

EDMONTON PUBLIC SCHOOLS

December 12, 2006

TO: Board of Trustees

FROM: Trustee K. Gibson, Audit Committee Chair

SUBJECT: Report #1 of the Audit Committee (From the Meeting Held November 22, 2006)

RECOMMENDATION

1. That report #1 of the Audit Committee from the meeting held November 22, 2006 be received and considered.
2. That submission of the attached audited financial statements for the year ended August 31, 2006 to the Minister of Education be approved.

* * * * *

AS:mmf

Attachment #1 – Audited Financial Statements as Required by Alberta Education
Attachment #2 – Audited Financial Statements for the Year Ended August 31, 2006

School Jurisdiction Code: 3020

**AUDITED
FINANCIAL STATEMENTS
and Supporting Schedules
FOR THE YEAR ENDED AUGUST 31, 2006**
[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 and supporting schedules EDMONTON SCHOOL DISTRICT NO.7
(Name of School Jurisdiction)

presented to Alberta Education have been prepared by school jurisdiction management which has responsibility for their preparation, integrity and objectivity. The financial statements and schedules, including notes, have been prepared in accordance with generally accepted accounting principles and Ministerial requirements for Alberta school jurisdictions.

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 budgetary system of control.

Board of Trustees Responsibility

The ultimate responsibility for the financial statements lies with the Board of Trustees. The Board reviewed the financial statements with management in detail and the Board 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 have full and free access to school jurisdiction records.

Declaration of Management and Board Chairman

To the best of our knowledge and belief, these financial statements and supporting schedules 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 Ministerial requirements for Alberta school jurisdictions.

BOARD CHAIRMAN

B. ESSLINGER

Name

"ORIGINAL SIGNED"

Signature

SUPERINTENDENT

L. THOMSON

Name

"ORIGINAL SIGNED"

Signature

SECRETARY TREASURER OR TREASURER

D.R. POWER

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
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TABLE OF CONTENTS

	Page
AUDITORS' REPORT	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF REVENUES AND EXPENSES	4
STATEMENT OF CASH FLOWS	5
STATEMENT OF CHANGES IN NET ASSETS	6
STATEMENT OF CAPITAL ALLOCATIONS	7
NOTES TO THE FINANCIAL STATEMENTS	
<u>SUPPORTING SCHEDULES</u>	
SCHEDULE A Allocation of Revenues and Expenses to Programs	8
SCHEDULE B Alberta Education Revenues	9
SCHEDULE C ECS to Grade 12 Instruction Programs Expense Details	10
SCHEDULE D Board Governance and System Administration 2005-2006 Expenses Under (Over) Maximum Limit	11
SCHEDULE E Source & Application of School Generated Funds (SGF)	12
SCHEDULE F Operations & Maintenance Program Expenses	13
SCHEDULE G Disclosure of Salaries and Benefits	14
SCHEDULE G1 Completion Information for Schedule G	15

STATEMENT OF FINANCIAL POSITION
as at August 31, 2006

(In dollars)

	2006	2005 Restated
ASSETS		
Current assets		
Cash and temporary investments	\$23,301,767	\$3,821,459
Accounts receivable (net after allowances)	\$10,937,015	\$20,205,220
Prepaid expenses	\$1,149,099	\$1,010,788
Other current assets	\$5,486,363	\$5,323,002
Total current assets	\$40,874,244	\$30,360,469
School generated assets	\$3,999,386	\$4,373,302
Trust assets	\$649,559	\$639,986
Long term accounts receivable	\$0	\$0
Long term investments	\$0	\$0
Capital assets		
Land	\$837,590	\$837,590
Buildings	\$817,344,802	
Less: accumulated amortization	(\$366,537,401)	\$259,601,762
Equipment	\$208,598,991	
Less: accumulated amortization	(\$182,241,212)	\$29,703,900
Vehicles	\$2,611,289	
Less: accumulated amortization	(\$2,041,745)	\$569,544
Total capital assets	\$278,572,314	\$290,702,694
TOTAL ASSETS	\$324,095,503	\$326,076,451
LIABILITIES		
Current liabilities		
Bank indebtedness	\$0	\$0
Accounts payable and accrued liabilities	\$24,201,828	\$23,534,903
Deferred revenue	\$4,782,359	\$5,883,361
Deferred capital allocations	\$2,581,446	\$978,232
Current portion of all long term debt	\$4,896,727	\$5,868,844
Total current liabilities	\$36,462,360	\$36,265,340
School generated liabilities	\$3,999,386	\$4,373,302
Trust liabilities	\$649,559	\$639,986
Employee future benefits liability	\$0	\$0
Long term payables and accrued liabilities	\$0	\$0
Long term debt		
Supported: Debentures and other supported debt	\$24,360,551	\$29,166,009
Less: Current portion of supported debt	(\$4,595,157)	(\$4,805,458)
Unsupported: Debentures and Capital Loans	\$2,242,030	\$3,305,416
Capital Leases	\$0	\$0
Mortgages	\$0	\$0
Less: Current portion of unsupported debt	(\$301,570)	(\$1,063,386)
Other long term liabilities	\$143,777	\$137,981
Unamortized capital allocations	\$164,015,101	\$167,561,809
Total long term liabilities	\$190,513,677	\$199,315,659
TOTAL LIABILITIES	\$226,976,037	\$235,580,999
NET ASSETS		
Unrestricted net assets	\$5,605,644	(\$1,715,840)
Operating Reserves	\$0	\$0
Accumulated Operating Surplus (Deficit)	\$5,605,644	(\$1,715,840)
Investment in capital assets	\$87,810,856	\$90,531,479
Capital Reserves	\$3,702,966	\$1,679,813
Total Capital Funds	\$91,513,822	\$92,211,292
Total net assets	\$97,119,466	\$90,495,452
TOTAL LIABILITIES AND NET ASSETS	\$324,095,503	\$326,076,451

Note: Input "(Restated)" in 2005 column heading where comparatives are not taken from the finalized 2004-2005 Audited Financial Statements.

STATEMENT OF REVENUES AND EXPENSES

for the Year Ended August 31, 2006

(in dollars)

	Actual 2006	Budget 2006 Restated	Actual 2005 Restated
REVENUES			
Government of Alberta	\$586,607,940	\$567,697,265	\$564,238,815
Federal Government and/or First Nations	\$2,232,600	\$1,326,826	\$1,998,782
Other Alberta school authorities	\$4,364,642	\$2,400,719	\$2,329,647
Out of province authorities	\$0	\$0	\$0
Alberta Municipalities (excluding supplementary requisitions)	\$0	\$0	\$0
Instruction resource fees	\$3,375,092	\$2,098,158	\$3,180,759
Transportation fees	\$6,704,985	\$6,849,040	\$5,726,171
Other sales and services	\$17,389,327	\$17,037,281	\$21,076,769
Investment income	\$1,059,827	\$0	\$711,440
Gifts and donations	\$4,640,589	\$1,134,916	\$4,346,401
Rentals of facilities	\$2,704,084	\$1,792,011	\$2,761,147
Net school generated funds	\$13,934,693	\$13,694,095	\$13,044,784
Gains on disposal of capital assets	\$1,875,914	\$0	(\$26,925)
Amortization of capital allocations	\$11,081,895	\$12,345,000	\$11,789,717
Total Revenues	\$655,971,588	\$626,375,311	\$631,177,507
EXPENSES			
Certificated salaries	\$324,562,584	\$304,125,068	\$317,783,869
Certificated benefits	\$35,729,255	\$37,103,259	\$35,194,765
Uncertificated salaries and wages	\$122,450,544	\$107,266,150	\$117,183,057
Uncertificated benefits	\$27,291,871	\$22,525,892	\$25,143,711
Services, contracts and supplies	\$98,936,964	\$115,991,716	\$102,727,050
Net school generated funds	\$13,934,692	\$13,694,095	\$13,044,784
Capital and debt services			
Amortization of capital assets			
Supported	\$11,081,895	\$12,345,000	\$11,789,717
Unsupported	\$13,144,290	\$14,906,000	\$13,888,619
Total Amortization of capital assets	\$24,226,185	\$27,251,000	\$25,678,336
Interest on capital debt			
Supported	\$2,622,307	\$2,622,749	\$3,148,805
Unsupported	\$112,488	\$111,251	\$197,230
Total Interest on capital debt	\$2,734,795	\$2,734,000	\$3,346,035
Other interest charges	\$231,026	\$500,000	\$74,800
Losses on disposal of capital assets	\$0	\$0	\$0
Total Expenses	\$650,097,916	\$631,191,180	\$640,176,407
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE EXTRAORDINARY ITEM	\$5,873,672	(\$4,815,869)	(\$8,998,900)
Extraordinary Item	\$0	\$0	\$0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$5,873,672	(\$4,815,869)	(\$8,998,900)

