

## 1. AUTHORITY AND PURPOSE

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

The jurisdiction receives instruction and support allocations under Education Grants Regulation (AR 120/2008). The regulation allows for the setting of conditions and use of grant monies. The School Jurisdiction is limited on certain funding allocations and administration expenses.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### a) Financial instruments

Cash and investments are classified as held-for-trading and are reported at estimated fair value.

Accounts receivable have been classified as loans and receivables and are reported at amortized cost using the effective interest method.

Accounts payable and accrued liabilities have been classified as other financial liabilities and are reported at amortized cost using the effective interest method.

The carrying amount of accounts receivable and accounts payable and accrued liabilities is comparable to fair value due to the approaching maturity of these financial instruments.

### b) Revenue Recognition

Revenue is recognized as follows:

Instruction and support allocations are recognized in the year to which they relate.

Fees for services related to courses and programs are recognized as revenue when such courses and programs are delivered.

Unrestricted contributions are recognized as revenue when received or receivable. Contributions in-kind are recorded at fair market value when reasonably determinable.

Externally restricted contributions are deferred and recognized as revenue in the period in which the restriction is complied with. Endowment contributions are recognized as direct increases in net assets in the period in which they are received or receivable.

### c) Investments

The jurisdiction has elected to classify all of its investments as held-for-trading, and accordingly they are recorded at fair value.

Quoted market prices were used to determine the fair value of the investments as at the year end date. Accrued interest on these investments is recorded as it is earned.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

d) Capital Assets

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

Buildings	2.5% to 5%
Vehicles and buses	10% to 20%
Computer hardware and software	20%
Other equipment and furnishings	10% to 20%

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

e) Vacation Pay

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

f) Pensions

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

The current and past service costs of the Alberta Teacher Retirement Fund are met by contributions by active members and the Government of Alberta. Under the terms of the Teachers Pension Plan Act, the Horizon School Division does not make pension contributions for certificated staff. The Government portion of the current service contribution to the Alberta Teachers Retirement Fund on behalf of the jurisdiction is included in both revenues and expenses. For the school year ended August 31, 2012, the amount contributed by the Government was \$1,894,628 (2011 \$1,866,709).

The school board participates in a multi-employer pension plan, the Local Authorities Pension Plan, and does not report on any unfunded liabilities. The expense for this pension plan is equivalent to the annual contributions of \$315,601 for the year ended August 31, 2012 (2011 \$276,745). At December 31, 2011, the Local Authorities Pension Plan reported a deficiency of \$4,639,390,000 (2010 deficiency of \$4,635,250,000).

g) Prepaid Expenses

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

h) Contributed Services

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

i) Operating and Capital Reserves

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

j) Future Accounting Policies

The school board will adopt public sector accounting standards for the year ending August 31, 2013 with retrospective application and restatement of the prior school year. The transition is intended to enhance the public accountability and comparability of the financial reporting of the government controlled entities with those of other government organizations.

**3. CASH AND TEMPORARY INVESTMENTS**

	2012			2011 (Restated)		
	Effective (Market) Yield	Cost	Fair Value	Effective (Market) Yield	Cost	Fair Value
Cash and cash equivalents	1.3%	6,325,753	6,325,753	1.0%	12,623,481	12,623,481
Fixed-income securities						
Government of Canada, direct and guaranteed	%	0	0	%	0	0
Provincial, direct and guaranteed	%	0	0	%	0	0
Corporate	%	0	0	%	0	0
Municipal	%	0	0	%	0	0
Pooled investment funds	%	0	0	%	0	0
Total fixed-income securities	%	0	0	%	0	0
Total cash and temporary investments	<u>1.3%</u>	<u>6,325,753</u>	<u>6,325,753</u>	<u>1.0%</u>	<u>12,623,481</u>	<u>12,623,481</u>

**4. ACCOUNTS RECEIVABLE**

	2012	2011
Alberta Education	\$ 892,805	\$ 23,580
Alberta Finance	5,630	9,158
Alberta Health Services	120,144	171,471
Federal Government	302,680	346,987
First Nations	-	-
Other Alberta School Jurisdictions	-	-
Other	94,442	348,816
Total	<u>\$ 1,415,701</u>	<u>\$ 900,012</u>

