

EDMONTON PUBLIC SCHOOLS

November 30, 2010

TO: Board of Trustees

FROM: Trustee M. Janz, Audit Committee Chair

SUBJECT: Report #1 of the Audit Committee (From the Meeting Held November 24, 2010)

RECOMMENDATION

1. That report #1 of the Audit Committee from the meeting held November 24, 2010 be received and considered.
2. That the attached financial statements, those audited and as required by Alberta Education, for the year ended August 31, 2010 be received for information.
3. That the attached auditor's report be received for information.
4. That \$18.7 million be transferred from the operating reserve to offset the excess of operating expenses over revenues and capital assets acquired there from, be approved.

\* \* \* \* \*

In September and October 2010, Financial Services prepared the financial statements for the 2009-10 school year, based on information from the district's records. KPMG LLP performed the audit during October 2010. Appropriate tests and procedures were performed to enable the auditors to express an unqualified audit opinion on the district's financial statements. An example of such a test is to ensure the statement of grants paid as issued by Alberta Education agrees with district revenues.

The process used by the auditors in preparing and approving the 2009-10 audited financial statements involved:

- Reviewing the 2009-10 audited financial statements and highlights of the financial results for the fiscal year
- Preparing a letter regarding their audit opinion, and providing an opportunity for the Audit Committee to ask questions relating to this information.

Once the auditors complete their work, they forward a letter to the Audit Committee stating whether the result of the audit work that was performed enables them to arrive at an unqualified audit opinion.

#### Background to Recommendation #2

The Audit Committee, at its meeting of November 24, 2010, had an opportunity to review and discuss the audited financial statements and the auditor's letter regarding their opinion prior to the public board meeting.

#### Background to Recommendation #3

Under Section 150 of the *School Act*, the Board Chair is required to present the auditor's report to a public board meeting to provide an opportunity for discussion. The *School Act* also requires the auditors to deliver the audited financial statements to the Minister of Education by November 30, 2010.

#### Background to Recommendation #4

It is recommended that \$18.7 million from the operating reserve be used to offset the operating and capital deficit incurred for 2009-10. The need to access \$18.7 million of the operating reserve will leave a balance of \$34.1 million in this account which is insufficient to offset the total of \$43.1 million in surplus carry forward by schools, central services and institutions. There are no funds in the unrestricted net assets account.

AS:mmf

- Attachment #1 - Audited Financial Statements as Required by Alberta Education
- Attachment #2 - Unaudited Schedules to the Financial Statements
- Attachment #3 - Audited Financial Statements for the Year Ended August 31, 2010  
(Corporate Style)

School Jurisdiction Code: 3020

**AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2010**  
[School Act, Sections 147(2)(a), 148, 151(1) and 276]

**EDMONTON SCHOOL DISTRICT NO.7**

Legal Name of School Jurisdiction

**ONE KINGSWAY, EDMONTON, AB T5H 4G9**

Mailing Address

**TEL.NO: 780.429.8000 FAX NO: 780.429.8318**

Telephone and Fax Numbers

**SCHOOL JURISDICTION MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The financial statements of EDMONTON SCHOOL DISTRICT NO.7 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**

**D. COLBURN**

Name

**"ORIGINAL SIGNED"**

Signature

**SUPERINTENDENT**

**E. SCHMIDT**

Name

**"ORIGINAL SIGNED"**

Signature

**SECRETARY TREASURER OR TREASURER**

**B. SMITH**

Name

**"ORIGINAL SIGNED"**

Signature

Board-approved Release Date

c.c. ALBERTA EDUCATION, Financial Reporting & Accountability Branch,  
8th Floor Commerce Place, 10155-102 Street, Edmonton AB T6J 4L5  
EMAIL: Cindy.Wang@gov.ab.ca  
PHONE: (780) 644-5672 (Toll free 310-0000)

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**DRAFT**

## **AUDITORS' REPORT**

We have audited the statement of financial position of the Edmonton School District No. 7 as at August 31, 2010 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements have been prepared to comply with the accounting requirements prescribed by Alberta Education in the Guidelines for the School Jurisdiction Audited Financial Statements for the Year Ended August 31, 2010. These financial statements, which are presented in the format prescribed by Alberta Education, are the responsibility of the District's administration. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by administration, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District as at August 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Edmonton, Canada  
October 28, 2010

**STATEMENT OF FINANCIAL POSITION**  
**as at August 31, 2010**  
(in dollars)

	2010	2009 (Note)
<b>ASSETS</b>		
Current assets		
Cash and temporary investments	\$88,380,371	\$144,599,208
Accounts receivable (net after allowances) (Note 4)	\$17,020,259	\$11,412,329
Prepaid expenses	\$691,411	\$540,447
Other current assets	\$5,845,531	\$5,887,446
<b>Total current assets</b>	<b>\$111,937,572</b>	<b>\$162,439,430</b>
School generated assets (Note 5)	\$4,041,868	\$4,322,459
Trust assets	\$596,866	\$473,787
Long term accounts receivable (Note 12)	\$156,994	\$485,852
Long term investments	\$0	\$0
Capital assets (Note 6)		
Land	\$837,590	\$837,590
Construction in Progress	\$100,481,970	\$113,789,480
Buildings	\$947,872,140	
Less: accumulated amortization	(\$433,408,455)	\$225,030,643
Equipment	\$173,816,468	
Less: accumulated amortization	(\$138,923,560)	\$33,625,281
Vehicles	\$2,896,890	
Less: accumulated amortization	(\$1,093,124)	\$1,639,562
<b>Total capital assets</b>	<b>\$652,459,919</b>	<b>\$374,922,556</b>
<b>TOTAL ASSETS</b>	<b>\$769,193,219</b>	<b>\$542,644,084</b>
<b>LIABILITIES</b>		
Current liabilities		
Bank indebtedness	\$0	\$0
Accounts payable and accrued liabilities (Note 7)	\$43,882,006	\$47,175,063
Deferred revenue (Note 8)	\$9,416,308	\$12,899,005
Deferred capital allocations (Note 10)	\$17,702,234	\$41,940,793
Current portion of long term debt (Note 9)	\$3,409,393	\$3,928,303
<b>Total current liabilities</b>	<b>\$74,409,941</b>	<b>\$105,943,164</b>
School generated liabilities (Note 5)	\$4,041,868	\$4,322,459
Trust liabilities	\$596,866	\$473,787
Employee future benefit liabilities	\$0	\$0
Long term debt (Note 9)		
Supported: Debentures and other supported debt	\$7,715,186	\$11,326,707
Less: Current portion	(\$3,114,911)	(\$3,611,521)
Unsupported: Debentures and Capital Loans	\$1,005,726	\$1,322,509
Capital Leases	\$0	\$0
Mortgages	\$0	\$0
Less: Current portion	(\$294,482)	(\$316,782)
Other long term liabilities (Note 12)	\$156,994	\$1,324,842
Unamortized capital allocations (Note 11)	\$519,010,325	\$244,670,702
<b>Total long term liabilities</b>	<b>\$529,117,572</b>	<b>\$259,512,503</b>
<b>TOTAL LIABILITIES</b>	<b>\$603,527,513</b>	<b>\$365,455,667</b>
<b>NET ASSETS</b>		
Unrestricted net assets	\$0	\$0
Operating Reserves	\$34,097,868	\$52,803,115
Accumulated Operating Surplus (Deficit)	\$34,097,868	\$52,803,115
Investment in capital assets	\$124,728,661	\$117,602,639
Capital Reserves	\$6,839,157	\$6,782,663
Total Capital Funds	\$131,567,838	\$124,385,302
<b>Total net assets</b>	<b>\$165,665,706</b>	<b>\$177,188,417</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$769,193,219</b>	<b>\$542,644,084</b>

**Note:** Please input "(Restated)" in 2009 column heading where comparatives are not taken from the finalized 2008-2009 Audited Financial Statements filed with Alberta Education.

**STATEMENT OF REVENUES AND EXPENSES**  
**for the Year Ended August 31, 2010**  
(in dollars)

	Actual 2010	Budget 2010 (Note) Restated	Actual 2009 (Note) Restated
<b>REVENUES</b>			
<b>Government of Alberta</b>	\$735,998,349	\$723,238,275	\$700,112,262
<b>Federal Government and First Nations</b>	\$2,841,935	\$2,432,173	\$2,637,262
<b>Other Alberta school authorities</b>	\$4,045,468	\$4,284,847	\$4,073,227
<b>Out of province authorities</b>	\$0	\$0	\$0
<b>Alberta Municipalities-special tax levies</b>	\$0	\$0	\$0
<b>Instruction resource fees</b>	\$3,896,607	\$2,748,911	\$3,674,846
<b>Transportation fees</b>	\$8,894,651	\$8,800,000	\$8,851,081
<b>Other sales and services</b>	\$21,220,493	\$19,537,439	\$22,522,501
<b>Investment Income</b>	\$600,197	\$500,000	\$3,758,713
<b>Gifts and donations</b>	\$6,528,630	\$2,364,861	\$7,548,361
<b>Rental of facilities</b>	\$4,113,879	\$2,497,892	\$3,636,596
<b>Gross school generated funds</b>	\$17,309,609	\$14,044,670	\$17,207,188
<b>Gains on disposal of capital assets</b>	\$0	\$0	\$0
<b>Amortization of capital allocations</b>	\$11,314,821	\$9,703,000	\$8,468,482
<b>Other revenue</b>	\$0	\$0	\$0
<b>Total Revenues</b>	\$816,764,639	\$790,152,068	\$782,490,519
<b>EXPENSES</b>			
<b>Certificated salaries</b> (Note 14)	\$400,019,420	\$384,534,373	\$374,975,129
<b>Certificated benefits</b> (Note 14)	\$42,579,721	\$45,461,561	\$44,046,560
<b>Non-certificated salaries and wages</b> (Note 14)	\$170,626,419	\$148,760,696	\$157,481,566
<b>Non-certificated benefits</b> (Note 14)	\$38,003,264	\$31,901,925	\$33,280,672
<b>Services, contracts and supplies</b>	\$130,914,383	\$181,464,067	\$122,779,711
<b>Gross school generated funds</b>	\$17,309,609	\$14,044,670	\$17,207,188
<b>Capital and debt services</b>			
<b>Amortization of capital assets</b>			
Supported	\$11,314,821	\$9,703,000	\$8,468,482
Unsupported	\$16,456,450	\$15,904,000	\$14,649,594
<b>Total Amortization of capital assets</b>	\$27,771,271	\$25,607,000	\$23,118,076
<b>Interest on capital debt</b>			
Supported	\$898,108	\$898,000	\$1,233,390
Unsupported	\$50,384	\$51,000	\$112,488
<b>Total Interest on capital debt</b>	\$948,492	\$949,000	\$1,345,878
<b>Other interest and charges</b>	\$97,062	\$232,000	\$276,176
<b>Losses on disposal of capital assets</b>	\$9,559	\$0	\$12,382
<b>Other expense</b>	\$0	\$0	\$0
<b>Total Expenses</b>	\$828,279,200	\$832,955,292	\$774,523,338
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE EXTRAORDINARY ITEM</b>			
	(\$11,514,561)	(\$42,803,224)	\$7,967,181
<b>Extraordinary Item</b>	\$0	\$0	\$0
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	(\$11,514,561)	(\$42,803,224)	\$7,967,181

Note: Please input "(Restated)" where Actual 2009 comparatives are not as presented in the finalized 2008-2009 Audited Financial Statements filed with Alberta Education. Budget 2010 comparatives presented are final budget amounts formally approved by the Board.

