\$0		\$0	
Net transfers to capital reserves			(\$43,000)		\$43,000		\$0		\$0		\$43,000		\$0		\$0
Net transfers from capital reserves			\$43,000		(\$43,000)		\$0		\$0		(\$43,000)		\$0		\$0
Assumption/transfer of other operations' net assets	\$0	\$0	\$0	\$0	\$0	\$91,772	\$0	\$0	\$0	(\$91,772)	\$0	\$0	\$0	\$0	\$0
Balance at August 31, 2012	\$6,741,692	\$4,457,378	\$1,281,557	\$1,002,757	\$0	\$1,002,757	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

STATEMENT OF CAPITAL ALLOCATIONS
(EXTERNALLY RESTRICTED CAPITAL CONTRIBUTIONS ONLY)
for the Year Ended August 31, 2012
(in dollars)

	Deferred Capital Allocations	Unamortized Capital Allocations
Balance at August 31, 2011	\$3,057,020	\$22,452,065
Prior period adjustments	\$0	\$0
Adjusted balance, August 31, 2011	\$3,057,020	\$22,452,065
Add:		
Restricted capital allocations from: Alberta Education school building and modular projects	\$5,494,432	
Other Government of Alberta	\$0	
Federal Government and First Nations	\$0	
Other sources	\$0	
Interest earned on provincial government capital allocations	\$33,216	
Other capital grants and donations	\$0	
Net proceeds on disposal of supported capital assets	\$0	
Insurance proceeds (and related interest)	\$1,301,422	
Donated capital assets (amortizable, @ fair market value)		\$0
P3, other ASAP and Alberta Infrastructure managed projects		\$0
Transferred in capital assets (amortizable, @ net book value)		\$0
Current year supported debenture principal repayment		\$356,362
Expended capital allocations - current year	(\$6,518,396)	\$6,518,396
Deduct:		
Net book value of supported capital assets dispositions, write-offs, or transfer; Other	\$0	\$33,716
Capital allocations amortized to revenue		\$861,274
Balance at August 31, 2012	\$3,367,694	\$28,431,833

* Infrastructure Maintenance Renewal (IMR) Program allocations are excluded from this Statement, since those allocations are not externally restricted to capital.



PALLISER REGIONAL DIVISION NO. 26 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2012

1. **AUTHORITY AND PURPOSE**

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

The Division receives instruction and support allocations under Education Grants Regulation (AR 120/2008). The regulation allows for the setting of conditions and use of grant monies. The School Division 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.
- Capital allocations from the province or other agencies are recorded as deferred capital contributions until spent. Once spent, they are transferred to unamortized capital allocations which are amortized to revenue on the same basis as the capital asset acquired by the grant.

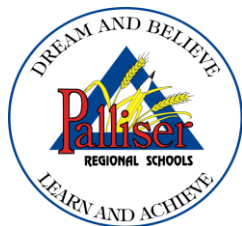
b) **Capital Assets** – Capital Assets are recorded at cost, and are amortized over their estimated useful lives on a straight-line basis, at the following rates:

- | | |
|---------------------------------|---------------|
| ▪ Buildings | 2.86% |
| ▪ CTS Trailers | 4.00% |
| ▪ Vehicles | 10% to 16.67% |
| ▪ Buses | 10% |
| ▪ Other Equipment & Furnishings | 20% |

c) **Vacation Pay** – Vacation pay is accrued in the period in which the employee earns the benefit.

d) **Employee Future Benefits** – The Division participates in the Local Authorities Pension Plan. This is a multi-employer defined benefit plan that provides pensions for the Division's participating employees, based on years of service and earnings. Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Division has insufficient information to apply defined benefit plan accounting. Pension costs included in these financial statements include the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The Division's portion of this pension plans' deficit or surplus is not recorded by the Division.

The Division participates in the Alberta Teachers' Retirement Fund. This is a multi-employer defined benefit plan that provides pensions for the Division's participating employees, based on years of service and earnings.