**5. LONG TERM INVESTMENTS**

	2012			2011		
	Effective (Market) Yield	Cost	Fair Value	Effective (Market) Yield	Cost	Fair Value
Fixed income securities						
Government of Canada, direct and guaranteed	0%	\$0	\$0	0%	\$0	\$0
Provincial, direct and guaranteed	2.0%	417,443	450,055	11.5%	626,312	667,199
Municipal	%	0	0	%	0	0
Corporate	3.1%	2,293,391	2,366,078	-0.1%	1,578,767	1,649,261
Pooled investment funds	%	0.00	0.00	%	100,000	100,000
Total fixed income securities	2.8%	2,710,834	2,816,133	2.9%	2,305,079	2,416,460
Equities						
Canadian	-9%	0	0	1.7%	331,184	290,706
Foreign	-4.6%	0	0	8.3%	138,974	141,935
Real Estate	%	0	0	%	0	0
Absolute return strategies	%	0	0	%	0	0
Total equities	-7.6%	\$0	\$0	3.8%	470,158	432,641
Southern Alberta Wind Farm	7.2%	1,132,771	1,132,771	7.0%	1,185,554	1,185,554
Supplementary Executive Retirement Program Assets	3.2%	6,272	6,647	4.5%	6,164	6,443
Total long term investments	2.9%	\$3,849,877	\$3,955,551	4.1%	\$3,966,955	\$4,041,098

The following is the maturity structure based on the principal amount:

	2012	2011
1 to 5 years	79%	51%
6 to 10 years	11%	34%
11 to 20 years	10%	15%
Over 20 years	0%	0%
	<u>100%</u>	<u>100%</u>

The jurisdiction, along with two other school jurisdictions, has invested in the Southern Alberta Wind Farm project for a total project cost of \$6,400,000. The provincial government has contributed \$3,200,000 of matching funds towards the project, with Horizon School Division contributions totaling \$711,040. This investment will be repaid over 20 years including interest. The principal amount outstanding to Horizon at year end is \$1,132,771.

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

	Principal	Interest	Total
2013	\$ 55,483	\$ 55,378	\$ 110,861
2014	58,322	52,539	110,861
2015	61,305	49,556	110,861
2016	64,442	46,419	110,861
2017	67,739	43,122	110,861
2018 to maturity	\$ 825,480	\$209,226	\$1,034,706
Total Southern Alberta Wind Farm	\$1,132,771	\$456,240	\$1,589,011

6. TANGIBLE CAPITAL ASSETS

	Land	Construction In Progress - New Building	Buildings 20-40 Years	Equipment - Computer Hardware & Software 5 Years	Other Equipments 5-10 Years	Vehicles 5-10 Years	Total Aug. 31, 2012	Total Aug. 31, 2011
Estimated Useful life								
<b>Historical cost</b>								
September 1, 2011	\$457,275	\$0	\$51,420,067	\$521,658	\$1,636,422	\$923,997	\$54,959,419	\$46,603,165
Additions			6,115,665	65,791	460,246	87,543	\$6,729,245	9,623,332
Transfers in (out)						\$0	\$0	-
Less disposals including write-offs						(20,857)	(\$20,857)	(1,267,078)
August 31, 2012	<u>\$457,275</u>	<u>\$0</u>	<u>\$57,535,732</u>	<u>\$587,449</u>	<u>\$2,096,668</u>	<u>\$990,683</u>	<u>\$61,667,807</u>	<u>\$54,959,419</u>
<b>Accumulated amortization</b>								
September 1, 2011	-	-	\$15,161,065	\$349,354	\$1,130,112	544,790	\$17,185,321	\$17,087,887
Amortization expense	-	-	980,425	103,212	165,727	87,498	\$1,336,862	1,111,666
Transfers in (out)	-	-	-	-	-	-	\$0	-
Effect of disposals	-	-	-	-	-	(20,857)	(\$20,857)	(1,014,232)
August 31, 2012	-	-	<u>\$16,141,490</u>	<u>\$452,566</u>	<u>\$1,295,839</u>	<u>\$61,431</u>	<u>\$18,501,326</u>	<u>\$17,185,321</u>
<b>Net Book Value at August 31, 2012</b>	<u>\$457,275</u>	<u>\$0</u>	<u>\$41,394,242</u>	<u>\$134,883</u>	<u>\$800,829</u>	<u>\$379,252</u>	<u>\$43,166,481</u>	<u>\$37,774,098</u>