**STATEMENT OF CASH FLOWS**

for the Year Ended August 31, 2010

(in dollars)

	2010	2009 (Note)
<b>CASH FLOWS FROM:</b>		
<b>A. OPERATIONS</b>		
Excess (deficiency) of revenues over expenses	(\$11,514,561)	\$7,967,181
Add (Deduct) items not affecting cash:		
Amortization of capital allocations revenue	(\$11,314,821)	(\$8,468,482)
Total amortization expense	\$27,771,271	\$23,118,076
Gains on disposal of capital assets	\$0	\$0
Losses on disposal of capital assets	\$9,559	\$12,382
Changes in:		
Accounts receivable	(\$5,607,930)	\$2,390,984
Prepays and other current assets	(\$109,049)	(\$540,534)
Long term accounts receivable	\$328,858	\$2,257,036
Long term investments	\$0	\$0
Accounts payable and accrued liabilities	(\$4,460,705)	\$6,921,176
Deferred revenue	(\$3,482,697)	(\$1,396,870)
Employee future benefit liabilities	\$0	\$0
Other (describe)	\$0	\$0
<b>Total cash flows from Operations</b>	<b>(\$8,380,075)</b>	<b>\$32,261,149</b>
<b>B. INVESTING ACTIVITIES</b>		
Purchases of capital assets		
Land	\$0	\$0
Buildings	(\$48,325,551)	(\$74,356,789)
Equipment	(\$13,692,931)	(\$10,529,531)
Vehicles	(\$378,384)	(\$657,427)
Net proceeds from disposal of capital assets	\$8,968	\$193,144
Other (describe)	\$0	\$0
<b>Total cash flows from Investing activities</b>	<b>(\$62,387,898)</b>	<b>(\$85,350,603)</b>
<b>C. FINANCING ACTIVITIES</b>		
Capital allocations	\$15,182,903	\$13,823,105
Issue of long term debt	\$0	\$0
Repayment of long term debt	(\$3,928,304)	(\$4,338,884)
Add back: supported portion	\$3,611,521	\$4,027,375
Other (describe)      Set up and payment ARO	(\$316,984)	(\$1,919,438)
<b>Total cash flows from financing activities</b>	<b>\$14,549,136</b>	<b>\$11,592,158</b>
<b>Net cash flows from during the year</b>	<b>(\$56,218,837)</b>	<b>(\$41,497,296)</b>
<b>Cash and temporary Investments, net of bank indebtedness, at Aug. 31/09</b>	<b>\$144,599,208</b>	<b>\$186,096,504</b>
<b>Cash and temporary Investments, net of bank indebtedness, at Aug. 31/10</b>	<b>\$88,380,371</b>	<b>\$144,599,208</b>

Note: Please input "(Restated)" where Actual 2009 comparatives are not as presented in the finalized 2008-2009 Audited Financial Statement filed with Alberta Education.



**STATEMENT OF CHANGES IN NET ASSETS  
for the Year Ended August 31, 2010**

School Jurisdiction Code: 3020

(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 Admin.		Transportation		External Services	
						Operating Reserves	Capital Reserves	Operating Reserves	Capital Reserves	Operating Reserves	Capital Reserves	Operating Reserves	Capital Reserves	Operating Reserves	Capital Reserves
<b>Balance at August 31, 2009</b>	\$177,188,417	\$117,602,639	\$0	\$52,803,115	\$6,782,663	\$52,803,115	\$6,782,663	\$0	\$0	\$0	\$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
<b>Adjusted Balance, Aug.31, 2009</b>	\$177,188,417	\$117,602,639	\$0	\$52,803,115	\$6,782,663	\$52,803,115	\$6,782,663	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Excess (deficiency) of revenues over expenses	(\$11,514,561)		(\$11,514,561)												
Board funded capital additions		\$23,292,388	(\$23,292,388)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Disposal of unsupported capital assets	\$0	\$0	\$0		\$0		\$0		\$0		\$0		\$0		\$0
Disposal of supported capital assets (board funded portion)	(\$8,150)	(\$26,678)	\$9,560		\$8,968		\$8,968		\$0		\$0		\$0		\$0
Direct credits to net assets	\$0	\$0	\$0												
Amortization of capital assets		(\$27,771,271)	\$27,771,271												
Amortization of capital allocations		\$11,314,821	(\$11,314,821)												
Debt principal repayments (unsupported)		\$316,782	(\$316,782)												
Net transfers to operating reserves			\$0	\$0		\$0		\$0		\$0		\$0		\$0	
Net transfers from operating reserves			\$18,705,247	(\$18,705,247)		(\$18,705,247)		\$0		\$0		\$0		\$0	
Net transfers to capital reserves			(\$72,106)		\$72,106		\$72,106		\$0		\$0		\$0		\$0
Net transfers from capital reserves			\$24,580		(\$24,580)		(\$24,580)		\$0		\$0		\$0		\$0
Assumption/transfer of other operations' net assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Balance at August 31, 2010</b>	\$165,665,706	\$124,728,681	\$0	\$34,097,868	\$6,839,157	\$34,097,868	\$6,839,157	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**STATEMENT OF CAPITAL ALLOCATIONS  
(EXTERNALLY RESTRICTED CAPITAL CONTRIBUTIONS ONLY)  
for the Year Ended August 31, 2010  
(in dollars)**

	Deferred Capital Allocations	Unamortized Capital Allocations
<b>Balance at August 31, 2009</b>	\$41,940,793	\$244,670,702
<b>Prior period adjustments</b>	\$0	\$0
<b>Adjusted balance, August 31, 2009</b>	\$41,940,793	\$244,670,702
<b>Add:</b>		
<b>Restricted capital allocations from:</b>		
Alberta Education including school and modular projects	\$14,975,108	
Other Government of Alberta	\$0	
Federal Government and First Nations	\$0	
Other sources	\$0	
<b>Interest earned on provincial government capital allocations</b>	\$96,719	
<b>Other capital grants and donations</b>	\$0	
<b>Net proceeds on disposal of supported capital assets</b>	\$0	
<b>Insurance proceeds (and related interest)</b>	\$111,076	
<b>Donated capital assets (amortizable, @ fair market value)</b>		\$242,976,729
<b>Transferred in capital assets (amortizable, @ net book value)</b>		(\$316,984)
<b>Current Year Debenture Principal Repayment</b>		\$3,611,521
<b>Expended capital allocations - current year</b>	(\$39,421,462)	\$39,421,462
<b>Deduct:</b>		
<b>Net book value of supported capital assets dispositions, write-offs, or transfer; Other</b>	\$0	\$38,284
<b>Capital allocations amortized to revenue</b>		\$11,314,821
<b>Balance at August 31, 2010</b>	\$17,702,234	\$519,010,325

\* Infrastructure Maintenance Renewal/Infrastructure Maintenance Program allocations are excluded from this Statement, since those contributions are not externally restricted to capital.



## **NOTES TO FINANCIAL STATEMENTS**

August 31, 2010

(amounts in thousands)

### **1. Authority and purpose**

Edmonton School District No. 7 (the District) is empowered to provide public education through bylaws approved by its Board of Trustees and pursuant to the provisions of the Alberta School Act.

### **2. 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 judgement. 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:

#### **Capital assets**

Capital assets are recorded at original cost. Capital assets contributed to the District are recorded at the administration's best estimate of fair value at the time the assets are contributed. Commencing in the year following the year of acquisition, amortization is recorded on a straight-line basis over the estimated useful lives of the assets using the following rates:

Buildings and site improvements	2.5% to 10%
Furniture and equipment	10% and 20%
Vehicles	10%

#### **Revenue recognition**

The District receives funds from the province for instruction, support and capital purposes under Alberta Government Regulations.

Grants from the province that are restricted for the acquisition of capital assets are recorded as deferred capital allocations until spent. Once spent, they are transferred to unamortized capital allocations, which are amortized on the same basis and at the same rates as are applied to amortization of the cost of the assets. For contributed capital assets, the contribution is recorded as unamortized capital allocations at the best estimate of fair value determined for the contributed assets. The accumulated surplus is not impacted as the additional income is offset by the additional capital asset amortization expense of an equal amount.

Unrestricted donations are recognized as revenue when received or receivable. Donations 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 has been met.

**NOTES TO FINANCIAL STATEMENTS . . . continued**

August 31, 2010

(amounts in thousands)

**Contributed services**

Volunteers assist schools operated by the District in carrying out certain activities. Because of the difficulty of determining the fair value and the fact that such assistance is generally not otherwise purchased, contributed services are not recognized in the financial statements.

**Inventories**

Inventories consist of supplies valued at the lower of average cost or current replacement cost.