PALLISER REGIONAL DIVISION NO. 26 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2012

Defined contribution plan accounting is applied for this multi-employer defined benefit plan. Pension costs included in these financial statements include the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The Divisions' portion of this pension plans' deficit or surplus is not recorded by the division.

The Division provides a defined benefit Senior Executive Retirement Plan to certain senior employees. Costs of these benefits are actuarially determined using the projected benefit method pro-rated on services, a market interest rate and management's best estimate of expected costs and benefit coverage period. Net actuarial recoveries and deficiencies of the benefit obligation are amortized over the average remaining service of the employees. Current service costs is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan, initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability. The plan is unfunded.

Pension costs included in these financial statements comprise the cost of employer contributions for current service employees during the year for the Local Authorities Pension Plan and the Senior Executive Retirement Plan. For the Alberta Teachers' Retirement Fund pension costs include the Provincial contributions made on behalf of the Division for current service employees during the year.

- e) **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.
- f) **Financial Instruments** – The Division has classified its financial assets and liabilities as follows:

<u>Financial Assets and Liabilities</u>	<u>Classification</u>
Cash and temporary investments	Held for trading
Account receivable	Loans and receivables
Accounts payable	Other financial liabilities
Long-term debt	Other financial liabilities

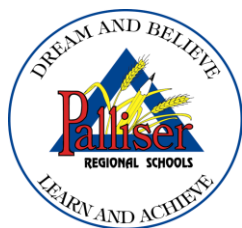
Initial measurement of financial instruments is at fair value and subsequent measurement and recognition changes in value depend upon the classification. Financial assets "held for trading" are recorded at fair value with changes in fair value recorded through the excess of revenue over expenses in each period. "Loans and receivables", and financial liabilities classified as "other financial liabilities" are measured at amortized cost using the effective interest method.

The Division does not use hedge accounting. The Division as a Not-For-Profit Organization has elected not to apply the standards for embedded derivatives in non-financial contracts.

The carrying values of current cash, cash equivalents and investments, accounts receivable and accounts payable approximate their fair value because of the short-term nature of these items. It is management's opinion that the Division is not exposed to significant interest, currency or credit risks arising from its financial instruments.

Transaction costs associated with the acquisition and disposal of investments are expensed when incurred. The purchase and sale of investments are accounted for using the trade date.

- g) **Operating and Capital Reserves** – Reserves are established at the discretion of the Board of Trustees of the Division, to set aside funds for operating and capital purposes. Such reserves are appropriations of unrestricted net assets.
- h) **Capital Disclosure** – For operating purposes, the Division defines capital as including working capital, unrestricted net assets and net assets restricted for operating purposes. For capital purposes, the Division defines capital as deferred capital allocations, long-term debt, unamortized capital allocations, and investment in capital assets and net assets restricted for capital purposes.



PALLISER REGIONAL DIVISION NO. 26 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2012

The Division's objectives for managing capital are:

- In the short term, to safeguard the Division's ability to continue to provide the appropriate level of service to its stakeholders; and
- In the long term, to plan and ensure that it has sufficient capacity to meet future need of its operations.

The Division has external restrictions on its capital. Alberta Education provides capital funding and requires the funding to be spent on specific projects. When the Division disposes of supported capital assets, it is required to use the funding for other supported capital projects upon approval from Alberta Education. The Division does have certain internally imposed restrictions to which it adheres to. The Division has processes in place to ensure that restrictions that do exist are met prior to the utilization of the resources.

Management and the Board of Trustees monitor financial performance and the capital of the Division to ensure that it will be able to meet the Division's short-term and long-term objectives.

- i) **Accounting pronouncement** – Effective September 1, 2012, the Division will adopt Canadian Public Sector Accounting Standards without reference to the PS 4200 series of standards. Management has indicated the impact of the adoption of these standards is being evaluated and is not known or reasonably estimable at this time.