**HORIZON SCHOOL DIVISION NO. 67**  
**Notes to the Financial Statements**  
**For the year ended August 31, 2012**

**7. BANK INDEBTEDNESS**

The jurisdiction has negotiated a line of credit in the amount of \$400,000 that bears interest at the Royal Bank of Canada's prime rate. This line of credit is secured by a borrowing bylaw and a security agreement, covering all revenue of the jurisdiction. There was no balance outstanding on the line of credit at August 31, 2012.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2012	2011
Alberta Finance	\$ 5,630	\$ 9,158
Federal Government		
First Nations	-	-
Other trade payables and accrued liabilities	953,695	1,625,765
Other Alberta school jurisdictions	-	-
<b>Total</b>	<b>\$959,325</b>	<b>\$ 1,634,923</b>

**9. DEFERRED REVENUE**

SOURCE AND GRANT OR FUND TYPE	DEFERRED REVENUE as at Aug. 31, 2011	ADD: 2011/2012 Restricted Funds Received/ Receivable	DEDUCT: 2011/2012 Restricted Funds Expended (Paid / Payable)	ADD (DEDUCT): 2011/2012 Adjustments or Returned Funds	DEFERRED REVENUE as at Aug. 31, 2012
<b>Alberta Education Restricted Operational Funding:</b>	-	-	-	-	-
Alberta Initiative for School Improvement	18,258	388,832	(297,971)	-	109,119
Children and Youth with Complex Needs	-	778,633	(778,633)	-	-
Francophone Student Health Services	-	-	-	-	-
Infrastructure Maintenance Renewal	365,435	723,423	(696,564)	-	392,294
Institutional Education Programs	-	-	-	-	-
Portable/Modular Unit Relocation	-	-	-	-	-
Regional Consortium	-	-	-	-	-
Regional Educational Consulting Services	-	-	-	-	-
Small Class Size Initiative	-	1,434,043	(1,434,043)	-	-
Student Health Initiative (School Authorities)	-	140,301	(140,301)	-	-
SuperNet Service	-	144,666	(134,913)	-	9,753
Other Alberta Education deferred revenue	-	-	-	-	-
Inclusive Education Pilot Toolkit	-	20,000	(3,513)	-	16,487
Classroom & Community Supports	-	200,485	(156,112)	-	44,373
Education if Rural Schools Grant	-	15,000	(5,195)	-	9,805
Technology in the Classroom Grant	2,210	-	(2,210)	-	-
Innovative Classroom Technology Grant	120,289	-	(84,723)	-	35,566
CTS Evergreening	-	-	-	-	-
<b>Other Government of Alberta Restricted Funding:</b>	-	-	-	-	-
RADF Grant	4,961	-	(4,961)	-	-
Other	-	-	-	-	-
<b>Other Deferred Revenue:</b>	-	-	-	-	-
Current portion government contribution to Southern Alberta wind farm project	25,972	27,301	(25,972)	-	27,301
Instruction Fees for 2013	-	798	-	-	798
Donations for 2010 - 2011 operations	5,000	-	(5,000)	-	-
School Generated Funds	1,472,573	2,001,864	(2,320,138)	-	1,154,299
-	-	-	-	-	-
<b>Total</b>	<b>\$2,014,698</b>	<b>\$5,875,346</b>	<b>(\$6,090,249)</b>	<b>\$0</b>	<b>1,799,795</b>

**10. DEFERRED CAPITAL ALLOCATIONS**

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

**11. LONG TERM DEBT**

Debenture Debt – Supported

The debenture debt bears interest at rates varying between 7.5% and 11.25%. The debenture debt is fully supported by Alberta Finance. Debenture payments due over the next five years and beyond are:

	Principal	Interest	Total
2012-2013	\$ 60,764	\$ 13,201	\$ 73,965
2013-2014	60,385	6,584	66,969
<b>Total</b>	<b>\$ 121,149</b>	<b>\$ 19,785</b>	<b>\$140,934</b>

Capital Lease

The unsupported capital lease bears no interest and is payable in equal annual payments of \$12,405. It will be retired in the next year.