Note: Input "(Restated)" in Budget 2006 and/or Actuals 2005 column headings where comparatives are not taken from the respective finalized 2005-2006 Budget Report and/or finalized 2004-2005 Audited Financial Statements filed with Alberta Education.

STATEMENT OF CASH FLOWS
for the Year Ended August 31, 2006

(In dollars)

	2006	2005 Restated
CASH FLOWS FROM:		
A. OPERATIONS		
Excess (deficiency) of revenues over expenses for the year	\$5,873,672	(\$8,998,900)
Add (Deduct) items not affecting cash:		
Amortization of capital allocations revenue	(\$11,081,895)	(\$11,789,717)
Total amortization expense	\$24,226,185	\$25,678,336
Gains on disposal of capital assets	(\$1,875,914)	\$26,925
Losses on disposal of capital assets	\$0	\$0
Changes in accrued accounts:		
Accounts receivable	\$9,268,205	\$7,799,201
Prepays and other current assets	(\$301,672)	(\$257,694)
Long term accounts receivable	\$0	\$0
Long term investments	\$0	\$0
Payables and accrued liabilities	\$666,925	(\$6,596,680)
Deferred revenue	(\$1,101,002)	(\$1,325,017)
Employee future benefit expense (recovery)	\$0	\$0
Other (describe)	\$0	\$0
Total sources (uses) of cash from Operations	\$25,674,504	\$4,536,454
B. INVESTING ACTIVITIES		
Purchases of capital assets		
Land	\$0	\$0
Buildings	(\$6,870,413)	(\$17,977,294)
Equipment	(\$5,375,340)	(\$7,203,966)
Vehicles	(\$108,285)	(\$51,475)
Net proceeds from disposal of capital assets	\$2,120,606	\$30,766
Other (describe)	\$0	\$0
Total sources (uses) of cash from Investing activities	(\$10,233,432)	(\$25,201,969)
C. FINANCING ACTIVITIES		
Capital allocations	\$5,055,112	\$13,135,570
Issue of long term debt	\$0	\$0
Repayment of long term debt	(\$5,868,844)	(\$6,784,116)
Add back: supported portion	\$4,805,458	\$5,721,731
Other (describe) Transferred from Invest. in Cap. Assets	\$47,510	\$0
Total sources (uses) of cash from Financing activities	\$4,039,236	\$12,073,185
Net sources (uses) of cash during year	\$19,480,308	(\$8,592,330)
Cash and temporary investments, net of bank indebtedness, at Aug. 31/05	\$3,821,459	\$12,413,789
Cash and temporary investments, net of bank indebtedness, at Aug. 31/06	\$23,301,767	\$3,821,459

Note: 1 Input "(Restated)" in 2005 column heading where not taken from the finalized 2004-2005 Audited Financial Statements filed with Alberta Education.
2 Cash and temporary investments are net of cash obligations.

STATEMENT OF CAPITAL ALLOCATIONS
(EXTERNALLY RESTRICTED CAPITAL CONTRIBUTIONS ONLY)
for the Year Ended August 31, 2006
(In dollars)

	Deferred Capital Allocations	Unamortized Capital Allocations
Balance at August 31, 2005	\$978,232	\$167,561,809
Prior period adjustment	\$0	\$0
Adjusted balance, August 31, 2005	\$978,232	\$167,561,809
Add:		
Restricted capital allocations from: Alberta Education-School/Modular Project Capital *	\$4,046,275	
Infrastructure & Transportation-School/Modular Project Capital *	\$0	
Other Government of Alberta	\$0	
Federal Government and/or First Nations	\$0	
Other sources	\$0	
Interest earned on provincial government capital allocations	\$0	
Other capital grants and donations	\$0	
Net Proceeds on disposal of supported capital assets	\$1,008,837	
Insurance proceeds (and related interest)	\$0	
Donated capital assets (amortizable, @ fair market value)		\$0
Transferred in capital assets (amortizable, @ net book value)		\$47,510
Current Year Debenture Principal Repayment		\$4,805,458
Expended capital allocations - current year	(\$2,709,961)	\$2,709,961
Less:		
Net book value of supported capital assets disposition, write-off, or transfer; Other	\$741,937	\$27,742
Capital allocations amortized to revenue		\$11,081,895
Balance at August 31, 2006	\$2,581,446	\$164,015,101

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



NOTES TO FINANCIAL STATEMENTS

August 31, 2006

(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 the significant accounting policies set out below to comply with the accounting requirements prescribed by the Alberta Education in the "Guidelines for the School Jurisdiction Audited Financial Statements for the Year Ended August 31, 2006". The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because asset retirement obligations for school buildings, where it is likely that provincial funding would be forthcoming at the time of retirement for a replacement school or major modification, is not recorded because it is expected the forthcoming capital funding would fund the asset retirement obligation. The impact of this difference has been estimated at \$61,764.4, as disclosed in note 12.

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 and 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. The accumulated surplus is not impacted as the additional income is offset by the additional capital asset amortization expense of an equal amount.

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

August 31, 2006

(amounts in thousands)

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.

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 net realizable value.

Financial Instruments

The District's financial instruments consist of cash, accounts receivable, accounts payable and accruals; trust funds and long-term debt. It is the management's opinion that the District is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values. The District has invested surplus funds in accordance with Section 44 of the *School Act* and Section 5 of the *Trustees Act*.

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.

Asset Retirement Obligations

The District now recognizes the fair value of a future asset retirement obligation, for obligations which provincial funding will not likely be received, as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result 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. The fair value of the asset retirement obligation is estimated using quoted market prices where markets are available or 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 market value or future cash flows underlying the obligation. Changes in the obligation due to the changes in estimated market value or cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset.

The recording of the asset retirement obligations represents a change in accounting policy. The effects of this change were not material to the overall financial statements of the District. This change has been applied retroactively and the 2005 comparative information has been restated to effect this change. The liability at August 31, 2006 and 2005 was \$143.8 and \$138.0 respectively. The adjustment to investment in capital assets at August 31, 2006 and 2005 as a result of this change was \$0.3 and \$132.2 respectively.

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. The service costs for employees for the current year of \$7,657 (2005 - \$6,813) are included in these statements and comprise the District costs of employer contribution.

3. Related party transactions

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

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.


