

Independent Auditors' Report

To the Trustees of the Board of Education of Horizon School Division No. 205:

We have audited the accompanying consolidated financial statements of Horizon School Division No. 205, which comprise the consolidated statement of financial position as at August 31, 2013, and the consolidated statements of operations and accumulated surplus (deficit) from operations, changes in net financial assets (net debt), and cash flows for the year then ended including supporting schedules, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Horizon School Division No. 205 as at August 31, 2013 and the consolidated results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Humboldt, Saskatchewan
November 7, 2013


Chartered Accountants

Horizon School Division No. 205
Consolidated Statement of Financial Position
as at August 31, 2013

	2013	2012
Financial Assets		
Cash and Cash Equivalents	11,212,422	9,080,088
Accounts Receivable (Note 8)	17,895,248	15,641,826
Portfolio Investments (Note 4)	71,212	60,991
Total Financial Assets	29,178,882	24,782,905
Liabilities		
Provincial Grant Overpayment	60,531	1,381,792
Accounts Payable and Accrued Liabilities (Note 9)	3,110,323	1,300,871
Long Term Debt (Note 10)	1,254,904	1,697,185
Liability for Employee Future Benefits (Note 6)	1,156,300	1,068,500
Deferred Revenue (Note 11)	1,093,812	961,670
Total Liabilities	6,675,870	6,410,018
Net Financial Assets	22,503,012	18,372,887
Non-Financial Assets		
Tangible Capital Assets (Schedule C)	61,768,696	55,065,466
Prepaid Expenses	253,867	250,530
Total Non-Financial Assets	62,022,563	55,315,996
Accumulated Surplus (Note 14)	84,525,575	73,688,883
Accumulated Surplus is comprised of:		
Accumulated surplus from operations	84,525,575	73,688,883
Accumulated remeasurement gains and losses	-	-
Total Accumulated Surplus (Note 14)	84,525,575	73,688,883

Contractual Obligations and Commitments (Note 19)

The accompanying notes and schedules are an integral part of these statements

Approved by the Board:




Chairperson

Chief Financial Officer

Horizon School Division No. 205
Consolidated Statement of Operations and Accumulated Surplus (Deficit) from Operations
for the year ended August 31, 2013

	2013 Budget	2013 Actual	2012 Actual
	(Note 15)		
REVENUES			
Property Taxation	19,484,018	19,817,440	19,145,676
Grants	54,149,270	61,551,971	52,038,860
Tuition and Related Fees	6,574,856	7,096,409	7,428,061
School Generated Funds	2,841,816	2,743,438	2,918,538
Complementary Services (Note 12)	-	411,117	390,000
External Services (Note 13)	-	-	2,993
Other	455,600	1,093,620	1,088,944
Total Revenues (Schedule A)	83,505,560	92,713,995	83,013,072
EXPENSES			
Governance	805,360	704,272	638,617
Administration	2,957,602	2,865,110	2,810,668
Instruction	62,599,243	56,687,494	56,633,606
Plant	9,671,971	9,682,884	10,503,777
Transportation	8,011,718	7,250,230	6,869,224
Tuition and Related Fees	206,540	259,551	167,797
School Generated Funds	2,745,026	2,783,290	2,842,979
Complementary Services (Note 12)	570,001	490,421	390,188
External Services (Note 13)	-	-	2,992
Other Expenses	90,050	1,154,051	61,845
Total Expenses (Schedule B)	87,657,511	81,877,303	80,921,693
Operating Surplus (Deficit) for the Year	(4,151,951)	10,836,692	2,091,379
Accumulated Surplus from Operations, Beginning of Year	73,688,883	73,688,883	71,597,504
Accumulated Surplus from Operations, End of Year	69,536,932	84,525,575	73,688,883

The accompanying notes and schedules are an integral part of these statements

Horizon School Division No. 205
Consolidated Statement of Changes in Net Financial Assets
for the year ended August 31, 2013

	2013 Budget	2013 Actual	2012 Actual
	(Note 15)		
Net Financial Assets, Beginning of Year	18,372,887	18,372,887	16,627,994
Changes During the Year:			
Operating Surplus (Deficit) for the Year	(4,151,951)	10,836,692	2,091,379
Acquisition of Tangible Capital Assets (Schedule C)	(1,577,363)	(11,057,371)	(3,385,730)
Proceeds on Disposal of Tangible Capital Assets (Schedule C)	-	17,505	3,242
Net Loss on Disposal of Capital Assets (Schedule C)	-	444,682	7,221
Write-Down of Tangible Capital Assets (Schedule C)	-	764,582	-
Amortization of Tangible Capital Assets (Schedule C)	3,003,644	3,127,372	3,019,491
Net Change in Other Non-Financial Assets	-	(3,337)	9,290
Change in Net Financial Assets	(2,725,670)	4,130,125	1,744,893
Net Financial Assets, End of Year	15,647,217	22,503,012	18,372,887

The accompanying notes and schedules are an integral part of these statements

Horizon School Division No. 205
Consolidated Statement of Cash Flows
for the year ended August 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Operating Surplus for the Year	10,836,692	2,091,379
Add Non-Cash Items Included in Surplus (Schedule D)	4,336,636	3,026,712
Net Change in Non-Cash Operating Activities (Schedule E)	(1,548,626)	(5,324,646)
Cash Provided (Used) by Operating Activities	13,624,702	(206,555)
CAPITAL ACTIVITIES		
Cash Used to Acquire Tangible Capital Assets	(11,057,371)	(3,385,730)
Proceeds on Disposal of Tangible Capital Assets	17,505	3,242
Cash Used by Capital Activities	(11,039,866)	(3,382,488)
INVESTING ACTIVITIES		
Cash Used to Acquire Portfolio Investments	(10,221)	(10,150)
Cash Used by Investing Activities	(10,221)	(10,150)
FINANCING ACTIVITIES		
Repayment of Long Term Debt	(442,281)	(528,424)
Cash Used by Financing Activities	(442,281)	(528,424)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,132,334	(4,127,617)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,080,088	13,207,705
CASH AND CASH EQUIVALENTS, END OF YEAR	11,212,422	9,080,088

The accompanying notes and schedules are an integral part of these statements

Horizon School Division No. 205
Schedule A: Consolidated Supplementary Details of Revenue
for the year ended August 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Property Taxation Revenue			
Tax Levy Revenue:			
Property Tax Levy Revenue	19,474,018	20,331,844	20,228,388
Total Property Tax Revenue	19,474,018	20,331,844	20,228,388
Grants in Lieu of Taxes:			
Federal Government	-	71,107	70,327
Provincial Government	-	111,412	122,004
Other	-	45,008	45,897
Total Grants in Lieu of Taxes	-	227,527	238,228
Other Tax Revenues:			
Treaty Land Entitlement - Rural	10,000	18,951	312,802
House Trailer Fees	-	18,594	26,169
Total Other Tax Revenues	10,000	37,545	338,971
Additions to Levy:			
Penalties	-	169,488	202,010
Total Additions to Levy	-	169,488	202,010
Deletions from Levy:			
Discounts	-	(216,497)	(1,066,836)
Cancellations	-	(220,086)	(289,541)
Other Deletions	-	(512,381)	(505,544)
Total Deletions from Levy	-	(948,964)	(1,861,921)
Total Property Taxation Revenue	19,484,018	19,817,440	19,145,676
Grants:			
Operating Grants			
Ministry of Education Grants:			
K-12 Operating Grant	52,884,379	50,796,075	50,076,335
Other Ministry Grants	-	229,973	99,649
Total Ministry Grants	52,884,379	51,026,048	50,175,984
Other Provincial Grants	490,000	312,651	315,086
Federal Grants	260,000	-	-
Grants from Others	8,500	95,449	192,082
Total Operating Grants	53,642,879	51,434,148	50,683,152
Capital Grants			
Ministry of Education Capital Grants	506,391	10,117,823	1,355,708
Total Capital Grants	506,391	10,117,823	1,355,708
Total Grants	54,149,270	61,551,971	52,038,860