3. CASH AND TEMPORARY INVESTMENTS

	2012			2011 (Restated –Note 24)		
	Average Effective (Market) Yield	Cost	Fair Value	Average Effective (Market) Yield	Cost	Fair Value
Cash and cash equivalents	1.38%	\$10,514,737	\$10,514,737	1.29%	\$6,682,393	\$6,682,393

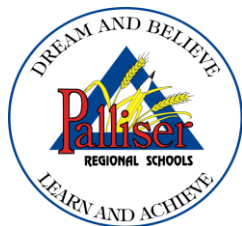
4. ACCOUNTS RECEIVABLE

	2012	2011
Alberta Education	\$153,813	\$24,466
Federal Government	231,643	61,312
First Nations	257	212,087
Other	618,634	939,228
Total	\$1,004,347	\$1,237,093

5. TRUST ASSETS AND LIABILITIES

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

	2012	2011
Scholarship Trusts	\$200,413	\$200,477
Student Health Partnership	1,097,307	827,365
Total	\$1,297,720	\$1,027,842



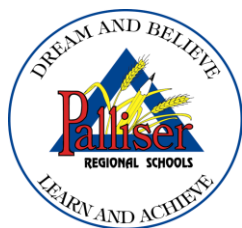
PALLISER REGIONAL DIVISION NO. 26 **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED AUGUST 31, 2012**

6. BANK INDEBTEDNESS

The Division has negotiated a line of credit in the amount of \$600,000 that bears interest at the bank prime rate plus 0.3%. This line of credit is secured by a borrowing bylaw and a security agreement, covering all revenue of the Division. There was no balance outstanding on the line of credit at August 31, 2012. At August 31, 2012 the bank prime rate was 3.0% (2011 – 3.0%).

7. CAPITAL ASSETS

	Land	Construction In Progress - Buildings	Buildings	Equipment - Computer Hardware & Software	Other Equipment	Vehicles	Total Aug. 31, 2012	Total Aug. 31, 2011
Estimated Useful life			25-35 Years	5 Years	5 Years	6-10 Years		
Historical cost								
September 1, 2011	\$340,000	\$4,551,359	\$45,137,213	\$1,072,826	\$2,890,395	\$7,644,316	\$61,636,108	\$59,632,734
Additions	0	6,518,397	203,734	0	22,604	538,536	7,283,271	2,376,420
Transfers in (out)	0	(203,734)	0	0	0	26,427	(177,307)	(373,046)
Less disposals including write-offs	0	0	(587,712)	0	(564,668)	(783,678)	(1,936,058)	0
August 31, 2012	<u>\$340,000</u>	<u>\$10,866,022</u>	<u>\$44,753,235</u>	<u>\$1,072,826</u>	<u>\$2,348,331</u>	<u>\$7,425,601</u>	<u>\$66,806,015</u>	<u>\$61,636,109</u>
Accumulated amortization								
September 1, 2011	0	0	\$23,418,757	\$593,496	\$2,671,674	\$5,805,406	\$32,489,333	\$31,058,265
Amortization expense	0	0	942,563	194,240	57,255	400,203	1,594,261	1,804,114
Transfers in (out)	0	0	0	0	0	26,427	26,427	(373,046)
Effect of disposals	0	0	(553,996)	0	(505,142)	(713,150)	(1,772,288)	0
August 31, 2012	<u>0</u>	<u>0</u>	<u>\$23,807,325</u>	<u>\$787,736</u>	<u>\$2,223,787</u>	<u>\$5,518,886</u>	<u>\$32,337,734</u>	<u>\$32,489,333</u>
Net Book Value at August 31, 2012	<u>\$340,000</u>	<u>\$10,866,022</u>	<u>\$20,945,910</u>	<u>\$285,090</u>	<u>\$124,544</u>	<u>\$1,906,715</u>	<u>34,468,281</u>	<u>\$29,146,776</u>



PALLISER REGIONAL DIVISION NO. 26 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2012

8. ACCRUED BENEFIT OBLIGATION

The accrued benefit obligation is the obligations of the Senior Executive Retirement Plan (formerly referred to as a non-registered Supplemental Integrated Pension Plan program). The obligation has been determined through an actuarial report from Morneau Shepell dated September 28, 2012 using a measurement date of August 31, 2012.