**12. OTHER LONG TERM LIABILITIES**

	2012	2011
Southern Alberta Wind Farm Project: government contribution	\$ 557,395	\$ 583,367
Less: current portion	(27,301)	(25,972)
<b>Total</b>	<b>\$ 530,094</b>	<b>\$ 557,395</b>

The Horizon School Division investment in the Southern Alberta Wind Farm project was \$1,422,080, consisting of a government grant and a divisional contribution each in the amount of \$711,040. The government grant will be brought into income over a 20 year period.

Deferred revenue will be brought into income in each of the next five fiscal years and beyond as follows:

2013	27,301
2014	28,698
2015	30,166
2016	31,710
2017	33,330
2018 to maturity	406,190
<b>Total</b>	<b>\$ 557,395</b>

**13. UNAMORTIZED CAPITAL ALLOCATIONS**

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

**HORIZON SCHOOL DIVISION NO. 67**  
**Notes to the Financial Statements**  
**For the year ended August 31, 2012**

**14. Fees**

Item	Gross Receipts
Transportation fees *	\$0
Fees charged for instruction material and supplies **	\$204,454
Other fees	\$965,781
<b>Total</b>	<b>\$1,170,235</b>

\*Charged under *School Act*, Section 51 (3)

\*\*Charged under *School Act* Section 60 (2) (j).

**15. School Generated Funds**

Unexpended School Generated Revenues, Opening Balance August 31, 2011 (A):	\$1,472,573
<b>Current Year Activities – Gross Receipts:</b>	
Fees	905,720
Fundraising	213,063
Gifts and donations	356,988
Grants to schools	2,800
Other sales and services	523,293
<b>Total gross receipts (B)</b>	<b>\$2,001,864</b>
<b>Current Year Activities – Total Direct Costs Including Cost of Goods Sold to Raise Funds (C)</b>	
	224,301
<b>Current Year Activities –Uses of Funds (D)</b>	<b>2,095,837</b>
<b>Unexpended School Generated Revenues, Closing Balance August 31, 2012 (E)*</b>	
	<b>\$1,154,299</b>

**16. COMMITMENTS**

- a) **Building Purchase:** The jurisdiction agreed to purchase a new facility to house an outreach school in the community of Grassy Lake, Alberta. The purchase occurred on October 1, 2012 for \$230,000.
- b) **Energy Contract:** The jurisdiction has signed a contract with Enmax to provide electricity at a specified rate. The remaining term of the contract is 15 years.
- c) **Leases:** The jurisdiction entered into a lease agreement for the premises of the Taber Christian School for the 2011 – 2012 operating year. The lease will remain in effect on a year to year basis, payable quarterly and a rate of 95% of the Plant Operations & Maintenance funding received for the Taber Christian School (2012 - \$99,766; 2011 - \$99,027).

The jurisdiction has entered into a lease agreement for a facility to house an outreach school in the community of Vauxhall, Alberta. The lease term is until August 31, 2014 with an annual cost of \$7,800.

The jurisdiction has entered into a lease agreement for a facility to house an outreach school in the community of Grassy Lake, Alberta. The lease is payable monthly until December 31, 2012 for a total cost of \$6,720. At the termination of the lease the outreach school will move to a new facility, identified in building purchases.



**17. RELATED PARTY TRANSACTIONS**

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

2011-2012	Balances		Transactions	
	Assets (at cost or net realizable value)	Liabilities (at fair value)	Revenues	Expenses
<b>Government of Alberta:</b>				
Education	\$ 948,838	\$617,398	\$ 41,555,576	\$162,928
Education (Deferred Cap Alloc)	N/A	-	N/A	N/A
Treasury Board and Finance	5,630	5,630	17,789	17,789
Health and Wellness	64,111	-	299,784	-
Human Services	-	-	2,800	-
Other Gov't of Alberta departments (Wind farm)	-	557,395	25,972	-
<b>Other:</b>				
Health authorities	-	-	44,084	-
Post-secondary institutions	-	-	-	-
Other Alberta school jurisdictions	-	-	18,080	-
Other related parties (RADF)s	-	-	21,582	-
<b>TOTAL 2011-2012</b>	<b>\$1,018,579</b>	<b>\$ 1,180,423</b>	<b>\$ 41,985,667</b>	<b>\$ 180,717</b>
<b>TOTAL 2010-2011</b>	<b>\$ 209,011</b>	<b>\$ 5,882,621</b>	<b>\$ 41,626,089</b>	<b>\$ 188,884</b>

**18. ECONOMIC DEPENDENCE ON RELATED THIRD PARTY**

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

**19. SUPPLEMENTAL INTEGRATED PENSION PLAN**

The School jurisdiction is a member of the Supplemental Integrated Pension Plan. The plan provides supplementary pension plan benefits to a prescribed class of employees in addition to Local Authorities Pension Plan or Alberta Teacher Retirement Fund. For the 2011-2012 year, there were two employees who were eligible and participated in the plan.