Horizon School Division No. 205
Schedule A: Consolidated Supplementary Details of Revenue
for the year ended August 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Tuition and Related Fees Revenue			
Operating Fees:			
Tuition Fees:			
Federal Government and First Nations	6,356,356	6,854,034	7,386,804
Individuals and Other	-	13,000	41,257
Total Tuition Fees	6,356,356	6,867,034	7,428,061
Other Related Fees	218,500	229,375	-
Total Operating Tuition and Related Fees	6,574,856	7,096,409	7,428,061
Total Tuition and Related Fees Revenue	6,574,856	7,096,409	7,428,061
School Generated Funds Revenue			
Curricular Fees:			
Student Fees	202,278	172,903	178,381
Total Curricular Fees	202,278	172,903	178,381
Non-Curricular Fees:			
Commercial Sales - Non-GST	341,152	359,064	374,180
Fundraising	691,234	1,150,837	1,110,906
Grants and Partnerships	264,473	393,332	427,857
Students Fees	1,248,212	574,946	597,437
Other	94,467	92,356	229,777
Total Non-Curricular Fees	2,639,538	2,570,535	2,740,157
Total School Generated Funds Revenue	2,841,816	2,743,438	2,918,538
Complementary Services			
Operating Grants:			
Ministry of Education Operating Grants:			
Ministry of Education-Foundation Operating Grant	-	411,117	390,000
Total Operating Grants	-	411,117	390,000
Total Complementary Services Revenue	-	411,117	390,000

Horizon School Division No. 205
Schedule A: Consolidated Supplementary Details of Revenue
for the year ended August 31, 2013

	2013 Budget	2013 Actual	2012 Actual
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External Services			
Operating Grants:			
Federal Grants	-	-	2,993
Total Operating Grants	<u>-</u>	<u>-</u>	<u>2,993</u>
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Total External Services Revenue	-	-	2,993
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Other Revenue			
Miscellaneous Revenue	284,500	846,053	870,242
Sales & Rentals	71,100	70,081	67,742
Investments	100,000	177,486	150,960
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Total Other Revenue	455,600	1,093,620	1,088,944
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TOTAL REVENUE FOR THE YEAR	83,505,560	92,713,995	83,013,072
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Horizon School Division No. 205
Schedule B: Consolidated Supplementary Details of Expenses
for the year ended August 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Governance Expense			
Board Members Expense	131,000	185,520	154,502
Professional Development- Board Members	75,600	126,535	109,246
Advisory Committees	323,260	103,241	165,177
Professional Development - Local Boards/Advisory Committees	5,000	-	1,765
Elections	30,000	36,421	3,157
Other Governance Expenses	240,500	252,555	204,770
Total Governance Expense	805,360	704,272	638,617
Administration Expense			
Salaries	1,977,104	1,856,491	1,841,694
Benefits	314,619	304,415	305,356
Supplies & Services	269,340	292,711	232,109
Non-Capital Furniture & Equipment	47,700	29,434	29,978
Building Operating Expenses	87,000	69,256	85,188
Communications	78,000	65,824	85,834
Travel	43,000	37,373	43,027
Professional Development	35,000	62,033	29,841
Amortization of Tangible Capital Assets	105,839	147,573	157,641
Total Administration Expense	2,957,602	2,865,110	2,810,668
Instruction Expense			
Instructional (Teacher & LEADS Contract) Salaries	43,241,581	40,364,951	40,105,883
Instructional (Teacher & LEADS Contract) Benefits	2,240,435	2,403,136	2,519,228
Program Support (Non-Teacher Contract) Salaries	8,147,646	7,399,933	7,221,349
Program Support (Non-Teacher Contract) Benefits	1,564,754	1,305,040	1,281,717
Instructional Aids	2,106,799	1,298,434	1,682,813
Supplies & Services	670,620	758,461	774,890
Non-Capital Furniture & Equipment	313,768	237,591	231,529
Communications	270,000	219,481	194,640
Travel	480,000	443,203	473,678
Professional Development	1,300,203	397,810	424,155
Student Related Expense	1,079,640	557,590	494,068
Amortization of Tangible Capital Assets	1,183,797	1,301,864	1,229,656
Total Instruction Expense	62,599,243	56,687,494	56,633,606

Horizon School Division No. 205
Schedule B: Consolidated Supplementary Details of Expenses
for the year ended August 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Plant Operation & Maintenance Expense			
Salaries	2,445,008	2,357,924	2,336,126
Benefits	451,541	409,849	412,578
Supplies & Services	21,200	2,935	4,971
Non-Capital Furniture & Equipment	10,000	4,201	5,716
Building Operating Expenses	5,231,479	5,431,262	6,260,930
Communications	11,000	11,698	11,650
Travel	68,000	72,994	84,224
Professional Development	10,000	4,872	12,452
Amortization of Tangible Capital Assets	1,423,743	1,387,149	1,375,130
Total Plant Operation & Maintenance Expense	9,671,971	9,682,884	10,503,777
Student Transportation Expense			
Salaries	1,253,990	1,289,430	1,142,575
Benefits	260,388	221,199	199,496
Supplies & Services	593,375	529,844	531,525
Non-Capital Furniture & Equipment	192,200	141,988	160,912
Building Operating Expenses	17,600	15,424	12,461
Communications	8,500	3,887	8,955
Travel	8,000	5,266	7,062
Professional Development	8,650	5,870	4,033
Contracted Transportation	5,378,750	4,746,536	4,545,141
Amortization of Tangible Capital Assets	290,265	290,786	257,064
Total Student Transportation Expense	8,011,718	7,250,230	6,869,224
Tuition and Related Fees Expense			
Tuition Fees	206,540	259,551	167,797
Total Tuition and Related Fees Expense	206,540	259,551	167,797
School Generated Funds Expense			
Supplies & Services	167,696	131,673	166,439
Cost of Sales	335,824	304,242	327,843
Non-Capital Furniture & Equipment	63,247	55,614	159,696
School Fund Expenses	2,178,259	2,291,761	2,189,001
Total School Generated Funds Expense	2,745,026	2,783,290	2,842,979