**Financial Instruments and risk management**

The District has designated cash and the school generated funds asset, representing restricted cash, as held-for-trading financial assets. Accounts receivable, trust assets and the long-term receivable are classified as loans and receivables. All financial liabilities are classified as other financial liabilities. Unless otherwise noted, the fair value of these financial instruments approximate their carrying values.

Transaction costs are recognized immediately in the statement of revenue and expenditures. Trade-date basis of accounting is used for financial instruments. The District has elected to exclude the application of Section 3855 of CICA Handbook for contracts to buy or sell non-financial items and embedded derivatives within these contracts and for embedded derivatives within lease and insurance contracts.

The District has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, liquidity risk, and price risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices. The District does not use derivative financial instruments to alter the effects of these risks. The District invests surplus funds, including school generated funds, in accordance with Section 60(2) of the School Act and Section 5 of the Trustees Act.

The District's accounts receivable are substantially comprised of amounts due from the provincial and federal governments. Funds on deposit are maintained with Schedule 1 Canadian financial institutions. Accordingly, the District is not exposed to significant credit risk. A substantial portion of the District's long-term debt is supported by the provincial government which mitigates liquidity and price risks. Further, substantially all of the District's operations are transacted in Canadian currency.

**Capital Reserve**

An amount equal to the net proceeds of sale of capital assets and interest generated by these funds is transferred to the capital reserve. The utilization of the reserve is restricted to capital expenditures under external restrictions or internal restrictions at the discretion of the Board of Trustees.

**NOTES TO FINANCIAL STATEMENTS . . . continued**

August 31, 2010

(amounts in thousands)

**Operating Reserve**

The operating reserve represents school and central services decision units' unspent budget allocations. When expenditures are made from the unspent budget allocations, the operating reserve will be drawn down accordingly. This reserve cannot result in a negative unrestricted net asset balance.

**Asset Retirement Obligation**

The District recognizes the fair value of future asset retirement obligations as a liability when there exists a legal obligation associated with the retirement of tangible long-lived assets resulting from the acquisition, construction, development and/or normal use of the assets. The District concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset or the expected date of remediation. The fair market value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate.

Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is being amortized. The District has a legal obligation to remove hazardous materials from District buildings. A liability is recognized at the point in time when a reasonable estimate of fair value can be made which is generally when the remediation date becomes reasonably determinable. When there is reasonable assurance of capital support for such obligations (funding commitments), the District accrues the receivable and reduces the remaining carrying amount.

**Vacation Pay**

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

**Pensions**

The current service and past service costs of the Alberta Teachers' Retirement Fund are met by contributions by active members and the Government of Alberta. Under the terms of the Teachers' Pension Plan Act, the District does not make pension contributions for certificated staff.

The District participates in the Local Authorities Pension Plan, which is a multi-employer pension plan and does not report on any unfunded liabilities. The service costs for employees for the current year of \$12,457 (2009 - \$10,276) are included in these statements and comprise the District costs of employer contribution. At December 31, 2009, the Local Authorities Pension Plan reported a deficiency of \$3,998,614 (2008 - \$4,413,971).

**NOTES TO FINANCIAL STATEMENTS . . . continued**

August 31, 2010

(amounts in thousands)

**Capital management**

The District's capital consists of its net assets. The District is required to maintain sufficient net assets to support operational capital asset needs while ensuring no deficiency in unrestricted net assets. Accordingly, each year, the District prepares a Board of Trustees approved budget based on its projected funding to ensure sufficient funds are available to meet the District's operational capital asset and operational needs. The District monitors its performance against this budget throughout the year and adjusts expenditures when necessary to ensure the District's compliance with net asset requirements. As part of the budget process, the District establishes budgets for each of its business units which, in aggregate, equals the Board of Trustees approved budget.

When necessary, the Board of Trustees can request appropriation of funds from the Capital Reserve to eliminate a deficiency in unrestricted net assets. In addition, to support business unit unspent budget allocations in anticipation of planned projects or spending commitments, the Board of Trustees will transfer unrestricted net assets to the Operating Reserve and draw on these funds when spent.

**Accounting changes**

The Canadian Institute of Chartered Accountants (CICA) issued several amendments to the not-for-profit accounting standards. Under these amended standards, there will no longer be a requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit such an amount as a category of internally restricted net assets when an organization chooses to do so. The amended standards also clarify that revenues and expenses must be recognized and represented on a gross basis when an organization is acting as a principal in the transactions and makes other minor adjustments to provide consistency with other sections of the CICA accounting standards, including the requirement to prepare the statement of cash flow in accordance with Section 1540, Cash Flow Statements.

The CICA has also issued a new standard, Section 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations. This Section establishes disclosure standards for those organizations that choose to classify their expenses by function and allocate expenses from one function to another.

These requirements were effective for the District's 2010 fiscal year. The District has elected to continue to present their investment in capital assets. The District was not impacted by the new standards for expense allocation and the other CICA changes had minimal impact to the District.

**3. Related party transactions**

Alberta Education, Alberta Infrastructure and Alberta Finance are the departments of the Government of Alberta which administer education, various school boards and school board infrastructure funding.


**NOTES TO FINANCIAL STATEMENTS . . . continued**

August 31, 2010

(amounts in thousands)

The Edmonton School District No. 7's primary source of income is from the Alberta Government. The District's ability to continue viable operations is dependent on this funding.

The District had the following transactions with Alberta Education, Alberta Infrastructure and Alberta Finance.

	<u>2010</u>	<u>2009</u>
Alberta Education		
Funding Received	\$ <u>710,416</u>	\$ <u>681,385</u>
Alberta Infrastructure		
Infrastructure Maintenance Program	21,503	14,825
Modernization Block Funding Program	7	1
Capital Allocations	<u>14,865</u>	<u>11,905</u>
	<u>36,375</u>	<u>26,731</u>
Alberta Finance		
Capital Block - supported capital debt interest	898	1,280
Capital Block - supported capital debt principal repayment	<u>3,611</u>	<u>4,027</u>
	<u>4,509</u>	<u>5,307</u>
Other	<u>3,174</u>	<u>2,621</u>
<b>Total funding received</b>	<b>\$ <u>754,474</u></b>	<b>\$ <u>716,044</u></b>

**4. Accounts Receivable**

Accounts receivable comprises:

	<u>2010</u>	<u>2009</u>
Province of Alberta	\$ 10,954	\$ 4,830
Federal Government	2,925	3,200
Other Alberta School Jurisdictions	541	398
Other	<u>2,600</u>	<u>2,984</u>
Total	<u>\$ 17,020</u>	<u>\$ 11,412</u>


**NOTES TO FINANCIAL STATEMENTS . . . continued**

August 31, 2010

(amounts in thousands)

**5. School generated funds**

- (a) School generated assets arise from the receipt of monies for various services and activities offered by individual schools such as student unions, yearbooks, instructional materials, textbook rentals, field trips and fundraising projects of various types. Any excess of receipts over disbursements from these services and activities is placed on deposit with various chartered banks and is available for future use by the schools.

	<u>2010</u>	<u>2009</u>
School generated assets		
Cash	\$ 8,031	\$ 7,640
Term deposits	<u>914</u>	<u>936</u>
	<u>8,945</u>	<u>8,576</u>
Inventory		
Bookstore	4	27
Cafeteria	<u>2</u>	<u>2</u>
	<u>6</u>	<u>9</u>
Refundable deposits and advance fees	<u>(4,909)</u>	<u>(4,263)</u>
Net Assets and Funds	\$ <u>4,042</u>	\$ <u>4,322</u>

- (b) School Generated Funds revenue and expenses have been reported as follows:

	<u>2010</u>	<u>2009</u>
Net School Generated Funds	\$ 15,757	\$ 15,276
Add: Related cost recoveries	<u>1,553</u>	<u>1,931</u>
Gross	<u>17,310</u>	\$ <u>17,207</u>

**6. Capital Assets**

During the year, the District assumed control over six new schools constructed and financed by the province under the Alberta Schools Alternative Procurement (ASAP) project. These schools and associated site improvements, constructed on District land, have been recorded based on Administration's best estimate of fair value being \$242,977.

	<u>2010</u>			<u>2009</u>
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
Land	\$ 838	-	\$ 838	\$ 838
Buildings and site improvements	1,043,564	433,408	610,156	338,636
Furniture and equipment	178,586	138,924	39,662	33,809
Vehicles	<u>2,897</u>	<u>1,093</u>	<u>1,804</u>	<u>1,640</u>
	\$ <u>1,225,885</u>	\$ <u>573,425</u>	\$ <u>652,460</u>	\$ <u>374,923</u>





**NOTES TO FINANCIAL STATEMENTS . . . continued**  
**August 31, 2010**  
**(amounts in thousands)**

**7. Accounts payable and accruals**

Accounts payable and accruals comprise:

	<b>2010</b>	<b>2009</b>
Province of Alberta	\$ 1,755	\$ 1,676
Federal Government	605	707
Other	<u>41,522</u>	<u>44,792</u>
Total	<u>\$ 43,882</u>	<u>\$ 47,175</u>

**8. Deferred Revenue**

Deferred revenue comprises:

SOURCE AND GRANT OR FUND TYPE	Deferred Revenue as at Aug 31/09	Add: 2009-10 Funds Received	Deduct: 2009-10 Funds Recognized	Deferred Revenue as at Aug 31/10
<b>Alberta Education Restricted Operations Funding:</b>				
Deferred Block Funding Revenue	8,014	19,421	21,510	5,925
Children and Youth with Complex Needs	190	490	680	0
Success for Kids in Care	230	0	91	139
Wraparound Project	1,000	0	505	495
Strobe Light Funding	239	11	250	0
<b>Other Government of Alberta Restricted Funding:</b>				
Alberta Justice - The Way In Project	0	13	0	13
Children's Services - City Centre Education Project	55	0	55	0
Health & Wellness - City Centre Education Project	120	0	120	0
<b>Other Deferred Revenue</b>				
Alberta Health Services – Skills Centre	301	0	301	0
Safe Communities Secretariat	69	69	69	69
International Student Program	2,358	2,903	2,883	2,378
Metro Continuing Education	266	1,976	1,853	389
Programs Initiatives	19	0	19	0
Leases	15	3,092	3,098	9
Non-Alberta Resident Fee	18	77	95	0
ATA – Principal Research Pilot Project	5	0	5	0
Total	<u>\$ 12,899</u>	<u>\$ 28,052</u>	<u>\$ 31,534</u>	<u>\$ 9,417</u>



**NOTES TO FINANCIAL STATEMENTS . . . continued**  
**August 31, 2010**  
**(amounts in thousands)**

**9. Long-Term Debt**

Principal payments and interest to maturity on debenture debt outstanding at August 31, 2010 are approximately as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,409	\$ 766	\$ 4,175
2012	2,883	453	3,336
2013	1,530	198	1,728
2014	707	74	781
2015	<u>192</u>	<u>18</u>	<u>210</u>
Total	\$ <u>8,721</u>	\$ <u>1,509</u>	\$ <u>10,230</u>

Interest is payable at various rates ranging from 4.04% to 12.00%, with an overall effective rate of 8.97% on the total long-term debt of:

	<u>2010</u>	<u>2009</u>
Total debenture debt	\$ 8,721	\$ 12,649
Due within one year	<u>3,409</u>	<u>3,928</u>
	\$ <u>5,312</u>	\$ <u>8,721</u>

The total district debenture debt will be repaid by the year 2015. The fair value of long-term debt does not differ significantly from its carrying value.