NOTES TO FINANCIAL STATEMENTS . . . continued
August 31, 2006
(amounts in thousands)

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

	<u>2006</u>	<u>2005</u>
Alberta Education		
Funding Received	\$ <u>572,530</u>	\$ <u>550,913</u>
Alberta Infrastructure		
Infrastructure Maintenance Program	7,290	6,576
Modernization Block Funding Program	844	89
Capital Allocations	<u>5,055</u>	<u>13,135</u>
	<u>13,189</u>	<u>19,800</u>
Alberta Finance		
Capital Block - supported capital debt interest	2,622	3,149
Capital Block - supported capital debt principal repayment	<u>4,806</u>	<u>5,722</u>
	<u>7,428</u>	<u>8,871</u>
Other	<u>3,322</u>	<u>3,511</u>
Total funding received	\$ <u>596,469</u>	\$ <u>583,095</u>

4. Accounts Receivable

Accounts receivable comprises:

	<u>2006</u>	<u>2005</u>
Province of Alberta	\$ 8,226	\$ 16,362
Federal Government	1,603	1,204
Other Alberta School Jurisdictions	584	51
Other	<u>524</u>	<u>2,588</u>
Total	\$ <u>10,937</u>	\$ <u>20,205</u>

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>2006</u>	<u>2005</u>
School generated assets		
Cash	\$ 5,965	\$ 6,426
Term deposits	<u>1,182</u>	<u>1,334</u>
	<u>7,147</u>	<u>7,760</u>



NOTES TO FINANCIAL STATEMENTS . . . continued
August 31, 2006
(amounts in thousands)

Inventory		
Bookstore	18	15
Cafeteria	<u>1</u>	<u>2</u>
	19	17
Refundable deposits and advance fees	<u>(3,167)</u>	<u>(3,404)</u>
Net Assets and Funds	\$ <u>3,999</u>	\$ <u>4,373</u>

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

		<u>2006</u>		<u>2005</u>
Total School Generated Funds	\$	15,596	\$	15,050
Less: Related cost recoveries		<u>1,661</u>		<u>2,005</u>
Net	\$	<u>13,935</u>	\$	<u>13,045</u>

6. Capital Assets

		<u>2006</u>			<u>2005</u>
		Cost	Accumulated Amortization	Carrying Value	Carrying Value
Land	\$	838	-	\$ 838	\$ 838
Buildings and site improvements		617,345	366,537	250,808	259,602
Furniture and equipment		208,599	182,241	26,358	29,704
Vehicles		<u>2,611</u>	<u>2,042</u>	<u>569</u>	<u>559</u>
	\$	<u>829,393</u>	<u>550,820</u>	<u>278,573</u>	<u>290,703</u>

7. Accounts payable and accruals

Accounts payable and accruals comprises:

		<u>2006</u>		<u>2005</u>
Province of Alberta	\$	1,622	\$	1,785
Federal Government		884		1,053
Alberta Municipalities		-		9
Other		<u>21,696</u>		<u>20,688</u>
Total	\$	<u>24,202</u>	\$	<u>23,535</u>


NOTES TO FINANCIAL STATEMENTS . . . continued
August 31, 2006
(amounts in thousands)
8. Deferred Revenue

Deferred revenue comprises:

	<u>2006</u>	<u>2005</u>
Foreign Students Fees	\$ 3,452	\$ 3,030
Parkade Plant Operations & Maint. Funding	-	250
Funding for Amiskwaciy Academy	-	571
Deferred Block Funding Revenue	233	787
Metro Continuing Education Fees	449	520
Curriculum & Programs	180	203
District Technology	289	375
Other	<u>179</u>	<u>147</u>
Total	\$ <u>4,782</u>	\$ <u>5,883</u>

Change in deferred revenue during the year:

	<u>2006</u>	<u>2005</u>
Balance at beginning of year	\$ 5,883	\$ 7,208
Add: Funding received during the year	<u>17,439</u>	<u>27,689</u>
	23,322	34,897
Less: Amount recognized as revenue for the year	<u>18,540</u>	<u>29,014</u>
Balance at end of year	\$ <u>4,782</u>	\$ <u>5,883</u>

9. Long-Term Debt

Principal payments and interest for the next five years and to maturity on debenture debt outstanding at August 31, 2006 are approximately as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 4,896	\$ 2,476	\$ 7,372
2008	4,718	2,002	6,720
2009	4,339	1,547	5,886
2010	3,928	1,134	5,062
2011	3,409	766	4,175
2012 – maturity	<u>5,312</u>	<u>743</u>	<u>6,055</u>
Total	\$ <u>26,602</u>	\$ <u>8,668</u>	\$ <u>35,270</u>


NOTES TO FINANCIAL STATEMENTS . . . continued
August 31, 2006
(amounts in thousands)

Interest is payable at various rates ranging from 4.038% to 12.0% on the total long-term debt of:

	<u>2006</u>	<u>2005</u>
Total debenture debt	\$ 26,602	\$ 32,471
Due within one year	<u>4,896</u>	<u>5,869</u>
	\$ <u>21,706</u>	\$ <u>26,602</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>2006</u>	<u>2005</u>
Working Capital (Deficiency) Surplus per statements	\$ 6,994	\$ (4,926)
Supported Current Portion of long-term debt	<u>4,595</u>	<u>4,806</u>
	\$ <u>11,589</u>	\$ <u>(120)</u>

The District paid \$3,018 (2005 - \$3,660) 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:

	<u>2006</u>	<u>2005</u>
Balance at beginning of year	\$ 978	\$ 1,599
Allocations received and receivable during the year	4,313	12,331
Transfers to Unamortized Capital Allocations	<u>(2,710)</u>	<u>(12,952)</u>
Balance at end of year	\$ <u>2,581</u>	\$ <u>978</u>


NOTES TO FINANCIAL STATEMENTS . . . continued
August 31, 2006
(amounts in thousands)
11. Unamortized Capital Allocations

Unamortized capital allocations (UCA) represents 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>2006</u>	<u>2005</u>
Balance at beginning of year	\$ 167,562	\$ 159,874
Supported Debenture Principal Repayment	4,806	5,722
Transfer from Investment in Capital Assets (Net)	33	804
Retirement of Asset – net	(14)	-
Transfer from Deferred Capital Allocations	2,710	12,952
Transfer to Capital Allocation Revenue	<u>(11,082)</u>	<u>(11,790)</u>
Balance at end of year	\$ <u>164,015</u>	\$ <u>167,562</u>

12. Asset Retirement Obligation

Edmonton School District No. 7 has asset retirement obligations in respect of school and non school buildings owned by the District. In accordance with the Alberta Education guidelines for the preparation of financial statements for year ended August 31, 2006, the District has recognized the estimated liability required to settle the obligation in respect of the non-school buildings of \$143.8. In determining the obligation, a credit-adjusted, risk free rate of 4.2% was used. Accretion expense of \$5.8 (2005 - \$5.6) incurred in the year is included in supplies and materials.

	<u>2006</u>	<u>2005</u>
Asset retirement obligation at beginning of year \$	138	\$ -
Liability recognized in the year	-	132
Accretion expense in the year	<u>6</u>	<u>6</u>
Asset retirement obligation at end of year	\$ <u>144</u>	\$ <u>138</u>

The asset retirement obligation in respect of school buildings has not been recognized to comply with Alberta Education guidelines. The estimated liability for non-school buildings is \$61,764.4 (2005 - \$61,211.9) determined, using a credit-adjusted risk free rate of 4.2%. The Province of Alberta is expected to fund asset retirement expense in respect of school buildings as a part of capital project grant funding.