Horizon School Division No. 205
Schedule B: Consolidated Supplementary Details of Expenses
for the year ended August 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Complementary Services Expense			
Instructional (Teacher & LEADS Contract) Salaries & Benefits	249,114	333,723	241,497
Program Support (Non-Teacher Contract) Salaries & Benefits	244,340	96,950	105,395
Transportation Salaries & Benefits	23,047	14,431	14,187
Instructional Aids	8,000	21,838	6,726
Travel	500	1,157	5,453
Professional Development (Non-Salary Costs)	-	3,431	36
Student Related Expenses	-	3,965	333
Contracted Transportation & Allowances	45,000	14,926	16,561
Total Complementary Services Expense	570,001	490,421	390,188
External Service Expense			
Communications	-	-	199
Student Related Expenses	-	-	2,793
Total External Services Expense	-	-	2,992
Other Expense			
Interest and Bank Charges:			
Current Interest and Bank Charges	10,500	406	657
Interest on Debentures			
Other	30,286	30,286	31,111
Interest on Other Capital Loans and Long Term Debt			
School Facilities	49,264	33,707	55,980
Total Interest and Bank Charges	90,050	64,399	87,748
Loss on Disposal of Tangible Capital Assets	-	444,682	7,221
Write-Down of Tangible Capital Assets	-	764,582	-
Provision for Uncollectable Taxes	-	(119,612)	(33,124)
Total Other Expense	90,050	1,154,051	61,845
TOTAL EXPENSES FOR THE YEAR	87,657,511	81,877,303	80,921,693

Horizon School Division No. 205

Schedule C - Consolidated Supplementary Details of Tangible Capital Assets for the year ended August 31, 2013

	Land	Land Improvements	Buildings	Buildings Short term	School Buses	Other Vehicles	Furniture and Equipment	Computer Hardware and Audio Equipment	Computer Software	Work-in- Progress	2013	2012
Tangible Capital Assets - at Cost:												
Opening Balance as of September 1	21,428,562	3,241,594	73,068,434	3,725,531	4,297,004	746,118	5,105,021	3,844,880	399,844	900,698	116,757,686	114,246,563
Additions/Purchases	-	88,663	5,037	-	484,867	51,886	624,215	659,708	2,445	9,140,550	11,057,371	3,385,730
Disposals	(381,385)	-	-	-	(587,275)	(32,650)	(100,142)	(398,445)	-	-	(1,499,897)	(874,607)
Write-Downs	(331,002)	-	(1,796,000)	(9,400)	-	-	-	-	-	-	(2,136,402)	-
Closing Balance as of August 31	20,716,175	3,330,257	71,277,471	3,716,131	4,194,596	765,354	5,629,094	4,106,143	402,289	10,041,248	124,178,758	116,757,686
Tangible Capital Assets - Amortization:												
Opening Balance as of September 1	N/A	2,417,403	47,679,174	3,355,668	1,989,826	423,897	3,486,711	2,150,965	188,576	N/A	61,692,220	59,536,873
Amortization of the Period	N/A	114,520	1,146,092	25,812	285,600	90,753	562,909	821,229	80,457	N/A	3,127,372	3,019,491
Disposals	N/A	-	-	-	(509,738)	(29,385)	(100,142)	(398,445)	-	N/A	(1,037,710)	(864,144)
Write-Downs	N/A	-	(1,362,420)	(9,400)	-	-	-	-	-	N/A	(1,371,820)	-
Closing Balance as of August 31	N/A	2,531,923	47,462,846	3,372,080	1,765,688	485,265	3,949,478	2,573,749	269,033	N/A	62,410,062	61,692,220
Net Book Value:												
Opening Balance as of September 1	21,428,562	824,191	25,389,260	369,863	2,307,178	322,221	1,618,310	1,693,915	211,268	900,698	55,065,466	54,709,690
Closing Balance as of August 31	20,716,175	798,334	23,814,625	344,051	2,428,908	280,089	1,679,616	1,532,394	133,256	10,041,248	61,768,696	55,065,466
Change in Net Book Value	(712,387)	(25,857)	(1,574,635)	(25,812)	121,730	(42,132)	61,306	(161,521)	(78,012)	9,140,550	6,703,230	355,776
Disposals:												
Historical Cost	381,385	-	-	-	587,275	32,650	100,142	398,445	-	-	1,499,897	874,607
Accumulated Amortization	-	-	-	-	509,738	29,385	100,142	398,445	-	-	1,037,710	864,144
Net Cost	381,385	-	-	-	77,537	3,265	-	-	-	-	462,187	10,463
Price of Sale	-	-	-	-	16,065	1,440	-	-	-	-	17,505	3,242
Gain/loss on Disposal	(381,385)	-	-	-	(61,472)	(1,825)	-	-	-	-	(444,682)	(7,221)

Horizon School Division No. 205
Schedule D: Consolidated Non-Cash Items Included in Surplus
for the year ended August 31, 2013

	2013	2012
Non-Cash Items Included in Surplus:		
Amortization of Tangible Capital Assets (Schedule C)	3,127,372	3,019,491
Net Loss on Disposal of Tangible Capital Assets	444,682	7,221
Write-Down of Tangible Capital Assets (Schedule C)	764,582	-
Total Non-Cash Items Included in Surplus	4,336,636	3,026,712

Horizon School Division No. 205
Schedule E: Consolidated Net Change in Non-Cash Operating Activities
for the year ended August 31, 2013

	2013	2012
Net Change in Non-Cash Operating Activities:		
Increase in Accounts Receivable	(2,253,422)	(708,818)
Increase (Decrease) in Provincial Grant Overpayment	(1,321,261)	1,321,257
Increase (Decrease) In Accounts Payable and Accrued Liabilities	1,809,452	(5,965,982)
Increase in Liability for Employee Future Benefits	87,800	452,500
Increase (Decrease) in Deferred Revenue	132,142	(432,893)
Decrease (Increase) in Prepaid Expenses	(3,337)	9,290
Total Net Change in Non-Cash Operating Activities	(1,548,626)	(5,324,646)

HORIZON SCHOOL DIVISION NO. 205
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at August 31, 2013

1. AUTHORITY AND PURPOSE

The School Division operates under the authority of *The Education Act, 1995* of Saskatchewan as a corporation under the name of “The Board of Education of the Horizon School Division No. 205” and operates as “the Horizon School Division No. 205”. The School Division provides education services to residents within its geographic region and is governed by an elected board of trustees.

The School Division is funded mainly by grants from the Government of Saskatchewan and a levy on the property assessment included in the School Division’s boundaries at mill rates determined by the provincial government. The School Division is exempt from income tax and is a registered charity under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards for other government organizations as established by the Public Sector Accounting Board (PSAB) and as published by Canadian Institute of Chartered Accountants (CICA).

Significant aspects of the accounting policies adopted by the School Division are as follows:

a) Adoption of New Public Sector Accounting (PSA) Standards

In 2013, the School Division adopted the new PSA standards PS1201 Financial Statement Presentation, PS2601 Foreign Currency Translation, PS3041 Portfolio Investments, PS3410 Government Transfers and PS3450 Financial Instruments.

Detailed information on the impact of the adoption of these new PSA standards is provided in Note 20 Accounting Changes.

b) Reporting Entity and Consolidation

The consolidated financial statements include all of the assets, liabilities, revenues and expenses of the School Division reporting entity. The School Division reporting entity is comprised of the School Division and the School Division’s share of partnerships.

Partnerships:

A partnership represents a contractual arrangement between the School Division and a party or parties outside the School Division reporting entity. The partners have significant clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on an equitable

2. SIGNIFICANT ACCOUNTING POLICIES – continued

b) Reporting Entity and Consolidation – continued

basis, the significant risks and benefits associated with the operations of the partnership.