The current portion of long-term debt includes amounts payable by Alberta Finance for supported debt principal. As this amount is not payable by the District, the District's working capital has been increased as follows:

	<u>2010</u>	<u>2009</u>
Working Capital Surplus per statements	\$ 55,229	\$ 98,437
Supported Current Portion of long-term debt	<u>3,115</u>	<u>3,611</u>
	\$ <u>58,344</u>	\$ <u>102,048</u>

The District paid \$1,134 (2009 - \$1,547) interest on long-term debt in the year.

**10. Deferred Capital Allocations**

Capital allocations received for qualifying capital projects initiated by the District have been capitalized. These allocations are transferred to unamortized capital allocations as the capital expenditure is incurred. Details of the changes in the deferred capital allocations account are as follows:



**NOTES TO FINANCIAL STATEMENTS . . . continued**  
**August 31, 2010**  
 (amounts in thousands)

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$ 41,941	\$ 90,920
Allocations received and receivable during the year	15,182	13,824
Transfers to Unamortized Capital Allocations	<u>(39,421)</u>	<u>(62,803)</u>
Balance at end of year	<u>\$ 17,702</u>	<u>\$ 41,941</u>

**11. Unamortized Capital Allocations**

Unamortized Capital Allocations (UCA) represent the jurisdiction's net investment in supported capital assets other than land and equipment purchased prior to September 1, 1995. The total debenture payments increase the balance in the UCA account, with the related amortization expense being deducted. Transfers from deferred capital allocation account also increase the balance in the UCA account. Details of the changes to the account are as follows:

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$ 244,671	\$ 188,794
Supported Debenture Principal Repayment	3,611	4,027
Set-up & relieved of ARO (Net)	(317)	(2,295)
Retirement of Asset – net	(38)	(566)
Day Care Modular Projects	-	376
Transfer from Deferred Capital Allocations	39,421	62,803
ASAP Schools (note 6)	242,977	-
Transfer to Capital Allocation Revenue	<u>(11,315)</u>	<u>(8,468)</u>
Balance at end of year	<u>\$ 519,010</u>	<u>\$ 244,671</u>

**12. Asset Retirement Obligation**

The District records an Asset Retirement Obligation (ARO) for the removal of hazardous material from District buildings once the amount is deemed determinable. The following is a reconciliation of the changes in the asset retirement obligation during the year:

	<u>2010</u>	<u>2009</u>
Balance, beginning year	\$ 1,325	\$ 2,743
Liabilities incurred/adjusted during the year	812	(1,095)
Liabilities relieved during the year	(1,968)	(355)
Accretion expense	<u>(12)</u>	<u>32</u>
Balance, end of year	<u>\$ 157</u>	<u>\$ 1,325</u>

The accretion expense is included in other services expenses. The undiscounted estimated cash flows required to settle the obligation range from \$1,325 to \$157 during the years 2008 to 2010. The cash flows are discounted using a credit-adjusted risk-free rate of 3.87 percent (2009 - 3.90 percent).



**NOTES TO FINANCIAL STATEMENTS . . . continued**

August 31, 2010

(amounts in thousands)

Other assumptions used by management to determine the carrying amount of the asset retirement obligation are: labour costs based on current marketplace wages required to hire contractors to remove the hazardous materials; market risk premium for unforeseeable circumstances; and the rate of inflation over the expected years to settlement.

Funding for the above obligations at the end of year have been fully committed by Alberta Education and Alberta Infrastructure and are represented as accounts receivable of \$157 in the statement of financial position. Other retirement obligations have not been recognized because a reasonably determinable fair value cannot be established within a reasonable certainty of time.

**13. Commitments**

a) Building Projects: The District is committed to further capital expenditures for the new construction and modernization projects of approximately \$27,825 (2009 - \$57,674). It is anticipated that these costs will be fully funded by the capital allocations from Alberta Education.

b) Lease of Premises: The District is committed to lease of premises for the following years:

	<u>Year Ending August 31</u>	
	<u>2010</u>	<u>2009</u>
2011	2,796	2,730
2012	2,657	2,236
2013	1,321	2,271
2014	1,294	1,062
2015	1,266	1,062
2016 – Thereafter	<u>13,113</u>	<u>14,169</u>
Total	\$ <u>22,447</u>	\$ <u>23,530</u>

c) Purchase Order commitments: as at August 31, 2010 the District has \$5,615 (2009 - \$4,170) outstanding purchase orders relating to services and contracts.



**NOTES TO FINANCIAL STATEMENTS . . . continued**  
**August 31, 2010**  
 (amounts in thousands)

**14. Remuneration and Monetary Incentives**  
 (amounts in dollars)

The Edmonton School District No. 7 had paid or accrued expenses for the year ended August 31, 2010 to or on behalf of the following positions and persons in groups as follows:

Board Members:	FTE	Remuneration	Benefits	Allowances	ERIP's/ Other	Note	Total	Expenses
Chairperson: D.Fleming	1.0	40,816	6,350	3,212	-		50,378	7,266
<b>Other Board Members</b>								
G.Rice	1.0	36,276	3,593	3,212	-		43,081	6,444
B. Esslinger	1.0	29,591	5,753	3,212	-		38,556	2,083
G.Gibeault	1.0	31,805	5,965	3,212	-		40,982	8,052
D.Colbum	1.0	30,960	5,921	3,211	-		40,092	5,868
K.Gibson	1.0	29,462	5,877	3,211	-		38,550	-
C.G.Ripley	1.0	34,358	6,035	3,211	-		43,604	785
S.J.Huff	1.0	33,297	6,037	3,211	-		42,545	3,942
K.Shipka	1.0	31,676	3,468	3,211	-		38,355	8,645
<b>Sub-Total</b>	<b>9.0</b>	<b>298,241</b>	<b>48,999</b>	<b>28,903</b>	<b>-</b>		<b>376,143</b>	<b>43,085</b>
Superintendent E.Schmidt	1.0	288,393	13,317	63,673	36,484	(1)	381,867	1,928
Board Secretary	1.0	120,462	23,855	3,211	-		147,528	6,198
Board Treasurer D.R.Power	0.7	153,863	6,576	2,016	-	(2)	162,455	2,819
Acting Treasurer S. Ibrahim	0.2	34,429	222	799	-	(3)	35,450	-
Board Treasurer B. Smith	0.1	18,334	4,345	488	-	(4)	23,167	-
Certificated Teachers	4,531.0	399,359,757	42,579,721	659,663	-		442,599,141	
Non-Certificated (Other)	3,106.4	166,594,281	37,869,466	3,039,326	-		207,503,073	
<b>TOTAL</b>	<b>7,648.5</b>	<b>566,847,760</b>	<b>80,546,501</b>	<b>3,798,079</b>	<b>36,484</b>		<b>651,228,824</b>	

Note: (1) Supplementary Pension Plan 36,484  
 Sabbatical Allowance 63,673  
 Included in Remuneration is Vacation payout 46,694  
146,851

- (2) Dean Power retired on April 24, 2010. Included in his remuneration was Vacation payout of \$36,517 and Vacation Bonus payout of \$827.  
 (3) Sultan Ibrahim was Acting Treasurer from April 26, 2010 to July 31, 2010.  
 (4) Brian Smith was appointed Treasurer, effective July 26, 2010.

**15. The Urban Schools Insurance Consortium**

The District is a member of The Urban Schools Insurance Consortium (USIC), which facilitates the placement of property and liability insurance coverage for thirteen jurisdictions throughout the province of Alberta. Premium rebates are received from the insurers' favorable claims experience and accumulated by the consortium to self-insure a portion of the member's risk exposure. The District's share of the accumulated consortium funds as at August 31, 2010 was \$1,805 (2009 - \$ 2,083). This amount has not been recognized in the district's financial statements, as the revenue has not been realized by the District.

**16. Comparative Figures**

The comparative figures for 2009 have been reclassified where necessary, to conform to the current year's presentation.

School Jurisdiction Code: 3020

**UNAUDITED SCHEDULES**  
**TO THE**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**  
**[School Act, Section 276]**

**EDMONTON SCHOOL DISTRICT NO.7**

Legal Name of School Jurisdiction

**ONE KINGSWAY, EDMONTON, AB T5H 4G9**

Mailing Address

**TEL.NO: 780.429.8000 FAX NO: 780.429.8318**

Telephone and Fax Numbers

***Declaration of Secretary-Treasurer / Chief Financial Officer***

To the best of my knowledge and belief, these unaudited schedules have been prepared following Alberta Education's reporting requirements for Alberta school jurisdictions. These schedules were submitted to the board for information purposes.