Reconciliation of the Funded Status of the Benefit Plan to the Amount Recorded in the Financial Statements

	2012	2011
Accrued Benefit Obligation	\$137,200	\$191,800
Fair Value of Plan Assets	(55,602)	(58,597)
Funded Status of Plan – plan deficit	\$81,598	\$133,203
Balance of Unamortized Amounts	(39,900)	(50,300)
Accrued Benefit Liability	\$41,698	\$82,903
Employee Future Benefit Liabilities	\$97,300	\$141,500
Long term Investments	(55,602)	(58,597)
Accrued Benefit Liability	\$41,698	\$82,903

9. MULTI-EMPLOYER PENSION PLANS

Employees of the Division qualify to belong to one of the following defined – benefit pension plans:

a) Local Authorities Pension Plan

Certain employees of the Division participate in the Local Authorities Pension Plan (LAPP) which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves approximately 206,000 people and 421 employers in Alberta. The plan is financed by employer and employee contributions and investment earnings of the LAPP funds.

Total current and past service employer contributions to the LAPP for the year-ended August 31, 2012 was \$538,171 (2011 - \$485,879). Total current and past services contributions by employees of the Division for the year-ended August 31, 2012 was \$486,162 (2011 - \$433,895).

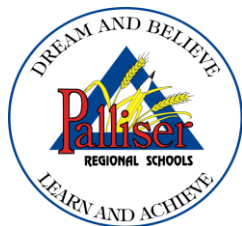
At December 31, 2011 The Local Authorities Pension Plan reported an actuarial deficiency of \$4.6 Billion (2010 – deficiency of \$4.6 Billion).

b) Alberta Teachers Retirement Fund

Certain employees of the Division participate in the Alberta Teachers' Retirement Fund (ATRF) which is an independent corporation that administers the pension plan for Alberta teachers. The ATRF serves approximately 73,000 people and 82 employers in Alberta.

Total current and past service employer contributions to the ATRF for the year-ended August 31, 2012 was \$3,732,244 (2011 - \$3,460,305). Total current and past services contributions by employees of the Division for the year-ended August 31, 2012 was \$3,930,609 (2011 – \$3,679,937).

At December 31, 2011, the ATRF reported and actuarial deficiency of \$1.96 Billion (2010 - \$1.93 Billion).



PALLISER REGIONAL DIVISION NO. 26 **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED AUGUST 31, 2012**

10. DEFERRED REVENUE

SOURCE AND GRANT OR FUND TYPE	DEFERRED REVENUE as at Aug. 31, 2011	ADD: 2011/2012 Restricted Funds Received/ Receivable	DEDUCT: 2011/2012 Restricted Funds Expended (Paid / Payable)	DEFERRED REVENUE as at Aug. 31, 2012
Alberta Education Restricted Operational Funding:				
Alberta Initiative for School Improvement	\$123,428	\$713,598	(\$539,207)	\$297,819
Infrastructure Maintenance Renewal	763,538	966,067	(1,423,881)	305,724
Other Government of Alberta Restricted Funding:				
Technology Grant	4,110	-	-	4,110
Modernization Funds	6,102	-	-	6,102
Other Deferred Revenue	8,398	80,411	(890)	87,919
School Generated Funds	1,172,203	2,057,333	(2,070,920)	1,158,616
Arrowwood School Fire Donations	-	8,460	-	8,460
Total	\$2,077,779	\$3,825,869	(\$4,034,898)	\$1,868,750