13. Commitments

- a) Building Projects: The District is committed to further capital expenditures for the new construction and modernization projects of approximately \$69,009 (2005 - \$34,785). 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>2006</u>	<u>2005</u>
2007	\$ 2,258	\$ 2,258
2008	2,098	2,098
2009	1,428	1,428
2010	1,365	1,365
2011	1,219	1,219
2012 – Thereafter	<u>15,000</u>	<u>15,000</u>
Total	\$ <u>23,368</u>	\$ <u>23,368</u>

- c) Purchase Order commitments: As at August 31, 2006 the district has \$2,376 (2005 - \$3,863) outstanding purchase orders relating to services and contracts.

14. 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, 2006 was \$1,918 (2005 - \$ 2,102). This amount has not been recognized in the district’s financial statements, as the revenue has not been realized by the District.

15. Comparative Figures

The comparative figures for 2005 have been reclassified where necessary, to conform to the current year’s presentation. The comparative figures for 2005 Statement of Financial Position, Statement of Revenues and Expenditures and for Statement of Cash Flows have been reclassified to conform to the current presentation.

ALLOCATION OF REVENUES AND EXPENSES TO PROGRAMS - 2005-2006

REVENUES	TOTAL	ECS to Grade 12 Instruction	Operations and Maintenance of Schools & Maintenance Shops	Transportation	Board & System Admin.	External Services
(1) Alberta Education	\$980,663,747	\$471,728,152	\$59,677,315	\$17,502,701	\$22,901,195	\$8,854,384
(2) Alberta Infrastructure & Transportation	\$0	\$0	\$0	\$0	\$0	\$0
(3) Alberta Finance	\$2,622,308		\$2,622,308			\$0
(4) Other - Government of Alberta	\$3,321,885	\$1,164,970	\$0	\$0	\$132,875	\$2,024,040
(5) Federal Government and/or First Nations	\$2,232,600	\$1,872,183	\$0	\$0	\$89,304	\$471,113
(6) Other Alberta school authorities	\$4,364,642	\$759,531	\$0	\$10,942	\$174,586	\$3,419,583
(7) Out of province authorities	\$0	\$0	\$0	\$0	\$0	\$0
(8) Alberta municipalities (excl. supplementary requisitions)	\$0	\$0	\$0	\$0	\$0	\$0
(9) Instruction resource fees	\$3,375,092	\$3,375,092				
(10) Transportation fees	\$6,704,985			\$6,704,985		
(11) Other sales and services	\$17,388,327	\$10,368,557	\$226,306	\$0	\$695,573	\$6,098,891
(12) Investment income	\$1,059,827	\$1,017,434	\$0	\$0	\$42,393	\$0
(13) Gifts and donations	\$4,640,589	\$4,640,589	\$0	\$0	\$0	\$0
(14) Rentals of facilities	\$2,704,084	\$2,009,319	\$0	\$0	\$108,163	\$586,602
(15) Net school generated funds	\$13,694,693	\$13,377,305			\$657,388	
(16) Gains on disposal of capital assets	\$1,875,914	\$0	\$1,800,877	\$0	\$75,037	\$0
(17) Amortization of capital allocations	\$11,081,895	\$0	\$11,081,895	\$0	\$0	\$0
(18) TOTAL REVENUES	\$655,971,588	\$510,113,132	\$75,408,701	\$24,218,628	\$24,776,514	\$21,454,613
EXPENSES						
(19) Certificated salaries	\$324,562,584	\$315,704,658			\$2,640,415	\$6,217,511
(20) Certificated benefits	\$35,729,285	\$34,867,464			\$903,255	\$758,566
(21) Uncertificated salaries and wages	\$122,450,544	\$69,731,945	\$33,230,983	\$513,425	\$11,419,305	\$7,554,886
(22) Uncertificated benefits	\$27,291,871	\$15,640,847	\$7,198,502	\$101,935	\$1,939,693	\$1,410,984
(23) SUB - TOTAL	\$510,034,254	\$436,744,914	\$40,429,485	\$615,360	\$16,302,578	\$15,941,917
(24) Services, contracts & supplies	\$88,936,964	\$37,450,186	\$27,998,846	\$23,641,081	\$4,334,153	\$5,512,696
(25) Cost recoveries between programs	\$0	\$0	\$0	\$0	\$0	\$0
(26) Net school generated funds	\$13,694,692	\$13,694,692				
Capital and debt services						
Amortization of capital assets						
(27) Supported	\$11,081,895	\$0	\$11,081,895	\$0	\$0	\$0
(28) Unsupported	\$13,144,290	\$8,953,992	\$3,982,623	\$9,201	\$198,474	\$0
(29) Total Amortization	\$24,226,185	\$8,953,992	\$15,064,518	\$9,201	\$198,474	\$0
Interest on capital debt						
(30) Supported	\$2,622,307	\$642,465	\$1,864,985	\$14,160	\$100,697	\$0
(31) Unsupported	\$112,488	\$0	\$112,488	\$0	\$0	\$0
(32) Other interest charges	\$231,026	\$231,026	\$0	\$0	\$0	\$0
(33) Losses on disposal of capital assets	\$0	\$0	\$0	\$0	\$0	\$0
(34) TOTAL EXPENSES	\$650,097,916	\$497,857,277	\$85,470,322	\$24,279,802	\$20,935,902	\$21,454,613
(35) EXCESS (DEFICIENCY) BEFORE EXTRAORDINARY ITEM	\$5,873,672	\$12,155,855	(\$10,061,621)	(\$61,174)	\$3,840,612	\$0

SCHEDULE B to the AFS
ALBERTA EDUCATION REVENUE 2005-2006

	TOTAL
Base Funding	
Early Childhood Services (ECS)	\$13,301,304
Base Instruction (Gr 1-12)	\$366,267,129
Outreach Programs	\$312,120
Home Education	\$905,585
Differential Cost Funding *	\$145,693,341
Other Provincial Support	
Institutional Programs	\$5,582,907
Regional Consortium (6 boards) and Regional Educational Consulting Services (4 boards)	\$2,737,128
Learning Resources Credit Allocation	\$510,814
Provincial Priority Targeted Funding	
Class Size Initiative	\$18,446,392
Student Health Initiative (SHI)	\$1,373,973
Alberta Initiative for School Improvement (AIS)	\$9,799,500
High Speed Networking	\$1,382,543
Children and Youth with Complex Needs	\$53,794
Infrastructure Maintenance Renewal (IMR)	\$8,133,864
Other Alberta Education Revenues (describe): see attachment for detailed listing	\$6,163,353
Total Alberta Education Revenues	\$580,663,747

- * Differential Cost Funding is based on distribution formulas designed to address variable cost factors and incremental costs associated with other variables and specific student populations. Included in differential cost funding are allocations for eligible students and early childhood services children with severe disabilities, enrolled children with mild or moderate disabilities/delays or who are gifted & talented, early childhood services and gr 1-12 student aboriginal learners that are off reserves, Francisation for students and children and Francophone equivalency access funding for students within francophone authorities (excluding French language program funding or other funding provided under Official Languages in Education Program agreement between Canada and Alberta -which is revenue from Federal Government and not Alberta Education), English as a second language for enrolled students and children, enhanced English as a second language and Francisation and support services for Immigrant students, the percentage of the student population experiencing low socio-economic status, daily physical activity, Hutterite Colony schools, small schools by necessity, intra-jurisdiction distances, year to year enrolment fluctuations, small school board administration, schools located in the north, boarding, transportation, stabilization of funding, and adjustments for cost differences among school jurisdictions for costs of goods & services.