**SECRETARY TREASURER OR TREASURER**

**B. SMITH**

Name

Signature

Dated

c.c. ALBERTA EDUCATION, Financial Reporting & Accountability Branch,  
8th Floor Commerce Place, 10165-102 Street, Edmonton AB T6J 4L5  
EMAIL: [Cindy.Wang@gov.ab.ca](mailto:Cindy.Wang@gov.ab.ca)  
PHONE: (780) 644-6672 FAX: (780) 422-6996

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**SCHEDULE A**

School Jurisdiction Code: 3020

**ALLOCATION OF REVENUES AND EXPENSES TO PROGRAMS - 2009-2010**

<b>REVENUES</b>	<b>ECS Instruction</b>	<b>Grades 1-12 Instruction</b>	<b>Operations and Maintenance of Schools &amp; Maintenance Shops</b>	<b>Transportation</b>	<b>Board &amp; System Administration</b>	<b>External Services</b>	<b>TOTAL</b>
(1) Alberta Education	\$44,084,013	\$545,416,377	\$85,374,889	\$20,704,177	\$28,452,573	\$8,792,071	\$732,824,100
(2) Other - Government of Alberta	\$0	\$225,212	\$898,109	\$0	\$91,045	\$1,959,882	\$3,174,248
(3) Federal Government and First Nations	\$4,357	\$1,453,606	\$0	\$10,531	\$113,677	\$1,259,764	\$2,841,935
(4) Other Alberta school authorities	\$0	\$1,064,454	\$0	\$7,275	\$161,819	\$2,811,920	\$4,045,468
(5) Out of province authorities	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(6) Alberta Municipalities-special tax levies	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(7) Instruction resource fees	\$0	\$3,896,607					\$3,896,607
(8) Transportation fees-ECS				\$0			\$0
(9) Transportation fees-Grades 1-12				\$8,894,651			\$8,894,651
(10) Other sales and services	\$997,699	\$12,029,095	\$251,074	\$6,958	\$848,820	\$7,086,848	\$21,220,494
(11) Investment income	\$0	\$576,189	\$0	\$0	\$24,008	\$0	\$600,197
(12) Gifts and donations	\$0	\$6,528,630	\$0	\$0	\$0	\$0	\$6,528,630
(13) Rental of facilities	\$0	\$1,693,933	\$891,486	\$0	\$164,555	\$1,363,905	\$4,113,879
(14) Gross school generated funds	\$0	\$16,617,225	\$0	\$0	\$692,384	\$0	\$17,309,609
(15) Gains on disposal of capital assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(16) Amortization of capital allocations	\$0	\$0	\$11,314,821	\$0		\$0	\$11,314,821
(17) Other revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>(18) TOTAL REVENUES</b>	<b>\$45,086,069</b>	<b>\$589,501,328</b>	<b>\$98,730,379</b>	<b>\$29,623,592</b>	<b>\$30,548,881</b>	<b>\$23,274,390</b>	<b>\$816,764,639</b>
<b>EXPENSES</b>							
(19) Certificated salaries	\$18,973,335	\$369,060,498			\$3,263,383	\$8,722,204	\$400,019,420
(20) Certificated benefits	\$2,041,969	\$39,160,419			\$352,170	\$1,025,163	\$42,579,721
(21) Non-certificated salaries and wages	\$15,823,569	\$81,976,622	\$49,917,539	\$912,210	\$13,575,390	\$8,421,089	\$170,626,419
(22) Non-certificated benefits	\$3,651,418	\$20,702,924	\$10,145,428	\$186,417	\$2,478,528	\$838,549	\$38,003,264
<b>(23) SUB - TOTAL</b>	<b>\$40,490,291</b>	<b>\$510,900,463</b>	<b>\$60,062,967</b>	<b>\$1,098,627</b>	<b>\$19,669,471</b>	<b>\$19,007,005</b>	<b>\$651,228,824</b>
(24) Services, contracts and supplies	\$3,618,533	\$38,152,267	\$47,699,686	\$30,775,978	\$6,400,534	\$4,267,385	\$130,914,383
(25) Gross school generated funds	\$0	\$17,309,609					\$17,309,609
(26) Amortization of capital assets	\$440,013	\$10,770,121	\$16,301,125	\$11,520	\$248,492	\$0	\$27,771,271
(27) Interest and charges	\$0	\$351,586	\$689,118	\$4,850	\$0	\$0	\$1,045,554
(28) Losses on disposal of capital assets	\$0	\$0	\$9,559	\$0	\$0	\$0	\$9,559
(29) Other expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>(30) TOTAL EXPENSES</b>	<b>\$44,548,837</b>	<b>\$577,484,046</b>	<b>\$124,762,455</b>	<b>\$31,890,975</b>	<b>\$26,318,497</b>	<b>\$23,274,390</b>	<b>\$628,279,200</b>
<b>(31) EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$537,232</b>	<b>\$12,017,282</b>	<b>(\$26,032,076)</b>	<b>(\$2,267,383)</b>	<b>\$4,230,384</b>	<b>\$0</b>	<b>(\$11,514,561)</b>



**SCHEDULE B  
SCHOOL GENERATED FUNDS (SGF) - 2009-2010**

<b>Unexpended SGF - Opening Balance August 31, 2009</b> (Note 1)			\$4,322,459
<b>Sources of School Generated Funds:</b>	<b>Gross SGF</b>	<b>Related Expenses</b>	<b>Net SGF</b>
Fundraising activities	\$3,639,134	\$1,547,526	\$2,091,608
Student fees (Non-Instructional) (Note 1)	\$13,085,339	\$0	\$13,085,339
Donations and grants to schools	\$253,043	\$0	\$253,043
Other (describe): Interest	\$51,501	\$5,088	\$46,413
<b>Net Additions to SGF</b>	<b>\$17,029,017</b>	<b>\$1,552,614</b>	<b>\$15,476,403</b>
<b>Net SGF Available</b>			<b>\$19,798,862</b>
<b>Uses of Net School Generated Funds:</b>			
Extra-curricular activities			\$9,782,547
Field Trips			\$5,501,467
Other (describe): Library, ID Cards			\$472,981
<b>Total Uses of Net SGF</b> (Note 2)			<b>\$15,756,995</b>
<b>Unexpended SGF - Closing Balance August 31, 2010</b> (Note 3)			<b>\$4,041,867</b>

School Generated Funds (SGF) are funds raised in the community for student activities that come under the control and responsibility of school management. These funds are usually collected and retained at the school for expenditures paid at the school level. SGF does not include any other funds collected at the school but remitted to central office and accounted for by central office (facility rentals, capital assets purchases, etc.)

**Notes:**

- 1 Excludes fees collected pursuant to Section 60(2)(j) of the School Act (fees related to instructional supplies or materials - essentially textbooks, resource materials in lieu of textbooks, media, software, and materials for classrooms). Fees charged for CEU-related activities are recorded as instruction resource fees, not SGF.
- 2 The sum of "total related expenses" and "total uses of net SGF" is reported as "gross school generated funds" in the Statement of Revenues & Expenses.
- 3 Unexpended SGF is reported as SGF assets and SGF liabilities in the Statement of Financial Position.

**SCHEDULE C**  
**Operations and Maintenance of Schools & Maintenance Shops Program Expense Details - 2009-2010**

EXPENSES	Custodial	Maintenance	Utilities and Telecommunications	Expensed IMR and Modular Unit Relocations	Facility Planning & Operations Administration	Unsupported Amortization & Other Expenses	SUB-TOTAL Operations & Maintenance	Supported Capital & Debt Services	TOTAL Operations and Maintenance
Uncertificated salaries and wages	\$27,877,550	\$17,797,178	\$0	\$0	\$4,242,811		\$49,917,539		\$49,917,539
Uncertificated benefits	\$6,261,023	\$2,874,139	\$0	\$0	\$1,010,266		\$10,145,428		\$10,145,428
<b>Sub-total Remuneration</b>	<b>\$34,138,573</b>	<b>\$20,671,317</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,253,077</b>		<b>\$60,062,967</b>		<b>\$60,062,967</b>
Supplies and services	\$2,147,828	\$4,793,569	\$1,396,745	\$6,900,013	\$7,964,182		\$23,202,337		\$23,202,337
Electricity			\$8,954,470				\$8,954,470		\$8,954,470
Natural Gas/Heating Fuel			\$11,334,032				\$11,334,032		\$11,334,032
Sewer and Water			\$1,414,362				\$1,414,362		\$1,414,362
Telecommunications			\$927,517				\$927,517		\$927,517
Insurance					\$1,866,968		\$1,866,968		\$1,866,968
Amortization of capital assets									
Supported								\$11,314,821	\$11,314,821
Unsupported				\$0		\$4,986,304	\$4,986,304		\$4,986,304
<b>Total Amortization</b>				<b>\$0</b>		<b>\$4,986,304</b>	<b>\$4,986,304</b>	<b>\$11,314,821</b>	<b>\$16,301,125</b>
Interest on capital debt									
Supported								\$638,735	\$638,735
Unsupported				\$0		\$50,383	\$50,383		\$50,383
Other interest charges						\$0	\$0		\$0
Losses on disposal of capital assets						\$9,559	\$9,559		\$9,559
<b>TOTAL EXPENSES</b>	<b>\$36,286,401</b>	<b>\$25,464,886</b>	<b>\$24,027,126</b>	<b>\$6,900,013</b>	<b>\$15,084,227</b>	<b>\$5,046,246</b>	<b>\$112,808,899</b>	<b>\$11,953,556</b>	<b>\$124,762,455</b>
<b>SQUARE METRES</b>									
School Buildings									1,066,223.0
Non School Buildings									125,062.0

**Note:**

- Custodial:** All expenses related to activities undertaken to keep the school environment and maintenance shops clean and safe.
- Maintenance:** All expenses associated with the repair, replacement, enhancement and minor construction of buildings, grounds and equipment components. This includes regular and preventative maintenance undertaken to ensure components reach or exceed their life cycle and the repair of broken components. Maintenance expenses exclude operational costs related to expensed IMR & Modular Unit relocations, as they are reported on separately.
- Utilities & Telecommunications:** All expenses related to electricity, natural gas and other heating fuels, sewer and water and all forms of telecommunications.
- Expensed IMR & Modular Unit Relocations:** All operational expenses associated with non-capitalized Infrastructure Maintenance Renewal projects (AKA IMP and BQRP) and modular unit (portable) relocations.
- Facility Planning & Operations Administration:** All expenses related to the administration of operations and maintenance including (but not limited to) contract administration, clerical functions, negotiations, supervision of employees & contractors, school facility planning & project 'administration', administration of joint-use agreements, and all expenses related to ensuring compliance with health and safety standards, codes and government regulations.
- Supported Capital & Debt Services:** All expenses related to supported capital assets amortization and interest on supported capital debt.