Partnerships are accounted for on a proportionate consolidation basis whereby the School Division's pro-rata share of the partnership's assets, liabilities, revenues and expenses are combined on a line by line basis after adjusting the accounting policies to a basis consistent with the accounting policies of the School Division. Inter-company balances and transactions between the School Division and the partnership have been eliminated. The School Division's only partnership interest is a 39.6% (2012 - 39.5%) share in Humboldt Collegiate Institute.

c) Trust Funds

Trust funds are properties assigned to the School Division (trustee) under a trust agreement or statute to be administered for the benefit of the trust beneficiaries. As trustee, the School Division merely administers the terms and conditions embodied in the agreement, and has no unilateral authority to change the conditions set out in the trust indenture.

Trust funds are not included in the consolidated financial statements as they are not controlled by the School Division.

d) Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

e) Measurement Uncertainty and the Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year.

Measurement uncertainty that may be material to these consolidated financial statements exists for:

- the liability for employee future benefits of \$ 1,156,300 (2012 - \$ 1,068,500) because actual experience may differ significantly from actuarial estimations.
- property taxation revenue of \$ 19,817,440 (2012 - \$ 19,145,676) because final tax assessments may differ from initial estimates,

2. SIGNIFICANT ACCOUNTING POLICIES – continued

e) Measurement Uncertainty and the Use of Estimates - continued

- uncollectible taxes of \$ 461,111 (2012 - \$ 580,723) because actual collectability may differ from initial estimates.
- useful lives of capital assets and related amortization for buildings, vehicles and equipment because these assets may become obsolete prior to the end of their estimated useful lives.
- prior years tangible capital asset historical costs and related amortization for buildings, vehicles and equipment because these assets may become obsolete prior to the end of their estimated useful lives.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

While best estimates are used for reporting items subject to measurement uncertainty, it is reasonably possible that changes in future conditions, occurring within one fiscal year, could require a material change in the amounts recognized or disclosed.

f) Financial Instruments

Financial instruments are any contracts that give rise to financial assets of one entity and financial liabilities or equity instruments of another entity. A contract establishing a financial instrument creates, at its inception, rights and obligations to receive or deliver economic benefits. The school division recognizes a financial instrument when it becomes a party to a financial instrument. The financial assets and financial liabilities portray these rights and obligations in financial statements. Financial instruments of the school division include cash and cash equivalents, accounts receivable, portfolio investments, accrued salaries and benefits, accounts payable and accrued liabilities, and long term debt.

Financial instruments are assigned cost or amortized cost.

Cost or Amortized Cost

All other financial assets and financial liabilities are measured at cost or amortized cost. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Impairment losses such as write-downs or write-offs are reported in the statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the consolidated statement of operations in the period the gain or loss occurs.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

g) Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Valuation allowances are used where considered necessary to reduce the amounts reported for financial assets to their net realizable value.

Cash and Cash Equivalents consist of cash, bank deposits and highly liquid investments with initial maturity terms of three months or less and held for the purpose of meeting short-term operating cash commitments rather than for investing purposes.

Accounts Receivables include taxes receivable, provincial grants receivable and other receivables. Taxes receivable represent education property taxes assessed or estimated owing to the end of the fiscal period but not yet received. The allowance for uncollected taxes is a valuation allowance used to reduce the amount reported for taxes receivable to the estimated net recoverable amount. The allowance represents management's estimate of the amount of taxes that will not be collected taking into consideration prior years' tax collections and information provided by municipalities regarding collectability of outstanding balances. Provincial grants receivable represent operating, capital and other grants earned but not received at the end of the fiscal year, provided reasonable estimates of the amounts can be made. Grants are earned when the events giving rise to the grant have occurred, the grant is authorized, and any eligibility criteria have been met. Other receivables are recorded at cost less valuation allowances. These allowances are recorded where collectability is considered doubtful.

Portfolio Investments consist of Co-op equities. The school division values its portfolio investments in accordance with its policy for financial instruments, as described in Note 2 (f).

h) Non Financial Assets

Non-financial assets are assets held for consumption in the provision of services. These assets do not normally provide resources to discharge the liabilities of the School Division unless they are sold.

Tangible Capital Assets have useful lives extending beyond the accounting period, are used by the School Division to provide services to the public and are not intended for sale in the ordinary course of operations. Tangible capital assets include land, land improvements, buildings, school buses, other vehicles, furniture and equipment, computer hardware and software, audio visual equipment, and assets under construction. Tangible capital assets are recorded at cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, design, construction, development, installation and betterment of the tangible capital asset. The School Division does not capitalize interest incurred while a tangible capital asset is under construction.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

h) Non Financial Assets - continued

The cost of depreciable tangible capital assets, net of any residual value, is amortized on a straight line basis over their estimated useful lives as follows:

Land improvements (pavement, fencing, lighting, etc.)	20 years
Buildings	50 years
Buildings – short-term (portables, storage sheds, outbuildings, garages)	20 years
School buses	12 years
Other vehicles – passenger	5 years
Other vehicles – heavy (graders, 1 ton truck, etc.)	10 years
Furniture and equipment	10 years
Computer hardware and audio visual equipment	5 years
Computer software	5 years

Assets under construction are not amortized until the related asset is complete and placed into service for use.

Assets that have a historical or cultural significance, such as works of art, monuments and other cultural artifacts, are not recognized as tangible capital assets because a reasonable estimate of future benefits associated with these properties cannot be made.

Prepaid Expenses are prepaid amounts for goods or services (for example SSBA membership and Insurance) which will provide economic benefits in one or more future periods.

i) Liabilities

Liabilities are present obligations arising from transactions and events occurring prior to year-end, which will be satisfied in the future through the use of assets or another form of economic settlement.

Provincial Grant Overpayment represents government transfers (grants) advanced to the School Division in excess of the determined entitlement and which are repayable to the provincial government.

Accounts Payable and Accrued Liabilities include accounts payable and accrued liabilities owing to third parties and employees for work performed, goods supplied and services rendered, but not yet paid, at the end of the fiscal period. Amounts are payable within one year.

Long Term Debt is comprised of debentures, capital loans with initial maturities of more than one year and are incurred for the purpose of financing capital expenses in accordance with the provisions of *The Education Act, 1995*.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

i) Liabilities - continued

Liability for Employee Future Benefits represent post-employment and compensated absence benefits that accrue to the School Division's employees. The cost of these benefits is recorded as the benefits are earned by employees. The liability relating to these benefits is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected discount rate, inflation, salary escalation, termination and retirement rates and mortality. Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of the related employee groups. Actuarial valuations are performed periodically. An actuary extrapolates these valuations when a valuation is not done in the current fiscal year.

Recognition of employee future benefits obligations commenced on September 1, 2008. The School Division recorded the full value of the obligation related to these benefits for employees' past service at this time.