**SCHEDULE C to the AFS
ECS to Grade 12 INSTRUCTION PROGRAM Expense Details - 2005-2006**

SUB-PROGRAMS & INITIATIVES	ECS to GRADE 12 Instruction							
	Certificated Remuneration	Uncertificated Remuneration	Services, Contracts & Supplies ¹	Learning Resources	Cost Recoveries between programs	Other Expenses ²	TOTAL EXPENSES	
School Administration & All Instruction Support	\$42,343,787	\$1,758,390	\$1,509,951		\$0	\$0	\$45,612,128	
Mild & Moderate Disabilities/Gifted & Talented (ECS-12)	\$27,996,528	\$11,193,385	\$3,869,157		\$0		\$43,059,068	
ECS Program Unit (PUF)	\$3,848,323	\$12,689,552	\$1,758,664		\$0		\$18,296,539	
Severe Disabilities (Gr 1-12)	\$12,185,060	\$12,222,514	\$1,356,849		\$0		\$25,764,423	
English as a Second Language	\$1,478,980	\$3,357,057	\$632,598		\$0		\$5,468,635	
French Language Program & Francisation (all jurisdictions)	\$265,410	\$97,667	\$91,099		\$0		\$454,176	
First Nations, Metis and Inuit Education (ECS - Gr 12)	\$3,715,779	\$1,628,879	\$1,851,032		\$0		\$7,196,690	
Home Education	\$641,265	\$145,787	\$584,129		\$0		\$1,371,191	
Institutional Programs	\$4,605,898	\$653,200	\$323,809		\$0		\$5,582,907	
Alberta Initiative for School Improvement	\$6,394,571	\$113,384	\$4,272,704	\$368,704			\$11,089,363	
Student Health Initiative	\$0	\$1,202,639	\$171,334		\$0		\$1,373,973	
High Speed Networking			\$1,382,543		\$0		\$1,382,543	
Class Size	\$18,446,392	\$0	\$0	\$0			\$18,446,392	
Children and Youth with Complex Needs (ECS - Gr 12)	\$0	\$0	\$53,794		\$0		\$53,794	
All Other Student Instruction Expenses (ECS - Gr 12)	\$228,510,131	\$41,308,328	\$13,728,076	\$5,106,681	\$0	\$23,761,856	\$312,805,455	
TOTAL EXPENSES	\$350,372,122	\$96,372,792	\$31,583,739	\$5,475,385	\$0	\$23,761,856	\$497,957,277	

FULL-TIME-EQUIVALENCIES (Board/Contract)	FTE Certificated	FTE Uncertificated
	Mild & Moderate Disabilities/Gifted & Talented (ECS - Gr 12)	367.3
ECS Program Unit (PUF)	87.5	198.2
Severe Disabilities (Gr 1-12)	299.1	325.8

Note: 1 Services, Contracts & Supplies expenses exclude learning resources, as they are reported on separately.
 2 Other Expenses include net school generated funds, amortization, interest, and losses on disposal of instruction program capital assets.

**SCHEDULE D to the AFS
BOARD AND SYSTEM ADMINISTRATION
2005-2006 EXPENSES UNDER (OVER) MAXIMUM LIMIT**

TOTAL EXPENSES		\$650,097,916
STEP 1		
Calculation of maximum expense limit PERCENTAGE for Board and System Administration expenses		
If "Total Net Enrolled Students" are 6,000 and over	= 4%	4.00%
If "Total Net Enrolled Students" are 2,000 and less	= 6%	
<p>The Maximum Expense Limit for Board and System Administration is based on an arithmetical proration for the TOTAL FTE count for grades 1 -12, net of Home Education AND Adult students, between 2,000 to 6,000 at .0005 per FTE. EXAMPLE: 4,500 FTE count grades 1-12 = 6,000 - 4,500 = 1,500 X .0005 = .75% plus 4% = maximum expense limit of 4.75%. Note: Calculation unnecessary if Total FTE is 6,000 or more, and 2,000 & less.</p>		
STEP 2		
Calculate maximum expense limit AMOUNTS for Board and System Administration expenses		
Maximum Expense Limit percentage (Step 1) x TOTAL EXPENSES		\$26,003,917
Considerations for Charter Schools and Small School Boards:		
If Charter School, enter \$57,222	\$0	\$0
If School Board, please enter your 2005-2006 Gr 1- 12 funded enrolment	0	
	\$0	\$0
2005-2006 MAXIMUM EXPENSE LIMIT		\$26,003,917
Less: 2005/2006 Board and System Administration expenses		-\$20,935,902
2005-2006 BOARD AND SYSTEM ADMINISTRATION EXPENSES UNDER (OVER) MAXIMUM LIMIT		\$5,068,015

**SCHEDULE E to the AFS
SOURCE & APPLICATION OF SCHOOL GENERATED FUNDS (SGF) - 2005-2006**

Unexpended SGF - Opening Balance August 31, 2005 (Note 1)			\$4,373,302
Source of Net School Generated Funds:	Gross SGF	Related Expenses	Net SGF
Fundraising activities	\$3,873,384	\$1,663,264	\$2,210,120
Student fees (Non-Instructional) (Note 2)	\$10,945,608	\$0	\$10,945,608
Donations and grants to schools	\$323,780	\$0	\$323,780
Other (describe):	\$83,815	\$2,547	\$81,268
Net Additions to SGF	\$15,226,587	\$1,665,811	\$13,560,776
Net SGF Available for Spending			\$17,934,078
Application of Net School Generated Funds:			
Extra-curricular activities			\$9,833,915
School site beautification			\$2,851
Field Trips			\$3,629,013
Equipment			\$0
Family literacy and other community resources			\$453,690
Other (describe): I.D. Cards			\$15,223
Net SGF Expended (Note 3)			\$13,934,692
Unexpended SGF - Closing Balance August 31, 2006 (Note 4)			\$3,999,386
<p>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 fees with respect to instructional supplies or materials collected pursuant to Section 60(2)(l) of the <i>School Act</i>, and any other funds collected at the school but remitted to central office and accounted for by the jurisdiction (facility rentals, capital assets purchases, etc.)</p>			
<p>Note 1 Input "(Restated)" beside Balance at August 31, 2005 where not taken from the finalized 2004-2005 Audited Financial Statements filed with Alberta Education.</p>			
<p>Note 2 Excludes fees collected pursuant to Section 60(2)(l) of the School Act (fees with respect to instructional supplies or materials - essentially textbooks, resource materials in lieu of textbooks, media, software, and materials for classrooms). Amounts collected for CEU-related activities are recorded as Instruction resource fees, not SGF.</p>			
<p>Note 3 Net SGF Expended is reported as revenue and expense in the Statement of Revenues & Expenses.</p>			
<p>Note 4 Unexpended SGF is reported as school generated assets and liabilities in the Statement of Financial Position.</p>			