Edmonton School District No. 7

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**FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

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## **AUDITORS' REPORT**

We have audited the statement of financial position of the Edmonton School District No. 7 as at August 31, 2010 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's administration. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by administration, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District as at August 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Edmonton, Canada  
October 28, 2010



**STATEMENT OF FINANCIAL POSITION**  
(in thousands of dollars)

	August 31	
	2010	2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 88,380	\$ 144,599
Accounts receivable (Note 4)	17,020	11,412
Inventories	5,846	5,887
Prepaid expenses	<u>691</u>	<u>541</u>
	<b>111,937</b>	<b>162,439</b>
<b>School Generated Funds (Note 5)</b>	<b>4,042</b>	<b>4,322</b>
<b>Trust Assets</b>	<b>597</b>	<b>474</b>
<b>Long Term Receivable (Note 12)</b>	<b>157</b>	<b>486</b>
<b>Capital Assets (Note 6)</b>	<b><u>652,460</u></b>	<b><u>374,923</u></b>
	<b>\$ <u>769,193</u></b>	<b>\$ <u>542,644</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accruals (Note 7)	\$ 43,882	\$ 47,175
Deferred revenue (Note 8)	9,417	12,899
Current portion of long-term debt (Note 9)	<u>3,409</u>	<u>3,928</u>
	<b>56,708</b>	<b>64,002</b>
<b>School Generated Funds (Note 5)</b>	<b>4,042</b>	<b>4,322</b>
<b>Trust Liabilities</b>	<b>597</b>	<b>474</b>
<b>Long-term Debt (Note 9)</b>	<b>5,312</b>	<b>8,721</b>
<b>Asset Retirement Obligation (Note 12)</b>	<b>157</b>	<b>1,325</b>
<b>Deferred Capital Allocations (Note 10)</b>	<b>17,702</b>	<b>41,941</b>
<b>Unamortized Capital Allocations (Note 11)</b>	<b><u>519,010</u></b>	<b><u>244,671</u></b>
	<b><u>603,528</u></b>	<b><u>365,456</u></b>
<b>NET ASSETS</b>		
<b>Investment in Capital Assets</b>	<b>124,728</b>	<b>117,602</b>
<b>Capital Reserve</b>	<b>6,839</b>	<b>6,783</b>
<b>Operating Reserve</b>	<b>34,098</b>	<b>52,803</b>
<b>Unrestricted Net Assets</b>	<b><u>0</u></b>	<b><u>0</u></b>
	<b><u>165,665</u></b>	<b><u>177,188</u></b>
	<b>\$ <u>769,193</u></b>	<b>\$ <u>542,644</u></b>
Commitments (Note 13)		


**STATEMENT OF REVENUES AND EXPENSES**

(In thousands of dollars)

	<b>Year ended August 31</b>	
	<b>2010</b>	<b>2009</b>
<b>Revenues</b>		
Provincial Grants	\$ 735,998	\$ 700,112
Other	52,142	56,703
School Generated Funds – gross	17,310	17,207
Amortization of Capital Allocations	11,315	8,468
Loss on Disposal of Capital Assets	<u>(10)</u>	<u>(12)</u>
	<b><u>816,755</u></b>	<b><u>782,478</u></b>
<b>Expenses</b>		
Salaries and employee benefits	651,229	609,784
Debt service including bank interest	1,080	1,622
Utility services	26,278	20,197
Transportation services	30,334	28,212
School generated activities – gross	17,310	17,207
Other services	33,248	33,257
Supplies and materials	41,020	41,114
Amortization of capital assets	<u>27,771</u>	<u>23,118</u>
	<b><u>828,270</u></b>	<b><u>774,511</u></b>
<b>(Deficit)/Surplus of Revenues over Expenses</b>	<b>\$ <u>(11,515)</u></b>	<b>\$ <u>7,967</u></b>
<b>Represented by:</b>		
Capital assets acquired from operational funding	\$ 23,292	\$ 24,660
Unsupported long-term debt principal repaid	317	311
Transfer to (from) Capital Reserve		
- net gain (loss) on disposal	(10)	(12)
- capital expenditures	(25)	-
- repayment and interest	72	91
Amortization of capital assets financed through operations	(16,456)	(14,650)
Excess of operating expenses over revenues and capital assets acquired there from	<u>(18,705)</u>	<u>(2,433)</u>
<b>Excess of Expenses over Revenues</b>	<b>\$ <u>(11,515)</u></b>	<b>\$ <u>7,967</u></b>


**STATEMENT OF CHANGES IN NET ASSETS**

(In thousands of dollars)

	August 31	
	2010	2009
<b>Investment in Capital Assets:</b>		
<b>Balance at the beginning of the year</b>	\$ 117,602	\$ 107,486
Capital assets acquired from operational funding	23,292	24,660
Unsupported long-term debt principal repaid	317	311
Retirement of assets (net)	(27)	(205)
Amortization of capital assets financed through operations	<u>(16,456)</u>	<u>(14,650)</u>
<b>Balance at the end of the year</b>	<b>\$ <u>124,728</u></b>	<b>\$ <u>117,602</u></b>
<b>Capital Reserve:</b>		
<b>Balance at the beginning of the year</b>	\$ 6,783	\$ 6,499
Transfer from (to) Operations		
- repayment and interest	72	91
- for capital expenditures	(25)	-
Proceeds of Disposal of Capital Assets financed through operations	<u>9</u>	<u>193</u>
<b>Balance at the end of the year</b>	<b>\$ <u>6,839</u></b>	<b>\$ <u>6,783</u></b>
<b>Operating Reserve:</b>		
<b>Balance at the beginning of the year</b>	\$ 52,803	\$ 38,100
Transfer (to) from Operating Surplus	<u>(18,705)</u>	<u>14,703</u>
<b>Balance at the end of the year</b>	<b>\$ <u>34,098</u></b>	<b>\$ <u>52,803</u></b>
<b>Unrestricted Net Assets:</b>		
<b>Balance at the beginning of the year</b>	\$ 0	\$ 17,136
Transfer from (to) Operating Reserve	18,705	(14,703)
Deficit for the year	<u>(18,705)</u>	<u>(2,433)</u>
<b>Balance at the end of the year</b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>
<b>NET ASSETS</b>	<b>\$ <u>165,665</u></b>	<b>\$ <u>177,188</u></b>



**STATEMENT OF CASH FLOWS**  
(in thousands of dollars)

	<b>Year ended August 31</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash Flows From:</b>		
<b>Operations</b>		
Excess of expenses over revenues	\$ (11,515)	\$ 7,967
Add (Deduct) items not requiring cash:		
Amortization of capital allocations	(11,315)	(8,468)
Loss on disposal of capital assets	10	12
Amortization of capital assets	<u>27,771</u>	<u>23,118</u>
	<u>4,951</u>	<u>22,629</u>
Changes in accrued accounts:		
Accounts receivable	(5,279)	4,648
Prepaid and other current assets	(109)	(541)
Trust & school generated fund assets	157	350
Accounts Payable and accrued liabilities	(4,461)	6,921
Deferred revenue	(3,482)	(1,397)
Trust & school generated fund liabilities	<u>(157)</u>	<u>(350)</u>
	<u>(13,331)</u>	<u>9,631</u>
<b>Total sources of cash from Operations</b>	<u>(8,380)</u>	<u>32,260</u>
<b>Investing Activities</b>		
Proceeds of sale of capital assets	<u>9</u>	<u>193</u>
Purchases of capital assets		
Buildings	(48,325)	(74,357)
Equipment	(13,693)	(10,530)
Vehicles	<u>(378)</u>	<u>(657)</u>
	<u>(62,396)</u>	<u>(85,544)</u>
<b>Total uses of cash from investing activities</b>	<u>(62,387)</u>	<u>(85,351)</u>
<b>Financing Activities</b>		
Capital allocations	14,865	11,905
Repayment of long-term debt	(3,928)	(4,338)
Add back: supported portion	<u>3,611</u>	<u>4,027</u>
<b>Total sources from financing activities</b>	<u>14,548</u>	<u>11,594</u>
<b>Net (uses) sources of cash equivalents during year</b>	(56,219)	(41,497)
Cash balance at the beginning of the year	<u>144,599</u>	<u>186,096</u>
<b>Cash balance at the end of the year</b>	\$ <u>88,380</u>	\$ <u>144,599</u>





## **NOTES TO FINANCIAL STATEMENTS**

August 31, 2010

(amounts in thousands)

### **1. Authority and purpose**

Edmonton School District No. 7 (the District) is empowered to provide public education through bylaws approved by its Board of Trustees and pursuant to the provisions of the Alberta School Act.

### **2. 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 judgement. 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:

#### **Capital assets**

Capital assets are recorded at original cost. Capital assets contributed to the District are recorded at the administration's best estimate of fair value at the time the assets are contributed. Commencing in the year following the year of acquisition, amortization is recorded on a straight-line basis over the estimated useful lives of the assets using the following rates:

Buildings and site improvements	2.5% to 10%
Furniture and equipment	10% and 20%
Vehicles	10%

#### **Revenue recognition**

The District receives funds from the province for instruction, support and capital purposes under Alberta Government Regulations.

Grants from the province that are restricted for the acquisition of capital assets are recorded as deferred capital allocations until spent. Once spent, they are transferred to unamortized capital allocations, which are amortized on the same basis and at the same rates as are applied to amortization of the cost of the assets. For contributed capital assets, the contribution is recorded as unamortized capital allocations at the best estimate of fair value determined for the contributed assets. The accumulated surplus is not impacted as the additional income is offset by the additional capital asset amortization expense of an equal amount.