Deferred revenue from non-government sources represents fees or payments for services received in advance of the fee being earned or the services being performed, and other contributions for which the contributor has placed restrictions on the use of the resources. Revenue from tuition and related fees is recognized as the course is delivered, revenue from contractual services is recognized as the services are delivered, and revenue from other contributions is recognized in the fiscal year in which the resources are used for the purpose specified by the contributor.

j) Employee Pension Plans

Employees of the School Division participate in the following pension plans: Saskatchewan Teachers' Retirement Plan (STRP), Saskatchewan Teachers' Superannuation Plan (STSP) and Municipal Employees' Pension Plan (MEPP).

Multi-Employer Defined Benefit Plans

The School Division's employees participate in the following multi-employer defined benefit plans:

- i) Teachers participate in the retirement plan of the Saskatchewan Teachers' Retirement Plan (STRP) or Saskatchewan Teachers' Superannuation Plan (STSP). The School Division's obligation for these plans is limited to collecting and remitting contributions of the employees at rates determined by the plans.

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Multi-Employer Defined Benefit Plans - continued

- ii) Other employees participate in the Municipal Employees' Pension Plan (MEPP). In accordance with PSAB, the plan is accounted for as a defined contribution plan whereby the School Division's contributions are expensed when due.

k) Revenue Recognition

Revenues are recorded on the accrual basis. Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues, provided the amount to be received can be reasonably estimated and collection is reasonably assured.

The School Division's sources of revenue include the following:

i) Government Transfers (Grants)

Grants from governments are considered to be government transfers. In accordance with the new PS3410 standard, government transfers are recognized as revenues when the transfer is authorized, all eligibility criteria have been met, the amount can be estimated and collection is reasonably assured except when, and to the extent, stipulations by the transferor give rise to an obligation that meets the definition of a liability. Eligibility criteria are criteria that the school division has to meet in order to receive the transfer. Stipulations describe how the school division must use the transfer or the actions it must perform in order to keep the transfer.

Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met.

Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the stipulations give rise to a liability. Restricted transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Stipulations by the transferor may require that the funds only be used for providing specific services or the acquisition of tangible capital assets. For transfers with stipulations, revenue is recognized in the statement of operations as the stipulation liabilities are settled.

ii) Property taxation

Property tax is levied and collected on a calendar year basis. Uniform education property tax mill rates are set by the Government of Saskatchewan. Tax revenues are recognized on the basis of time with 1/12th of estimated total tax revenue recorded in each month of the School Division's fiscal year. The tax revenue for the September to December portion of the fiscal year is based on the actual amounts reported by the municipalities for the calendar taxation year. For the January to August portion of its fiscal year, the School Division estimates tax revenue based on estimate information provided by municipalities who levy and collect the property tax on behalf of the school division. The final annual taxation amounts are reported to the division by each municipality following the conclusion of each calendar

2. SIGNIFICANT ACCOUNTING POLICIES – continued

ii) Property taxation - continued

taxation year, and any difference between final amounts and the School Division's estimates is recorded as an adjustment to revenue in the next fiscal year.

iii) Fees and Services

Revenues from tuition fees and other fees and services are recognized in the year they are earned. Amounts that are restricted pursuant to legislation, regulation or agreements with external parties that may only be used in the conduct of certain programs or in the delivery of specific services and transactions are initially recorded as deferred revenue and subsequently recognized as revenue in the fiscal year the related expenses are incurred or services are performed.

iv) Interest Income

Interest is recognized on an accrual basis when it is earned.

v) Other (Non-Government Transfer) Contributions

Unrestricted contributions are recognized as revenue in the year received or in the year the funds are committed to the school division if the amount can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are contributions for which the contributor has placed restrictions on the use of the resources. Externally restricted contributions that are to be held in perpetuity are recognized as revenue in the year in which they are received or committed if the amount can be reasonably estimated and collection is reasonably assured. Externally restricted contributions that are not held in perpetuity are deferred until the resources are used for the purpose specified, at which time the contributions are recognized as revenue. In-kind contributions are recorded at their fair value when they are received.

1) Statement of Remeasurement Gain and Losses

The School Division has not presented a Statement of Remeasurement Gain and Losses because it does not have financial instruments that give rise to remeasurement gains or losses.

3. SHORT TERM BORROWINGS

Bank indebtedness consists of a demand operating line of credit with a maximum borrowing limit of \$20,000,000 that bears interest at RBC Royal Bank prime rate less 1.00%. This line of credit is authorized by a borrowing resolution by the Board of Education and is secured by Provincial Grants and property taxation. The line of credit was approved by the Minister of Education on November 18, 2010. The balance drawn on the line of credit at August 31, 2013 was \$0 at an interest rate of 2.00% (August 31, 2012 - \$0 at an interest rate of 2.00%).

4. Portfolio Investments

Portfolio investments are comprised of the following:

	Cost	
	2013	2012
Portfolio investments in the cost and amortized cost category:		
<i>Co-op Equity</i>	\$ 71,212	\$ 60,991
Total Portfolio Investments	\$ 71,212	\$ 60,991

5. EXPENSES BY FUNCTION AND ECONOMIC CLASSIFICATION

Function	Salaries & Benefits	Goods & Services	Debt Service	Amortization of TCA	2013 Budget	2013 Actual	2012 Actual
Governance	\$ 185,520	\$ 518,752	\$ -	\$ -	\$ 805,360	\$ 704,272	\$ 638,617
Administration	2,160,906	556,631	-	147,573	2,957,602	\$ 2,865,110	2,810,668
Instruction	51,473,060	3,912,570	-	1,301,864	62,599,243	\$ 56,687,494	56,633,606
Plant	2,767,773	5,527,962	-	1,387,149	9,671,971	\$ 9,682,884	10,503,777
Transportation	1,510,629	5,448,815	-	290,786	8,011,718	\$ 7,250,230	6,869,224
Tuition and Related Fees	-	259,551	-	-	206,540	\$ 259,551	167,797
School Generated Funds	-	2,783,290	-	-	2,745,026	\$ 2,783,290	2,842,979
Complementary Services	445,104	45,317	-	-	570,001	\$ 490,421	390,188
External Services	-	-	-	-	-	\$ -	2,992
Other	-	1,089,652	64,399	-	90,050	\$ 1,154,051	61,845
TOTAL	\$ 58,542,992	\$ 20,142,540	\$ 64,399	\$ 3,127,372	\$ 87,657,511	\$ 81,877,303	\$ 80,921,693

6. EMPLOYEE FUTURE BENEFITS

The School Division provides certain post-employment, compensated absence and termination benefits to its employees. These benefits include accumulating non-vested sick leave, retirement gratuity and paid-time-off banks. These benefits generally accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. Significant assumptions include discount rate, inflation and salary scale. The liability associated with these benefits is calculated as the present value of expected future payments pro-rated for service and is recorded as Liability for Employee Future Benefits in the Consolidated Statement of Financial Position.