**SCHEDULE F to the AFS
Operations and Maintenance of Schools & Maintenance Shops Program Expense Details - 2005-2006**

EXPENSES	Custodial	Maintenance	Utilities and Telecommunications	Expensed IMR and Modular Unit Relocations	Facility Planning & Operations Administration	SUB-TOTAL Operations & Maintenance	Supported Capital & Debt Services	TOTAL Operations and Maintenance
Uncertificated salaries and wages	\$20,241,424	\$10,521,221	\$0	\$0	\$2,468,338	\$33,230,983		\$33,230,983
Uncertificated benefits	\$4,741,761	\$1,874,170	\$0	\$0	\$582,571	\$7,198,502		\$7,198,502
Sub-total Remuneration	\$24,983,185	\$12,395,391	\$0	\$0	\$3,050,909	\$40,429,485		\$40,429,485
Contracted Services	\$188,117	\$598,045	\$657,352	\$2,569,767	\$62,982	\$4,076,263		\$4,076,263
Supplies	\$2,193,867	\$3,523,676	\$0	\$0	\$552,196	\$6,269,739		\$6,269,739
Electricity			\$6,057,507			\$6,057,507		\$6,057,507
Natural Gas/Heating Fuel			\$7,995,079			\$7,995,079		\$7,995,079
Sewer and Water			\$1,156,019			\$1,156,019		\$1,156,019
Telecommunications			\$935,899			\$935,899		\$935,899
Insurance					\$1,508,340	\$1,508,340		\$1,508,340
Amortization of capital assets								
Supported							\$11,081,895	\$11,081,895
Unsupported						\$3,982,623		\$3,982,623
Total Amortization						\$3,982,623	\$11,081,895	\$15,064,518
Interest on capital debt								
Supported							\$1,864,985	\$1,864,985
Unsupported				\$112,488		\$0		\$112,488
Other interest charges						\$0		\$0
Losses on disposal of capital assets						\$0		\$0
Cost recoveries between programs						\$0		\$0
TOTAL EXPENSES	\$27,365,169	\$16,517,112	\$16,801,856	\$2,682,255	\$5,174,427	\$72,410,954	\$12,946,880	\$85,470,322
SQUARE METRES								
School Buildings								1,058,644.0
Non School Buildings								82,972.0

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.

SCHEDULE G1 to the AFS
DISCLOSURE OF SALARIES AND BENEFITS (SECTION 148.1 OF THE SCHOOL ACT)
COMPLETION INFORMATION

(1)	Salary and benefits consist of and agree with the amounts properly recorded in the school jurisdiction's payroll records and related object codes for salaries, wages and benefits.
(2)	Remuneration includes regular base salaries, certificated school-based employee allowances outlined in collective agreements, overtime, honoraria, deferred salary leave accruals, lump sum payments EXCEPTING TERMINATION BENEFITS (See #10A below), any other direct cash remuneration EXCEPTING PERFORMANCE PAY (See #10 below).
(3)	Certificated salaries include the aggregate of all payments for certificated staff regardless of the length, nature or definition of the employment agreement. The number of full time equivalent (FTE) staff should be measured as at September 30.
(4)	Uncertificated salaries and wages should be measured in terms of the number of FTE staff employed as at September 30.
(5)	Salary and benefits information should be the aggregate amount covering the same fiscal period as the audited financial statements.
(6)	Salary must include deferred salary accruals.
(7)	Salary includes only payments for services subject to an employer-employee relationship.
(8)	Benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pensions, Canada pension plan (CPP), employment insurance (EI), health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans.
(9)	Allowances include all monies paid to an employee as miscellaneous negotiated allowances. This category will include car or travel allowances, isolation allowances, relocation expenses, sabbaticals, special leave with pay, financial and retirement planning services, and club memberships. CERTIFICATED SCHOOL-BASED EMPLOYEE ALLOWANCES , as outlined in collective agreements, are included in Remuneration - NOT Allowances.
(10)	Performance Bonuses include those monies paid to employees of the school authority that are tied to the achievement of some specified goal or objective.
(10A)	Other includes termination benefits ((severance pay, retiring allowances (ERIP's), sick leave and other settlement costs due to loss of employment).
(11)	Expenses will include the reimbursements of travel, subsistence, moving costs, conference fees, etc., paid by the employee or on his/her behalf in performing the responsibilities of employment.
(12)	The superintendent's position disclosure is in terms of one individual who is the Chief Executive Officer. Benefits for the superintendent do not include Alberta Learning contributions to the Teachers Retirement Fund pension plan.
(13)	The secretary-treasurer's position disclosure is in terms of one individual who is the Chief Financial Officer. If the board has not appointed one person to act as secretary-treasurer, then the disclosure is in terms of separate individuals appointed to the Board Treasurer and Board Secretary positions. Benefits for the secretary-treasurer include the Local Authorities Pension Plan contributions.
(13)	A position should include salary, benefits and allowances earned and expenses accrued by an individual who officially acted in a position while it was vacant or was appointed to the position. If a position was vacant and no one acted in the position, the position should not be disclosed.
(14)	Benefits and allowances need not include an amount for automobile, housing or other benefits for which a value cannot be reasonably estimated.
(15)	If a position is occupied by more than one individual during a year, each of those individual's specific expenses and salary, benefits and allowances earned by each of the individuals in the position need be disclosed separately.

Edmonton School District No. 17

FINANCIAL STATEMENTS
AUGUST 31, 2006



STATEMENT OF FINANCIAL POSITION
(in thousands of dollars)

	August 31	
	<u>2006</u>	<u>2005</u>
		(restated – note 2)
ASSETS		
Current Assets		
Cash	\$ 23,302	\$ 3,822
Accounts receivable (Note 4)	10,937	20,205
Inventories	5,486	5,323
Prepaid expenses	<u>1,149</u>	<u>1,011</u>
	<u>40,874</u>	<u>30,361</u>
School Generated Funds (Note 5)	3,999	4,373
Trust Assets	650	640
Capital Assets (Note 6)	<u>278,572</u>	<u>290,703</u>
	\$ <u>324,095</u>	\$ <u>326,077</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable and accruals (Note 7)	\$ 24,202	\$ 23,535
Deferred revenue (Note 8)	4,782	5,883
Current portion of long-term debt (Note 9)	<u>4,896</u>	<u>5,869</u>
	33,880	35,287
School Generated Funds (Note 5)	3,999	4,373
Trust Liabilities	650	640
Long-term Debt (Note 9)	21,706	26,602
Asset Retirement Obligation (Note 12)	144	138
Deferred Capital Allocations (Note 10)	2,581	978
Unamortized Capital Allocations (Note 11)	<u>164,015</u>	<u>167,562</u>
	<u>226,975</u>	<u>235,580</u>
NET ASSETS		
Investment in Capital Assets	87,811	90,532
Capital Reserve	3,703	1,680
Unrestricted Net Assets	<u>5,606</u>	<u>(1,715)</u>
	<u>97,120</u>	<u>90,497</u>
	\$ <u>324,095</u>	\$ <u>326,077</u>
Commitments (Note 13)		


STATEMENT OF REVENUES AND EXPENSES

(in thousands of dollars)

	Year ended August 31	
	2006	2005
		(restated – note 2)
Revenues		
Provincial Grants	\$ 586,608	\$ 564,239
Other	42,471	42,131
School Generated Funds – net	13,935	13,045
Amortization of Capital Allocations	11,082	11,790
Gain (Loss) on Disposal of Capital Assets	<u>1,876</u>	<u>(27)</u>
	<u>655,972</u>	<u>631,178</u>
Expenses		
Salaries and employee benefits	510,034	495,305
Debt service including bank interest	2,966	3,421
Utility services	19,166	18,399
Transportation services	24,304	23,720
School generated activities – net	13,935	13,045
Other services	25,399	28,016
Supplies and materials	30,069	32,592
Amortization of capital assets	<u>24,226</u>	<u>25,678</u>
	<u>650,099</u>	<u>640,176</u>
Surplus (Deficiency) of Revenues over Expenses	\$ <u>5,873</u>	\$ <u>(8,998)</u>
Represented by:		
Capital assets acquired from operational funding	\$ 9,597	\$ 11,223
Unsupported long-term debt principal repaid	1,063	1,062
Transfer to (from) Capital Reserve		
- net gain (loss) on disposal	1,876	(27)
- repayment and interest	120	95
- for school closure and renovation costs	-	(363)
- proceeds of disposal used for acquisition of capital assets	<u>(31)</u>	<u>(31)</u>
Amortization of capital assets financed through operations	<u>(13,144)</u>	<u>(13,888)</u>
Excess (Deficiency) of operating revenues over expenses and capital assets acquired there from	<u>6,392</u>	<u>(7,069)</u>
Excess (Deficiency) of Revenues over Expenses	\$ <u>5,873</u>	\$ <u>(8,998)</u>