Unrestricted donations are recognized as revenue when received or receivable. Donations 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 has been met.

**NOTES TO FINANCIAL STATEMENTS . . . continued**

August 31, 2010

(amounts in thousands)

**Contributed services**

Volunteers assist schools operated by the District in carrying out certain activities. Because of the difficulty of determining the fair value and the fact that such assistance is generally not otherwise purchased, contributed services are not recognized in the financial statements.

**Inventories**

Inventories consist of supplies valued at the lower of average cost or current replacement cost.

**Financial Instruments and risk management**

The District has designated cash and the school generated funds asset, representing restricted cash, as held-for-trading financial assets. Accounts receivable, trust assets and the long-term receivable are classified as loans and receivables. All financial liabilities are classified as other financial liabilities. Unless otherwise noted, the fair value of these financial instruments approximate their carrying values.

Transaction costs are recognized immediately in the statement of revenue and expenditures. Trade-date basis of accounting is used for financial instruments. The District has elected to exclude the application of Section 3855 of CICA Handbook for contracts to buy or sell non-financial items and embedded derivatives within these contracts and for embedded derivatives within lease and insurance contracts.

The District has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, liquidity risk, and price risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices. The District does not use derivative financial instruments to alter the effects of these risks. The District invests surplus funds, including school generated funds, in accordance with Section 60(2) of the School Act and Section 5 of the Trustees Act.

The District's accounts receivable are substantially comprised of amounts due from the provincial and federal governments. Funds on deposit are maintained with Schedule 1 Canadian financial institutions. Accordingly, the District is not exposed to significant credit risk. A substantial portion of the District's long-term debt is supported by the provincial government which mitigates liquidity and price risks. Further, substantially all of the District's operations are transacted in Canadian currency.

**Capital Reserve**

An amount equal to the net proceeds of sale of capital assets and interest generated by these funds is transferred to the capital reserve. The utilization of the reserve is restricted to capital expenditures under external restrictions or internal restrictions at the discretion of the Board of Trustees.

**NOTES TO FINANCIAL STATEMENTS . . . continued**

August 31, 2010

(amounts in thousands)

**Operating Reserve**

The operating reserve represents school and central services decision units' unspent budget allocations. When expenditures are made from the unspent budget allocations, the operating reserve will be drawn down accordingly. This reserve cannot result in a negative unrestricted net asset balance.

**Asset Retirement Obligation**

The District recognizes the fair value of future asset retirement obligations as a liability when there exists a legal obligation associated with the retirement of tangible long-lived assets resulting from the acquisition, construction, development and/or normal use of the assets. The District concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset or the expected date of remediation. The fair market value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate.

Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is being amortized. The District has a legal obligation to remove hazardous materials from District buildings. A liability is recognized at the point in time when a reasonable estimate of fair value can be made which is generally when the remediation date becomes reasonably determinable. When there is reasonable assurance of capital support for such obligations (funding commitments), the District accrues the receivable and reduces the remaining carrying amount.

**Vacation Pay**

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

**Pensions**

The current service and past service costs of the Alberta Teachers' Retirement Fund are met by contributions by active members and the Government of Alberta. Under the terms of the Teachers' Pension Plan Act, the District does not make pension contributions for certificated staff.

The District participates in the Local Authorities Pension Plan, which is a multi-employer pension plan and does not report on any unfunded liabilities. The service costs for employees for the current year of \$12,457 (2009 - \$10,276) are included in these statements and comprise the District costs of employer contribution. At December 31, 2009, the Local Authorities Pension Plan reported a deficiency of \$3,998,614 (2008 - \$4,413,971).



**NOTES TO FINANCIAL STATEMENTS . . . continued**  
**August 31, 2010**  
**(amounts in thousands)**

**Capital management**

The District's capital consists of its net assets. The District is required to maintain sufficient net assets to support operational capital asset needs while ensuring no deficiency in unrestricted net assets. Accordingly, each year, the District prepares a Board of Trustees approved budget based on its projected funding to ensure sufficient funds are available to meet the District's operational capital asset and operational needs. The District monitors its performance against this budget throughout the year and adjusts expenditures when necessary to ensure the District's compliance with net asset requirements. As part of the budget process, the District establishes budgets for each of its business units which, in aggregate, equals the Board of Trustees approved budget.

When necessary, the Board of Trustees can request appropriation of funds from the Capital Reserve to eliminate a deficiency in unrestricted net assets. In addition, to support business unit unspent budget allocations in anticipation of planned projects or spending commitments, the Board of Trustees will transfer unrestricted net assets to the Operating Reserve and draw on these funds when spent.

**Accounting changes**

The Canadian Institute of Chartered Accountants (CICA) issued several amendments to the not-for-profit accounting standards. Under these amended standards, there will no longer be a requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit such an amount as a category of internally restricted net assets when an organization chooses to do so. The amended standards also clarify that revenues and expenses must be recognized and represented on a gross basis when an organization is acting as a principal in the transactions and makes other minor adjustments to provide consistency with other sections of the CICA accounting standards, including the requirement to prepare the statement of cash flow in accordance with Section 1540, Cash Flow Statements.

The CICA has also issued a new standard, Section 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations. This Section establishes disclosure standards for those organizations that choose to classify their expenses by function and allocate expenses from one function to another.

These requirements were effective for the District's 2010 fiscal year. The District has elected to continue to present their investment in capital assets. The District was not impacted by the new standards for expense allocation and the other CICA changes had minimal impact to the District.

**3. Related party transactions**

Alberta Education, Alberta Infrastructure and Alberta Finance are the departments of the Government of Alberta which administer education, various school boards and school board infrastructure funding.


**NOTES TO FINANCIAL STATEMENTS . . . continued**
**August 31, 2010**
**(amounts in thousands)**

The Edmonton School District No. 7's primary source of income is from the Alberta Government. The District's ability to continue viable operations is dependent on this funding.

The District had the following transactions with Alberta Education, Alberta Infrastructure and Alberta Finance.

	<b><u>2010</u></b>	<b><u>2009</u></b>
Alberta Education		
Funding Received	\$ <u>710,416</u>	\$ <u>681,385</u>
Alberta Infrastructure		
Infrastructure Maintenance Program	21,503	14,825
Modernization Block Funding Program	7	1
Capital Allocations	<u>14,865</u>	<u>11,905</u>
	<u>36,375</u>	<u>26,731</u>
Alberta Finance		
Capital Block - supported capital debt interest	898	1,280
Capital Block - supported capital debt principal repayment	<u>3,611</u>	<u>4,027</u>
	<u>4,509</u>	<u>5,307</u>
Other	<u>3,174</u>	<u>2,621</u>
<b>Total funding received</b>	<b>\$ <u>754,474</u></b>	<b>\$ <u>716,044</u></b>

**4. Accounts Receivable**

Accounts receivable comprises:

	<b><u>2010</u></b>	<b><u>2009</u></b>
Province of Alberta	\$ 10,954	\$ 4,830
Federal Government	2,925	3,200
Other Alberta School Jurisdictions	541	398
Other	<u>2,600</u>	<u>2,984</u>
Total	<b>\$ <u>17,020</u></b>	<b>\$ <u>11,412</u></b>


**NOTES TO FINANCIAL STATEMENTS . . . continued**
**August 31, 2010**
**(amounts in thousands)**
**5. School generated funds**

- (a) School generated assets arise from the receipt of monies for various services and activities offered by individual schools such as student unions, yearbooks, instructional materials, textbook rentals, field trips and fundraising projects of various types. Any excess of receipts over disbursements from these services and activities is placed on deposit with various chartered banks and is available for future use by the schools.

	<u>2010</u>	<u>2009</u>
School generated assets		
Cash	\$ 8,031	\$ 7,640
Term deposits	<u>914</u>	<u>936</u>
	<u>8,945</u>	<u>8,576</u>
Inventory		
Bookstore	4	27
Cafeteria	<u>2</u>	<u>2</u>
	<u>6</u>	<u>9</u>
Refundable deposits and advance fees	<u>(4,909)</u>	<u>(4,263)</u>
Net Assets and Funds	\$ <u>4,042</u>	\$ <u>4,322</u>

- (b) School Generated Funds revenue and expenses have been reported as follows:

	<u>2010</u>	<u>2009</u>
Net School Generated Funds	\$ 15,757	\$ 15,276
Add: Related cost recoveries	<u>1,553</u>	<u>1,931</u>
Gross	<u>17,310</u>	\$ <u>17,207</u>

**6. Capital Assets**

During the year, the District assumed control over six new schools constructed and financed by the province under the Alberta Schools Alternative Procurement (ASAP) project. These schools and associated site improvements, constructed on District land, have been recorded based on Administration's best estimate of fair value being \$242,977.