Details of the employee future benefits are as follows:

	2013	2012
	Aug 31/13	Aug 31/12
Actuarial valuation date		
Long-term assumptions used:		
Salary escalation rate (percentage)	3.25%	3.25%
Discount rate (percentage)	3.50%	2.70%
Inflation rate (percentage)	2.25%	2.25%
Expected average remaining service life (years)	17	17

6. EMPLOYEE FUTURE BENEFITS - continued

Liability for Employee Future Benefits	2013	2012
Accrued Benefit Obligation - beginning of year	\$ 1,149,500	\$ 661,200
Current period benefit cost	108,900	50,200
Interest cost	33,000	23,700
Benefit payments	(75,000)	(27,100)
Actuarial gains / losses	(106,100)	39,400
Plan amendments	46,000	402,100
Accrued Benefit Obligation - end of year	1,156,300	1,149,500
Unamortized Net Actuarial Gains / Losses	-	(81,000)
Liability for Employee Future Benefits	\$ 1,156,300	\$ 1,068,500

Employee Future Benefits Expense	2013	2012
Current period benefit cost	\$ 108,900	\$ 50,200
Amortization of net actuarial gain / loss	6,200	3,600
Plan amendments	14,700	402,100
Benefit cost	129,800	455,900
Interest cost on unfunded employee future benefits obligation	33,000	23,700
Total Employee Future Benefits Expense	\$ 162,800	\$ 479,600

7. PENSION PLANS

Multi-Employer Defined Benefit Plans

Information on the multi-employer pension plans to which the School Division contributes is as follows:

- i) Saskatchewan Teachers' Retirement Plan (STRP) or Saskatchewan Teachers' Superannuation Plan (STSP):

The STRP and STSP provide retirement benefits based on length of service and pensionable earnings.

The STRP and STSP are funded by contributions by the participating employee members and the Government of Saskatchewan. The School Division's obligation to the STRP and STSP is limited to collecting and remitting contributions of the employees at rates determined by the plans. Accordingly, these consolidated financial statements do not include any expense for employer contributions to these plans. Net pension assets or liabilities for these plans are not reflected in these consolidated financial statements as ultimate responsibility for retirement benefits rests with the Saskatchewan Teachers' Federation for the STRP and with the Government of Saskatchewan for the STSP.

7. PENSION PLANS - continued

Details of the contributions to these plans for the School Division's employees are as follows:

	2013			2012
	STRP	STSP	TOTAL	TOTAL
Number of active School Division members	557	64	621	647
Member contribution rate (percentage of salary)	7.8% - 10.0%	6.05% - 7.85%	6.05% - 10.0%	6.0% - 10.0%
Member contributions for the year	\$ 3,134,796	\$ 183,370	\$ 3,318,166	\$ 3,370,797

ii) Municipal Employees' Pension Plan (MEPP)

The MEPP provides retirement benefits based on length of service and pensionable earnings.

The MEPP is funded by employer and employee contributions at rates set by the Municipal Employees' Pension Commission.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. Reports are provided for management purposes on an annual basis. Any actuarially determined deficiency is the responsibility of the participating employers and employees which could affect future contribution rates and / or benefits.

The contributions to the MEPP by the participating employers are not segregated in separate accounts or restricted to provide benefits to the employees of a particular employer. As a result, individual employers are not able to identify their share of the underlying assets and liabilities, and the net pension assets or liabilities for this plan are not recognized in these consolidated financial statements. In accordance with PSAB requirements, the plan is accounted for as a defined contribution plan whereby the School Division's contributions are expensed when due.

7. PENSION PLANS - continued

Details of the MEPP are as follows:

	2013	2012
Number of active School Division members	464	466
Member contribution rate (percentage of salary)	7.4% - 8.15%	7.40%
Sept 2012-7.4%/January 2013-8.15%		
School Division contribution rate (percentage of salary)	7.4% - 8.15%	7.40%
Sept 2012-7.4%/January 2013-8.15%		
Member contributions for the year	\$ 934,603	\$ 865,315
School Division contributions for the year	\$ 934,603	\$ 865,315
Actuarial valuation date	Dec-12	Dec-11
	(in thousands)	(in thousands)
Plan Assets	\$ 1,578,536	\$ 1,395,109
Plan Liabilities	\$ 1,420,319	\$ 1,627,865
Plan Surplus (Deficit)	\$ 158,217	\$ (232,756)

8. ACCOUNTS RECEIVABLE

All accounts receivable presented on the Consolidated Statement of Financial Position are net of any valuation allowances for doubtful accounts. Details of account receivable balances and allowances are as follows:

	2013			2012		
	Total Receivable	Valuation Allowance	Net of Allowance	Total Receivable	Valuation Allowance	Net of Allowance
Taxes Receivable	\$ 11,658,717	\$ 461,111	\$ 11,197,606	\$ 11,212,145	\$ 580,723	\$ 10,631,422
Provincial Grants Receivable	3,696,762	-	3,696,762	580,068	-	580,068
Other Receivables	3,000,880	-	3,000,880	4,430,336	-	4,430,336
Total Accounts Receivable	\$ 18,356,359	\$ 461,111	\$ 17,895,248	\$ 16,222,549	\$ 580,723	\$ 15,641,826

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Details of account payable and accrued liabilities are as follows:

	2013	2012
Supplier Payments	\$ 3,063,195	\$ 1,240,524
Other - Playground Projects	47,128	60,347
Total Accounts Payable and Accrued Liabilities	\$ 3,110,323	\$ 1,300,871

10. LONG-TERM DEBT

Details of long-term-term debt are as follows:

	2013	2012
Debentures: Debenture repayable in equal annual payments of \$59,554 including interest at 4.85%, due 2026	\$ 617,578	\$ 647,946
Legacy Lakeview Debenture	\$ 4,416	\$ 4,416
	621,994	652,362
Capital Loans: RBC loan repayable in annual instalments of \$45,400 plus interest repayable monthly at prime plus 1.0% (4.00% at August 31), due 2013	-	45,401
BMO loan repayable in annual instalments of \$186,771 including interest at 4.78%, due 2015	361,203	530,213
BMO loan repayable in annual instalments of \$65,604 including interest at 4.78%, due 2015	126,873	186,238
Foam Lake Credit Union loan repayable in annual payments of \$132,641 plus interest at 5.5%, due 2015	144,834	282,971
	632,910	1,044,823
Total Long Term Debt	\$ 1,254,904	\$ 1,697,185

10. LONG-TERM DEBT - continued

Principal repayments over the next 5 years are estimated as follows:

	Debentures	Capital Loans	Total
2014	30,687	362,643	\$ 393,330
2015	32,175	270,267	302,442
2016	33,736	-	33,736
2017	35,372	-	35,372
2018	37,087	-	37,087
Thereafter	452,937	-	452,937
Total	\$ 621,994	\$ 632,910	\$ 1,254,904

Principal and interest payments on the long-term debt are as follows

	Debentures	Capital Loans	2013	2012
Principal	\$ 30,368	\$ 411,913	\$ 442,281	\$ 528,424
Interest	29,186	34,810	63,996	87,091
Total	\$ 59,554	\$ 446,723	\$ 506,277	\$ 615,515

11. DEFERRED REVENUE

Details of deferred revenues are as follows:

	Balance as at Aug. 31, 2012	Additions during the Year	Revenue recognized in the Year	Balance as at Aug. 31, 2013
Capital projects:				
Federal capital tuition	\$ 846,928	\$ 159,533	\$ -	\$ 1,006,461
Total capital projects deferred revenue	846,928	159,533	-	1,006,461
Other deferred revenue:				
Buddies, Treaty Smarts, Nutrition Programs	114,742	(27,391)	-	87,351
Total other deferred revenue	114,742	(27,391)	-	87,351
Total Deferred Revenue	\$ 961,670	\$ 132,142	\$ -	\$ 1,093,812

12. COMPLEMENTARY SERVICES

Complementary services represent those services and programs where the primary purpose is other than K-12 learning/learning support, but which have the specific objective of enhancing the School Division's ability to successfully deliver its K-12 curriculum/learning programs.