STATEMENT OF CHANGES IN NET ASSETS
 (in thousands of dollars)

	August 31	
	<u>2006</u>	<u>2005</u>
		(restated – note 2)
Investment In Capital Assets:		
Balance at the beginning of the year	\$ 90,532	\$ 92,461
Capital assets acquired from operational funding	9,597	11,223
Unsupported long-term debt principal repaid	1,063	1,062
Retirement of assets (net)	(245)	(58)
Present value of Capital Asset Retirement Costs for non-school buildings	(6)	(138)
Net Book Value of Capital Asset Retirement for non-school buildings	-	6
Transfer to Unamortized Capital Allocation - Accumulated Amortization	14	-
Transfer from Capital Reserve	-	(136)
Amortization of capital assets financed through operations	<u>(13,144)</u>	<u>(13,888)</u>
Balance at the end of the year	\$ <u>87,811</u>	\$ <u>90,532</u>
Capital Reserve:		
Balance at the beginning of the year	\$ 1,680	\$ 1,812
Transfer from (to) Operations		
- repayment and interest	120	95
- for school closure and renovation costs	-	(363)
- for renovation costs	(550)	-
- for acquisition of capital assets	(31)	(31)
Transfer to Deferred Capital Allocations	363	-
Transfer to Investment in Capital Assets	-	136
Proceeds of Disposal of Capital Assets financed through operations	<u>2,121</u>	<u>31</u>
Balance at the end of the year	\$ <u>3,703</u>	\$ <u>1,680</u>
Unrestricted Net Assets:		
Balance at the beginning of the year	\$ (1,715)	\$ 5,354
Transfer from Capital Reserve	550	-
Transfer from Deferred Capital Allocations	379	-
Surplus (Deficit) for the year	<u>6,392</u>	<u>(7,069)</u>
Surplus (Deficit) balance at the end of the year	\$ <u>5,606</u>	\$ <u>(1,715)</u>
NET ASSETS	\$ <u>97,120</u>	\$ <u>90,497</u>



STATEMENT OF CASH FLOWS
(in thousands of dollars)

	Year ended August 31	
	2006	2005
	(restated – note 2)	
Cash Flows From:		
Operations		
Excess (Deficiency) of revenues over expenses for the year	\$ 5,873	\$ (8,998)
Add (Deduct) items not requiring cash:		
Amortization of capital allocations	(11,082)	(11,790)
(Gain) loss on disposal of capital assets	(1,876)	27
Amortization of capital assets	24,226	25,678
Transfer of capital assets	47	-
	<u>17,188</u>	<u>4,917</u>
Changes in accrued accounts:		
Accounts receivable	9,268	7,799
Prepaid and other current assets	(301)	(258)
Trust & school generated fund assets	364	835
Accounts Payable and accrued liabilities	667	(6,596)
Deferred revenue	(1,101)	(1,325)
Trust & school generated fund liabilities	(364)	(835)
	<u>8,533</u>	<u>(380)</u>
Total sources of cash from Operations	<u>25,721</u>	<u>4,537</u>
Investing Activities		
Proceeds of sale of capital assets	<u>2,121</u>	<u>31</u>
Purchases of capital assets		
Buildings	(6,871)	(17,977)
Equipment	(5,375)	(7,204)
Vehicles	(108)	(52)
	<u>(12,354)</u>	<u>(25,233)</u>
Total uses of cash from investing activities	<u>(10,233)</u>	<u>(25,202)</u>
Financing Activities		
Capital allocations	5,055	13,135
Repayment of long-term debt	(5,869)	(6,784)
Add back: supported portion	4,806	5,722
Total sources from financing activities	<u>3,992</u>	<u>12,073</u>
Net (uses) sources of cash equivalents during year	\$ <u>19,480</u>	\$ <u>(8,592)</u>



NOTES TO FINANCIAL STATEMENTS

August 31, 2006

(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 the significant accounting policies set out below to comply with the accounting requirements prescribed by the Alberta Education in the "Guidelines for the School Jurisdiction Audited Financial Statements for the Year Ended August 31, 2006". The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because asset retirement obligations for school buildings, where it is likely that provincial funding would be forthcoming at the time of retirement for a replacement school or major modification, is not recorded because it is expected the forthcoming capital funding would fund the asset retirement obligation. The impact of this difference has been estimated at \$61,764.4, as disclosed in note 12.

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 and 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. The accumulated surplus is not impacted as the additional income is offset by the additional capital asset amortization expense of an equal amount.

**NOTES TO FINANCIAL STATEMENTS . . . continued****August 31, 2006****(amounts in thousands)**

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.

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 net realizable value.

Financial Instruments

The District's financial instruments consist of cash, accounts receivable, accounts payable and accruals; trust funds and long-term debt. It is the management's opinion that the District is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values. The District has invested surplus funds in accordance with Section 44 of the *School Act* and Section 5 of the *Trustees Act*.

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.

Asset Retirement Obligations

The District now recognizes the fair value of a future asset retirement obligation, for obligations which provincial funding will not likely be received, as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result 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. The fair value of the asset retirement obligation is estimated using quoted market prices where markets are available or 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 market value or future cash flows underlying the obligation. Changes in the obligation due to the changes in estimated market value or cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset.

The recording of the asset retirement obligations represents a change in accounting policy. The effects of this change were not material to the overall financial statements of the District. This change has been applied retroactively and the 2005 comparative information has been restated to effect this change. The liability at August 31, 2006 and 2005 was \$143.8 and \$138.0 respectively. The adjustment to investment in capital assets at August 31, 2006 and 2005 as a result of this change was \$0.3 and \$132.2 respectively.

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. The service costs for employees for the current year of \$7,657 (2005 - \$6,813) are included in these statements and comprise the District costs of employer contribution.

3. Related party transactions

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

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.