11. LONG TERM DEBT

Debenture Debt – Supported – The debenture debt bears interest at rates varying between 7.500% and 11.625%. The debenture debt is fully supported by Alberta Finance. Debenture payments due over the next five years and beyond are:

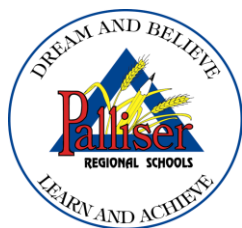
Year	Principal	Interest	Total
2012-2013	\$320,211	\$149,119	\$469,330
2013-2014	306,620	117,637	424,257
2014-2015	301,571	87,577	389,148
2015-2016	206,717	57,999	264,716
2016-2017	175,517	39,033	214,550
2017 to maturity	268,436	24,843	293,279
Total	<u>\$1,579,072</u>	<u>\$476,208</u>	<u>\$2,055,280</u>

12. DEFERRED CAPITAL ALLOCATIONS

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

13. 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.



PALLISER REGIONAL DIVISION NO. 26 **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED AUGUST 31, 2012**

14. FEES

	2012	2011
Transportation fees	114,024	92,909
Fees charged for instruction materials and supplies	980,082	1,515,837
International Student Fees	89,177	136,962
Total	<u>\$1,183,283</u>	<u>\$1,745,708</u>

15. SCHOOL GENERATED FUNDS

	2012	2011
Unexpended School Generated Revenues, Opening Balance	\$1,172,203	\$967,070
Current Year Activities – Gross Receipts:		
Fees	1,728,160	1,396,837
Fundraising	185,160	907,757
Gifts and donations	20,573	131,052
Grants to schools	0	0
Other sales and services	123,440	290,575
Total gross receipts	<u>\$2,057,333</u>	<u>\$2,726,221</u>
Current Year Activities – Total Direct Costs Including Cost of Goods Sold to Raise Funds	603,755	1,819,870
Current Year Activities – Uses of Funds	1,467,165	701,218
Unexpended School Generated Revenues, Closing Balance	<u>\$1,158,616</u>	<u>\$1,172,203</u>

16. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations represent legal obligations associated with the retirement of a tangible long-lived asset that result from its acquisition, construction, development or normal operation. The Division has a legal obligation to remove hazardous material located under the site of the central office building upon its disposal. A liability, however, has not been recognized because the fair value of the obligation cannot be readily determinable at this stage.

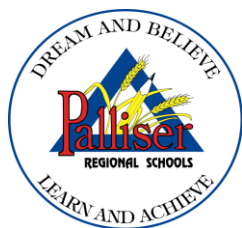
17. COMMITMENTS

Building Projects: The Division is committed to further capital expenditures for the modernization at Picture Butte High School, the Coalhurst Elementary School Modular and the Vulcan Daycare of approximately \$4,266,000. It is anticipated that these costs will be fully funded by the capital allocations from Alberta Education.

Equipment Leases: The jurisdiction is committed to lease photocopiers from Xerox to August 31, 2016. The annual lease payment is \$87,000. The Division is committed to lease computer hardware from Macquarie Equipment Finance. The annual lease payment is \$95,500.

18. CONTINGENCIES

The Division has been named as a defendant in various legal actions. In the opinion of management, these matters are without substantial merit and no provision has been made for in the accounts.



PALLISER REGIONAL DIVISION NO. 26 **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED AUGUST 31, 2012**

19. RELATED PARTY TRANSACTIONS

School divisions are controlled by the Government of Alberta. Accordingly, all entities consolidated or accounted for on a modified equity basis in the accounts of the Government of Alberta are related parties of school divisions. These include government departments, health authorities, post-secondary institutions and other school divisions in Alberta.