Following is a summary of the revenue and expenses of the Complementary Services programs operated by the School Division in 2013 and 2012:

Summary of Complementary Services Revenues and Expenses, by Program	Pre-K Programs	2013	2012
Revenue:			
Operating Grants	\$ 411,117	\$ 411,117	\$ 390,000
Total Revenue	411,117	411,117	390,000
Expenses:			
Salaries & Benefits	445,104	445,104	361,079
Instructional Aids	21,838	21,838	6,726
Travel	1,157	1,157	5,453
Professional Development	3,431	3,431	36
Student Related Expenses	3,965	3,965	333
Contacted Transportation & Allowances	14,926	14,926	16,561
Total Expenses	490,421	490,421	390,188
Deficiency of Revenue over Expenses	\$ (79,304)	\$ (79,304)	\$ (188)

The purpose of the Complementary Services program is to provide a Pre-K program within the school division.

13. EXTERNAL SERVICES

External services represent those services and programs that are outside of the School Division's learning/learning support and complementary programs. These services have no direct link to the delivery of the School Division's K-12 programs nor do they directly enhance the School Division's ability to deliver its K-12 programs.

Following is a summary of the revenue and expenses of the External Services programs operated by the School Division in 2013 and 2012:

13. EXTERNAL SERVICES - continued

Summary of External Services Revenues and Expenses, by Program	Buddies Program	2013	2012
Revenue:			
Grants	\$ -	\$ -	\$ 2,993
Total Revenue	-	-	2,993
Expenses:			
Communications	-	-	199
Student Related Expenses	-	-	2,793
Total Expenses	-	-	2,992
Excess of Revenue over Expenses	\$ -	\$ -	\$ 1

The purpose and nature of the External Services program is to provide student services program (Buddies) within the school division.

14. ACCUMULATED SURPLUS

Accumulated Surplus represents the financial assets and non-financial assets of the School Division less liabilities. This represents the accumulated balance of net surplus arising from the operations of the School Division including school generated funds and accumulated net remeasurement gains and losses.

Accumulated surplus is comprised of the following two amounts:

- i) Accumulated surplus from operations, which represents the accumulated balance of net surplus arising from the operations of the school division and school generated funds as detailed in the table below; and
- ii) Accumulated remeasurement gains and losses, which represents the unrealized gains and losses associated with foreign exchange and changes in value for financial instruments.

Certain amounts of the Accumulated Surplus from operations, as approved by the board of education, have been designated for specific future purposes including school generated funds. These internally restricted amounts are included in the Accumulated Surplus from operations presented in the Consolidated Statement of Financial Position. The School Division does not maintain separate bank accounts for the internally restricted amounts.

14. ACCUMULATED SURPLUS - continued

Details of accumulated surplus are as follows:

	August 31 2012	Additions during the year	Reductions during the year	August 31 2013
Invested in Tangible Capital Assets:				
Net Book Value of Tangible Capital Assets	\$ 55,065,466	\$ 6,703,230	\$ -	\$ 61,768,696
Less: Debt owing on Tangible Capital Assets	1,692,769	-	(442,281)	1,250,488
	53,372,697	6,703,230	442,281	60,518,208
S.286 pre-April 2009 capital reserves (1)	3,231,291	-	-	3,231,291
PMR maintenance project allocations (2)	-	811,810	-	811,810
Internally Restricted Surplus:				
School generated funds	1,254,920	-	(19,961)	1,234,959
	1,254,920	-	(19,961)	1,234,959
Unrestricted Surplus	15,829,975	2,899,332	-	18,729,307
Total Accumulated Surplus from Operations	\$ 73,688,883	\$ 10,414,372	\$ 422,320	\$ 84,525,575

(1) **S.286 pre-April 2009 Capital Reserves** represent capital reserves that were created by pre-April 2009 board of education motions that designated certain prior years' operating surpluses to be set aside for the purpose of future capital expenditures. Pursuant to S.286 of *The Education Act, 1995*, the School Division is required to hold these reserves as a special fund for the purpose of constructing or acquiring any capital works that may be approved by the minister.

(2) **PMR Maintenance Project Allocations** represent transfers received from the Ministry of Education as funding support for maintenance projects on the school division's approved 3 year capital maintenance plans. Unspent funds at the end of a fiscal year are designated for future approved capital plan maintenance project expenditures.

15. BUDGET FIGURES

Budget figures included in the consolidated financial statements were approved by the Board of Education on May 16, 2012 and the Minister of Education on August 10, 2012.

16. PARTNERSHIP

The school division operates Humboldt Collegiate Institute under a joint operating agreement between the school division and St. Paul's Roman Catholic Separate School Division No. 20. The purpose of the partnership is to provide secondary education to the Catholic and Public students of Humboldt and surrounding area. Any distribution (recovery) of annual operating surplus (deficit) is shared between the partners according to their proportionate share of the student population for the given fiscal year.

The following is a schedule of relevant financial information as stated within the consolidated financial statements for the partnership for the year ended August 31, 2013. These amounts represent 100% of the partnership's financial position and activities and reported under Public Sector Accounting Board Standards. The cost of the school and related assets have been capitalized and amortized in the consolidated financial statements of the relative school division based on the percentage of ownership based on the percentage of ownership established under separate agreement.

	2013	2012
Financial Assets	\$ 74,689	\$ 17,952
Tangible Capital Assets	17,387,085	17,844,104
Total Assets	\$ 17,461,774	\$ 17,862,056
Financial Liabilities	\$ 74,689	\$ 17,952
Accumulated Surplus	17,387,085	17,844,104
Total Liabilities and Accumulated Surplus	\$ 17,461,774	\$ 17,862,056
Revenue	\$ 3,228,133	\$ 1,693,997
Expenses	3,153,444	1,676,045
Total Operating Surplus	\$ 74,689	\$ 17,952
Less: Allocation to Horizon School Division No. 205	29,577	7,091
Less: Allocation to St. Paul's Roman Catholic Separate School Division No. 20	45,112	10,861
Total Accumulated Surplus	\$ -	\$ -

The above amounts have been proportionately consolidated in the school division's consolidated financial statements at the school division's partnership share of 39.6% (2012 – 39.5%). After adjusting accounting policies to be consistent with those of the school division and eliminating transactions between the partnership and the school division, the following amounts have been included in the school division's consolidated financial statements:

	2013	2012
Financial Assets	\$ 29,577	\$ 7,091
Tangible Capital Assets	\$ 5,369,514	\$ 5,511,672
Revenue	\$ 1,278,341	\$ 669,129
Expenses	\$ 1,248,764	\$ 662,038

17. RELATED PARTY TRANSACTIONS

These consolidated financial statements include transactions with related parties. The School Division is related to all Government of Saskatchewan ministries, agencies, boards, school divisions, health authorities, colleges, and crown corporations under the common control of the Government of Saskatchewan. The School Division is also related to non-Crown enterprises that the Government jointly controls or significantly influences. In addition, the School Division is related to other non-Government organizations by virtue of its economic interest in these organizations.