NOTES TO FINANCIAL STATEMENTS . . . continued
August 31, 2006
(amounts in thousands)

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

	<u>2006</u>	<u>2005</u>
Alberta Education		
Funding Received	\$ <u>572,530</u>	\$ <u>550,913</u>
Alberta Infrastructure		
Infrastructure Maintenance Program	7,290	6,576
Modernization Block Funding Program	844	89
Capital Allocations	<u>5,055</u>	<u>13,135</u>
	<u>13,189</u>	<u>19,800</u>
Alberta Finance		
Capital Block - supported capital debt interest	2,622	3,149
Capital Block - supported capital debt principal repayment	<u>4,806</u>	<u>5,722</u>
	<u>7,428</u>	<u>8,871</u>
Other	<u>3,322</u>	<u>3,511</u>
Total funding received	\$ <u>596,469</u>	\$ <u>583,095</u>

4. Accounts Receivable

Accounts receivable comprises:

	<u>2006</u>	<u>2005</u>
Province of Alberta	\$ 8,226	\$ 16,362
Federal Government	1,603	1,204
Other Alberta School Jurisdictions	584	51
Other	<u>524</u>	<u>2,588</u>
Total	\$ <u>10,937</u>	\$ <u>20,205</u>

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>2006</u>	<u>2005</u>
School generated assets		
Cash	\$ 5,965	\$ 6,426
Term deposits	<u>1,182</u>	<u>1,334</u>
	<u>7,147</u>	<u>7,760</u>

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

August 31, 2006

(amounts in thousands)

Inventory		
Bookstore	18	15
Cafeteria	<u>1</u>	<u>2</u>
	19	17
Refundable deposits and advance fees	<u>(3,167)</u>	<u>(3,404)</u>
Net Assets and Funds	\$ <u>3,999</u>	\$ <u>4,373</u>

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

	2006	2005
Total School Generated Funds	\$ 15,596	\$ 15,050
Less: Related cost recoveries	<u>1,661</u>	<u>2,005</u>
Net	\$ <u>13,935</u>	\$ <u>13,045</u>

6. Capital Assets

	2006			2005
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Carrying Value</u>	<u>Carrying Value</u>
Land	\$ 838	-	\$ 838	\$ 838
Buildings and site improvements	617,345	366,537	250,808	259,602
Furniture and equipment	208,599	182,241	26,358	29,704
Vehicles	<u>2,611</u>	<u>2,042</u>	<u>569</u>	<u>559</u>
	\$ <u>829,393</u>	\$ <u>550,820</u>	\$ <u>278,573</u>	\$ <u>290,703</u>

7. Accounts payable and accruals

Accounts payable and accruals comprises:

	2006	2005
Province of Alberta	\$ 1,622	\$ 1,785
Federal Government	884	1,053
Alberta Municipalities	-	9
Other	<u>21,696</u>	<u>20,688</u>
Total	\$ <u>24,202</u>	\$ <u>23,535</u>


NOTES TO FINANCIAL STATEMENTS . . . continued
August 31, 2006
(amounts in thousands)
8. Deferred Revenue

Deferred revenue comprises:

	<u>2006</u>	<u>2005</u>
Foreign Students Fees	\$ 3,452	\$ 3,030
Parkade Plant Operations & Maint. Funding	-	250
Funding for Amiskwacyi Academy	-	571
Deferred Block Funding Revenue	233	787
Metro Continuing Education Fees	449	520
Curriculum & Programs	180	203
District Technology	289	375
Other	<u>179</u>	<u>147</u>
Total	\$ <u>4,782</u>	\$ <u>5,883</u>

Change in deferred revenue during the year:

	<u>2006</u>	<u>2005</u>
Balance at beginning of year	\$ 5,883	\$ 7,208
Add: Funding received during the year	<u>17,439</u>	<u>27,689</u>
	23,322	34,897
Less: Amount recognized as revenue for the year	<u>18,540</u>	<u>29,014</u>
Balance at end of year	\$ <u>4,782</u>	\$ <u>5,883</u>

9. Long-Term Debt

Principal payments and interest for the next five years and to maturity on debenture debt outstanding at August 31, 2006 are approximately as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 4,896	\$ 2,476	\$ 7,372
2008	4,718	2,002	6,720
2009	4,339	1,547	5,886
2010	3,928	1,134	5,062
2011	3,409	766	4,175
2012 – maturity	<u>5,312</u>	<u>743</u>	<u>6,055</u>
Total	\$ <u>26,602</u>	\$ <u>8,668</u>	\$ <u>35,270</u>


NOTES TO FINANCIAL STATEMENTS . . . continued
August 31, 2006
(amounts in thousands)

Interest is payable at various rates ranging from 4.038% to 12.0% on the total long-term debt of:

	<u>2006</u>	<u>2005</u>
Total debenture debt	\$ 26,602	\$ 32,471
Due within one year	<u>4,896</u>	<u>5,869</u>
	\$ <u>21,706</u>	\$ <u>26,602</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>2006</u>	<u>2005</u>
Working Capital (Deficiency) Surplus per statements	\$ 6,994	\$ (4,926)
Supported Current Portion of long-term debt	<u>4,595</u>	<u>4,806</u>
	\$ <u>11,589</u>	\$ <u>(120)</u>

The District paid \$3,018 (2005 - \$3,660) 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:

	<u>2006</u>	<u>2005</u>
Balance at beginning of year	\$ 978	\$ 1,599
Allocations received and receivable during the year	4,313	12,331
Transfers to Unamortized Capital Allocations	<u>(2,710)</u>	<u>(12,952)</u>
Balance at end of year	\$ <u>2,581</u>	\$ <u>978</u>


NOTES TO FINANCIAL STATEMENTS . . . continued
August 31, 2006
(amounts in thousands)
11. Unamortized Capital Allocations

Unamortized capital allocations (UCA) represents 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>2006</u>	<u>2005</u>
Balance at beginning of year	\$ 167,562	\$ 159,874
Supported Debenture Principal Repayment	4,806	5,722
Transfer from Investment in Capital Assets (Net)	33	804
Retirement of Asset – net	(14)	-
Transfer from Deferred Capital Allocations	2,710	12,952
Transfer to Capital Allocation Revenue	<u>(11,082)</u>	<u>(11,790)</u>
Balance at end of year	\$ <u>164,015</u>	\$ <u>167,562</u>

12. Asset Retirement Obligation

Edmonton School District No. 7 has asset retirement obligations in respect of school and non school buildings owned by the District. In accordance with the Alberta Education guidelines for the preparation of financial statements for year ended August 31, 2006, the District has recognized the estimated liability required to settle the obligation in respect of the non-school buildings of \$143.8. In determining the obligation, a credit-adjusted, risk free rate of 4.2% was used. Accretion expense of \$5.8 (2005 - \$5.6) incurred in the year is included in supplies and materials.

	<u>2006</u>	<u>2005</u>
Asset retirement obligation at beginning of year \$	138	\$ -
Liability recognized in the year	-	132
Accretion expense in the year	<u>6</u>	<u>6</u>
Asset retirement obligation at end of year	\$ <u>144</u>	\$ <u>138</u>

The asset retirement obligation in respect of school buildings has not been recognized to comply with Alberta Education guidelines. The estimated liability for non-school buildings is \$61,764.4 (2005 - \$61,211.9) determined, using a credit-adjusted risk free rate of 4.2%. The Province of Alberta is expected to fund asset retirement expense in respect of school buildings as a part of capital project grant funding.



13. Commitments

- a) Building Projects: The District is committed to further capital expenditures for the new construction and modernization projects of approximately \$69,009 (2005 - \$34,785). 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>2006</u>	<u>2005</u>
2007	\$ 2,258	\$ 2,258
2008	2,098	2,098
2009	1,428	1,428
2010	1,365	1,365
2011	1,219	1,219
2012 – Thereafter	<u>15,000</u>	<u>15,000</u>
Total	\$ <u>23,368</u>	\$ <u>23,368</u>

- c) Purchase Order commitments: As at August 31, 2006 the district has \$2,376 (2005 - \$3,863) outstanding purchase orders relating to services and contracts.

14. 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, 2006 was \$1,918 (2005 - \$ 2,102). This amount has not been recognized in the district's financial statements, as the revenue has not been realized by the District.

15. Comparative Figures

The comparative figures for 2005 have been reclassified where necessary, to conform to the current year's presentation. The comparative figures for 2005 Statement of Financial Position, Statement of Revenues and Expenditures and for Statement of Cash Flows have been reclassified to conform to the current presentation.