	<u>2010</u>			<u>2009</u>
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
Land	\$ 838	-	\$ 838	\$ 838
Buildings and site improvements	1,043,564	433,408	610,156	338,636
Furniture and equipment	178,586	138,924	39,662	33,809
Vehicles	<u>2,897</u>	<u>1,093</u>	<u>1,804</u>	<u>1,640</u>
	<u>\$ 1,225,885</u>	<u>\$ 573,425</u>	<u>\$ 652,460</u>	<u>\$ 374,923</u>



**NOTES TO FINANCIAL STATEMENTS . . . continued**  
**August 31, 2010**  
 (amounts in thousands)

**7. Accounts payable and accruals**

Accounts payable and accruals comprise:

	<u>2010</u>	<u>2009</u>
Province of Alberta	\$ 1,755	\$ 1,676
Federal Government	605	707
Other	<u>41,522</u>	<u>44,792</u>
Total	<u>\$ 43,882</u>	<u>\$ 47,175</u>

**8. Deferred Revenue**

Deferred revenue comprises:

SOURCE AND GRANT OR FUND TYPE	Deferred Revenue as at Aug 31/09	Add: 2009-10 Funds Received	Deduct: 2009-10 Funds Recognized	Deferred Revenue as at Aug 31/10
<b>Alberta Education Restricted Operations Funding:</b>				
Deferred Block Funding Revenue	8,014	19,421	21,510	5,925
Children and Youth with Complex Needs	190	490	680	0
Success for Kids in Care	230	0	91	139
Wraparound Project	1,000	0	505	495
Strobe Light Funding	239	11	250	0
<b>Other Government of Alberta Restricted Funding:</b>				
Alberta Justice - The Way In Project	0	13	0	13
Children's Services - City Centre Education Project	55	0	55	0
Health & Wellness - City Centre Education Project	120	0	120	0
<b>Other Deferred Revenue</b>				
Alberta Health Services – Skills Centre	301	0	301	0
Safe Communities Secretariat	69	69	69	69
International Student Program	2,358	2,903	2,883	2,378
Metro Continuing Education	266	1,976	1,853	389
Programs Initiatives	19	0	19	0
Leases	15	3,092	3,098	9
Non-Alberta Resident Fee	18	77	95	0
ATA – Principal Research Pilot Project	<u>5</u>	<u>0</u>	<u>5</u>	<u>0</u>
Total	<u>\$ 12,899</u>	<u>\$ 28,052</u>	<u>\$ 31,534</u>	<u>\$ 9,417</u>


**NOTES TO FINANCIAL STATEMENTS . . . continued**
**August 31, 2010**
**(amounts in thousands)**
**9. Long-Term Debt**

Principal payments and interest to maturity on debenture debt outstanding at August 31, 2010 are approximately as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,409	\$ 766	\$ 4,175
2012	2,883	453	3,336
2013	1,530	198	1,728
2014	707	74	781
2015	<u>192</u>	<u>18</u>	<u>210</u>
Total	\$ <u>8,721</u>	\$ <u>1,509</u>	\$ <u>10,230</u>

Interest is payable at various rates ranging from 4.04% to 12.00%, with an overall effective rate of 8.97% on the total long-term debt of:

	<u>2010</u>	<u>2009</u>
Total debenture debt	\$ 8,721	\$ 12,649
Due within one year	<u>3,409</u>	<u>3,928</u>
	\$ <u>5,312</u>	\$ <u>8,721</u>

The total district debenture debt will be repaid by the year 2015. The fair value of long-term debt does not differ significantly from its carrying value.

The current portion of long-term debt includes amounts payable by Alberta Finance for supported debt principal. As this amount is not payable by the District, the District's working capital has been increased as follows:

	<u>2010</u>	<u>2009</u>
Working Capital Surplus per statements	\$ 55,229	\$ 98,437
Supported Current Portion of long-term debt	<u>3,115</u>	<u>3,611</u>
	\$ <u>58,344</u>	\$ <u>102,048</u>

The District paid \$1,134 (2009 - \$1,547) interest on long-term debt in the year.

**10. Deferred Capital Allocations**

Capital allocations received for qualifying capital projects initiated by the District have been capitalized. These allocations are transferred to unamortized capital allocations as the capital expenditure is incurred. Details of the changes in the deferred capital allocations account are as follows:



**NOTES TO FINANCIAL STATEMENTS . . . continued**

August 31, 2010

(amounts in thousands)

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$ 41,941	\$ 90,920
Allocations received and receivable during the year	15,182	13,824
Transfers to Unamortized Capital Allocations	<u>(39,421)</u>	<u>(62,803)</u>
Balance at end of year	<u>\$ 17,702</u>	<u>\$ 41,941</u>

**11. Unamortized Capital Allocations**

Unamortized Capital Allocations (UCA) represent the jurisdiction's net investment in supported capital assets other than land and equipment purchased prior to September 1, 1995. The total debenture payments increase the balance in the UCA account, with the related amortization expense being deducted. Transfers from deferred capital allocation account also increase the balance in the UCA account. Details of the changes to the account are as follows:

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$ 244,671	\$ 188,794
Supported Debenture Principal Repayment	3,611	4,027
Set-up & relieved of ARO (Net)	(317)	(2,295)
Retirement of Asset – net	(38)	(566)
Day Care Modular Projects	-	376
Transfer from Deferred Capital Allocations	39,421	62,803
ASAP Schools (note 6)	242,977	-
Transfer to Capital Allocation Revenue	<u>(11,315)</u>	<u>(8,468)</u>
Balance at end of year	<u>\$ 519,010</u>	<u>\$ 244,671</u>

**12. Asset Retirement Obligation**

The District records an Asset Retirement Obligation (ARO) for the removal of hazardous material from District buildings once the amount is deemed determinable. The following is a reconciliation of the changes in the asset retirement obligation during the year:

	<u>2010</u>	<u>2009</u>
Balance, beginning year	\$ 1,325	\$ 2,743
Liabilities incurred/adjusted during the year	812	(1,095)
Liabilities relieved during the year	(1,968)	(355)
Accretion expense	<u>(12)</u>	<u>32</u>
Balance, end of year	<u>\$ 157</u>	<u>\$ 1,325</u>

The accretion expense is included in other services expenses. The undiscounted estimated cash flows required to settle the obligation range from \$1,325 to \$157 during the years 2008 to 2010. The cash flows are discounted using a credit-adjusted risk-free rate of 3.87 percent (2009 - 3.90 percent).


**NOTES TO FINANCIAL STATEMENTS . . . continued**
**August 31, 2010**
**(amounts in thousands)**

Other assumptions used by management to determine the carrying amount of the asset retirement obligation are: labour costs based on current marketplace wages required to hire contractors to remove the hazardous materials; market risk premium for unforeseeable circumstances; and the rate of inflation over the expected years to settlement.

Funding for the above obligations at the end of year have been fully committed by Alberta Education and Alberta Infrastructure and are represented as accounts receivable of \$157 in the statement of financial position. Other retirement obligations have not been recognized because a reasonably determinable fair value cannot be established within a reasonable certainty of time.

**13. Commitments**

a) Building Projects: The District is committed to further capital expenditures for the new construction and modernization projects of approximately \$27,825 (2009 - \$57,674). It is anticipated that these costs will be fully funded by the capital allocations from Alberta Education.

b) Lease of Premises: The District is committed to lease of premises for the following years:

	<u>Year Ending August 31</u>	
	<u>2010</u>	<u>2009</u>
2011	2,796	2,730
2012	2,657	2,236
2013	1,321	2,271
2014	1,294	1,062
2015	1,266	1,062
2016 – Thereafter	<u>13,113</u>	<u>14,169</u>
Total	\$ <u>22,447</u>	\$ <u>23,530</u>

c) Purchase Order commitments: as at August 31, 2010 the District has \$5,615 (2009 - \$4,170) outstanding purchase orders relating to services and contracts.


**NOTES TO FINANCIAL STATEMENTS . . . continued**

August 31, 2010

(amounts in thousands)

**14. Remuneration and Monetary Incentives  
(amounts in dollars)**

The Edmonton School District No. 7 had paid or accrued expenses for the year ended August 31, 2010 to or on behalf of the following positions and persons in groups as follows:

Board Members:	FTE	Remuneration	Benefits	Allowances	ERIP's/ Other	Note	Total	Expenses
Chairperson: D.Fleming	1.0	40,816	6,350	3,212	-		50,378	7,266
<b>Other Board Members</b>								
G.Rice	1.0	36,276	3,593	3,212	-		43,081	6,444
B. Esslinger	1.0	29,591	5,753	3,212	-		38,556	2,083
G.Gibeault	1.0	31,805	5,965	3,212	-		40,982	8,052
D.Colburn	1.0	30,980	5,921	3,211	-		40,092	5,868
K.Gibson	1.0	29,462	5,877	3,211	-		38,550	-
C.G.Ripley	1.0	34,358	6,035	3,211	-		43,604	785
S.J.Huff	1.0	33,297	6,037	3,211	-		42,545	3,942
K.Shjoka	1.0	31,676	3,468	3,211	-		38,355	8,645
<b>Sub-Total</b>	<b>9.0</b>	<b>298,241</b>	<b>48,999</b>	<b>28,903</b>	<b>-</b>		<b>376,143</b>	<b>43,085</b>
Superintendent E.Schmidt	1.0	268,393	13,317	63,673	36,484	(1)	381,867	1,928
Board Secretary	1.0	120,462	23,855	3,211	-		147,528	6,198
Board Treasurer D.R.Power	0.7	153,863	6,576	2,016	-	(2)	162,455	2,819
Acting Treasurer S. Ibrahim	0.2	34,429	222	799	-	(3)	35,450	-
Board Treasurer B. Smith	0.1	18,334	4,345	488	-	(4)	23,167	-
Certificated Teachers	4,531.0	399,359,757	42,579,721	659,663	-		442,599,141	
Non-Certificated (Other)	3,106.4	166,594,281	37,869,466	3,039,326	-		207,503,073	
<b>TOTAL</b>	<b>7,648.5</b>	<b>566,847,760</b>	<b>80,546,501</b>	<b>3,798,079</b>	<b>36,484</b>		<b>651,228,824</b>	

Note: (1) Supplementary Pension Plan 36,484  
 Sabbatical Allowance 63,673  
 Included in Remuneration is Vacation payout 46,694  
146,851

- (2) Dean Power retired on April 24, 2010. Included in his remuneration was Vacation payout of \$36,517 and Vacation Bonus payout of \$827.  
 (3) Sultan Ibrahim was Acting Treasurer from April 26, 2010 to July 31, 2010.  
 (4) Brian Smith was appointed Treasurer, effective July 26, 2010.

**15. The Urban Schools Insurance Consortium**

The District is a member of The Urban Schools Insurance Consortium (USIC), which facilitates the placement of property and liability insurance coverage for thirteen jurisdictions throughout the province of Alberta. Premium rebates are received from the insurers' favorable claims experience and accumulated by the consortium to self-insure a portion of the member's risk exposure. The District's share of the accumulated consortium funds as at August 31, 2010 was \$1,805 (2009 - \$ 2,083). This amount has not been recognized in the district's financial statements, as the revenue has not been realized by the District.

**16. Comparative Figures**

The comparative figures for 2009 have been reclassified where necessary, to conform to the current year's presentation.