2011-2012	Balances		Transactions	
	Assets (at cost or net realizable value)	Liabilities (at fair value)	Revenues	Expenses
Government of Alberta:				
Education	\$153,813	\$0	\$71,532,091	\$0
Finance	0	1,579,072	184,237	211,681
Other Gov't of Alberta departments	0	0	147,247	0
Other:				
Other Alberta school divisions	0	0	0	79,495
TOTAL 2011-2012	<u>\$153,813</u>	<u>\$1,579,072</u>	<u>\$71,863,575</u>	<u>\$291,176</u>
TOTAL 2010-2011	<u>\$24,466</u>	<u>\$1,934,434</u>	<u>\$65,017,923</u>	<u>\$331,123</u>

20. ECONOMIC DEPENDENCE ON RELATED THIRD PARTY

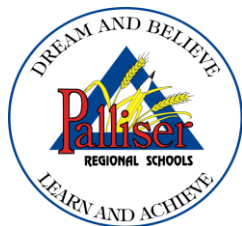
The Division's primary source of income is from the Alberta Government. The Division's ability to continue viable operations is dependent on this funding.

21. REMUNERATION AND MONETARY INCENTIVES

The Division had paid or accrued expenses for the year ended August 31, 2012 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: Mr. Donald Zech	1.0	\$32,710	\$1,496	\$0			\$17,625
Mrs. Esther Willms	1.0	\$19,685	\$827	\$0			\$8,227
Mrs. Jean Mrak	1.0	\$23,100	\$964	\$0			\$9,300
Mr. Joe Watson	1.0	\$23,680	\$1,102	\$0			\$7,797
Mrs. Colleen Dietz	1.0	\$22,130	\$998	\$0			\$12,200
Mr. Robert Strauss	1.0	\$6,290	\$289	\$0			\$2,411
Subtotal	6.0	\$127,595	\$5,676	\$0			\$57,560
Superintendent Mr. Kevin Gietz	1.0	\$186,936	\$28,304	\$0	\$0	\$0	\$26,061
Corporate Treasurer Ms. Michelle Gibb	1.0	\$114,084	\$22,485	\$0	\$0	\$0	\$12,842
Corporate Secretary Ms. Linda Poirier	1.0	\$74,531	\$18,863	\$0	\$0	\$0	\$0
Certificated Teachers	399.1	\$37,292,241	\$7,880,002	\$0	\$0	\$0	
Non-certificated - Other	297.3	\$12,065,957	\$2,807,462	\$0	\$0	\$0	
TOTALS		\$49,861,344	\$10,762,792	\$0	\$0	\$0	

* Benefits include government portion of the current service contribution to the Alberta Teachers' Pension Fund on behalf of the school division



PALLISER REGIONAL DIVISION NO. 26 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2012

22. BUDGET AMOUNTS

The budget was prepared by the school division and approved by the Board of Trustees on November 29, 2011. It is presented for information purposes only.

23. COMPARATIVE FIGURES

Certain other comparative figures for the 2011 year have also been reclassified to conform with the 2012 financial statement presentation.

- a) Comparative revenues and expenses related to the Alberta Teachers' Retirement Fund were reclassified to reflect the amounts on a gross basis paid by the Government of Alberta on behalf of the Division. As a result Government of Alberta revenues increased from the previously stated \$64,959,220 to \$68,419,252 and Certificated benefits expense have increased from the previously stated \$3,924,838 to \$7,327,361.
- b) During the year the Division reported school generated funds (SGF) under new reporting requirements. Under the new reporting methodology, SGF revenue is broken down into fees, fundraising, gifts and donations, and other sales and services. Comparative information for school-generated revenues and expenses and school-generated assets and liabilities on the statement of financial position for the year ended August 31, 2011 have been reclassified as follows:

Item	Revenues
Fees	\$1,285,755
Fundraising	831,959
Gifts and donations	126,054
Other revenue	277,320
Total	<u>\$2,521,088</u>

The 2011 services, contracts and supplies expense has been reclassified to include school-generated expenses of \$2,521,088.

The 2011 cash and temporary investments and deferred revenue have been reclassified to include school-generated assets and liabilities of \$1,172,203 respectively.