**20. SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM**

The School jurisdiction is a member of the Supplemental Executive Retirement Program. The plan is not a registered pension plan, but provides additional retirement benefit to a prescribed class of employees in addition to the Local Authorities Pension Plan or Alberta Teacher Retirement Fund. For the 2011-2012 year, there was one employee that was eligible to participate in the plan. Plan assets and obligations are held by Horizon School Division.

	2012	2011
SERP Assets	\$ 6,647	\$ 6,443
Accumulated Obligation	\$ 30,500	\$ 39,562

**21. REMUNERATION AND MONETARY INCENTIVES**

The Horizon School Division had paid or accrued expenses for the year ended August 31, 2012 to or on behalf of the following positions and persons in groups as follows:

<b>Board Members:</b>	<b>FTE</b>	<b>Remuneration</b>	<b>Benefits</b>	<b>Negotiated Allowances</b>	<b>Performance Bonuses</b>	<b>ERIP's / Other</b>	<b>Expenses</b>
Krizzan, Audrey - Chair	1.0	\$ 13,486	\$ -	\$ -			\$ 7,887
Baron, Derek - Vice	1.0	\$ 12,496	\$ -	\$ -			\$ 1,452
Crowson, Jennifer	1.0	\$ 12,176	\$ -	\$ -			\$ 3,544
Francis, Bruce	1.0	\$ 12,176	\$ -	\$ -			\$ 505
Holtman, Sharon	1.0	\$ 12,176	\$ -	\$ -			\$ 5,778
Logan, Marie	1.0	\$ 12,176	\$ -	\$ -			\$ 6,968
Michaëlis, Terry	1.0	\$ 12,176	\$ -	\$ -			\$ 7,777
<b>Subtotal</b>	<b>7.0</b>	<b>\$ 86,862</b>	<b>\$ -</b>	<b>\$ -</b>			<b>\$ 33,911</b>
Superintendent (1)	1.0	\$ 162,135	\$ 27,100	\$ 2,400	\$ -	\$ -	\$ 14,385
Secretary/Treasurer (1)	1.0	\$ 137,680	\$ 28,650	\$ 2,400	\$ -	\$ -	\$ 5,861
Certificated Teachers	211.7	\$ 19,415,610	\$ 3,924,532	\$ -	\$ -	\$ -	
Non-certificated - Other	210.3	\$ 7,053,406	\$ 1,361,770	\$ -	\$ -	\$ -	
<b>TOTALS</b>		<b>\$ 26,855,693</b>	<b>\$ 5,342,052</b>	<b>\$ 4,800</b>	<b>\$ -</b>	<b>\$ -</b>	

**22. BUDGET AMOUNTS**

The budget was prepared by the school jurisdiction and approved by the Board of Trustees on November 28, 2011. It is presented for information purposes only and has not been audited.

**23. COMPARATIVE FIGURES**

The comparative figures have been reclassified where necessary to conform to the 2012 presentation.

**24. FUNDRAISING**

Schools within Horizon School Division engage in various activities to raise funds that support non-instructional programs and activities. Some of these activities involve soliciting contributions from the general public. Gross contributions from solicitation were \$213,063 (2011 - \$200,434). All expenses incurred for the purpose of soliciting contributions were \$66,966 (2011 - \$104,198). Unspent funds are deferred revenue until they are spent on their intended purposes. No remuneration was paid to staff whose principal duties involve fundraising.

**25. PRIOR PERIOD ADJUSTMENTS**

Revenues from Government of Alberta and certificated benefits have been restated by \$1,866,709 to reflect retroactive application of inclusion of Government contributions to Alberta Teachers Retirement Fund in the statement of revenues and expenses.