Related Party Transactions:

Transactions with these related parties are in the normal course of operations. Amounts due to or from and the recorded amounts of transactions resulting from these transactions are included in the consolidated financial statements and the table below. They are recorded at exchange amounts which approximate prevailing market rates charged by those organizations and are settled on normal trade terms.

	2013	2012
Revenues:		
Ministry of Education	\$ 61,554,988	\$ 51,921,692
	\$ 61,554,988	\$ 51,921,692
Expenses:		
<i>Sask Energy</i>	\$ 1,076,792	\$ 906,392
<i>Sask Power</i>	909,496	916,684
<i>Other</i>	728,314	667,989
	\$ 2,714,602	\$ 2,491,065
Accounts Receivable:		
Ministry of Education - Capital Grant	\$ 3,696,762	\$ 580,068
Other	-	1,607,196
	\$ 3,696,762	\$ 2,187,264
Provincial Grant Overpayment:		
Ministry of Education	\$ 60,531	\$ 1,381,792
	\$ 60,531	\$ 1,381,792
Accounts Payable and Accrued Liabilities:		
Other	\$ 23,656	\$ 23,656
	\$ 23,656	\$ 23,656

In addition, the School Division pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases and customer sales on items that are deemed taxable. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the consolidated financial statements or notes thereto. A portion of the revenue from the Ministry of Education includes funding allocated to principal and interest repayments on some school division board loans.

18. TRUSTS

The School Division, as the trustee, administers trust funds for legacy and Horizon scholarships. The trust assets and transactions are not included in the consolidated financial statements.

Information about these trusts is as follows:

	Scholarship Fund	
	<u>2013</u>	<u>2012</u>
Cash and short term investments	\$ 620,516	\$ 592,328
Total Assets	\$ 620,516	\$ 592,328
Revenues		
Contributions and donations	\$ 35,375	\$ 13,811
Interest on investments	13,778	13,848
	<u>49,153</u>	<u>27,659</u>
Expenses		
Scholarship payments - recipients	20,965	33,077
	<u>20,965</u>	<u>33,077</u>
Excess (Deficit) of Revenue over Expenses	28,188	(5,418)
Trust Fund Balance, Beginning of Year	592,328	597,746
Trust Fund Balance, End of Year	\$ 620,516	\$ 592,328

19. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The School Division has ongoing commitments under operating leases for photocopiers. Anticipated future lease payments are as follows:

Minimum future lease payments::			
	Copier Leases	Total	
2014	\$ 65,264	\$ 65,264	
2015	65,264	65,264	
2016	38,776	38,776	
Total	\$ 169,304	\$ 169,304	

As at August 31, 2013, the School Division has committed to the capital projects not yet complete at year end in the amount of \$5,667,449 (2012 - \$12,401,858).

20. ACCOUNTING CHANGES

The school division adopted the following new/revised Public Sector Accounting (PSA) Standards in 2013:

PS1201 Financial Statement Presentation

The school division adopted the new PS1201 Financial Statement Presentation standard in 2013. PS1201 establishes general reporting principles and standards for the disclosure of information in financial statements, and introduces a new Statement of Remeasurement Gains and Losses which reports unrealized gains and losses associated with foreign exchange and changes in value for financial instruments recorded at fair value, and accounts for amounts reclassified to the statement of operations upon derecognition or settlement. This standard is applicable to the fiscal year in which the new PS2601 Foreign Currency Translation and PS3450 Financial Instruments standards are adopted. These standards are adopted on a prospective basis, without restatement of prior period comparative amounts and accordingly, no 2012 comparatives have been provided in the new Statement of Remeasurement Gains and Losses. Implementation of PS1201, PS2601 and PS3450 required the school division to remeasure its financial instruments at September 1, 2012 and to recognize the accumulated remeasurement gains and losses in the opening balance in the Statement of Remeasurment Gains and Losses.

The adoption of the new PS1201 standard has not impacted the school division's financial statements as the school division had no remeasurement gains or losses to report in 2013.

PS2601 Foreign Currency Translation

The school division adopted the revised PS2601 Foreign Currency Translation standard in 2013. This revised standard establishes standards on how to account for and report transactions that are denominated in a foreign currency, and replaces the previous PS2600 Foreign Currency Translation. The revised PS2601 standard must be implemented in the same fiscal year as the new PS3450 Financial Instruments standard is adopted, and is adopted on a prospective basis, without restatement of prior period comparative amounts. Accordingly, the 2012 comparative amounts were not restated and have been presented in these financial statements in accordance with the accounting policies applied by the school division immediately preceding its adoption of the revised standard.

The adoption of the revised PS2601 standard has not resulted in any changes to the measurement and recognition of foreign currency transactions or balances by the school division.

20. ACCOUNTING CHANGES - continued

PS3041 Portfolio Investments

The school division adopted the new PS3041 Portfolio Investments standard in 2013. This new standard establishes standards on how to account for and report portfolio investment, and replaces the previous PS3030 Temporary Investments and PS3040 Portfolio Investments standards and is applicable to the fiscal year in which the PS2601 Foreign Currency Translation and PS3450 Financial Instruments standards are adopted. The PS3041 standard refers to PS3450 for recognition and measurement of investments and is adopted on a prospective basis, without restatement of prior period comparative amounts. Accordingly, the 2012 comparative amounts were not restated and have been presented in these financial statements in accordance with the accounting policies applied by the school division immediately preceding its adoption of the revised standard.

The adoption of the new PS3041 standard has not resulted in any changes to the measurement and recognition of portfolio investments by the school division.

PS3450 Financial Instruments

The school division adopted the new PS3450 Financial Instruments standard in 2013. This new standard provides guidance for the recognition, measurement and disclosure of financial instruments. The new PS3450 Financial Instruments standard is adopted on a prospective basis, without restatement of prior period comparative amounts. In accordance with the transition provisions provided in PS3450:

- (a) the recognition, derecognition and measurement policies for financial instruments followed by the school division in financial statements for periods prior to the 2013 are not reversed and, therefore, the financial statements of prior periods, including 2012 comparative amounts, have not been restated.
- (b) at the beginning of the 2012-13 fiscal year, the school division:
 - (i) recognized all financial assets and financial liabilities on its statement of financial position and classified items in accordance with PS3450 standards;
 - (ii) applied the criteria in PS3450 in identifying those financial assets and financial liabilities to be measured at fair value; and
 - (iii) remeasured assets and liabilities as appropriate, and recognized the adjustment to September 1, 2012 amounts as an adjustment to the accumulated remeasurement gains and losses at the beginning of the 2012-13 fiscal year.
- (c) no adjustments to carrying values were made to retroactively expense transaction costs applicable to items in the fair value category.
- (d) the school division established an accounting policy for the identification of embedded derivatives in contracts entered into by it. The school division's policy, and its application, recognizes as separate assets and liabilities those embedded derivatives required to be reported in accordance with provisions of PS3450 on either a retroactive or prospective basis. The adoption of this policy has not impacted the school division's 2013 financial statements as the school division did not have any derivative contracts.

20. ACCOUNTING CHANGES - continued

The adoption of the new PS3450 standard has not resulted in any changes to the measurement and recognition of the school division's financial instruments other than additional disclosures which include the school division's risk management practices.

PS3410 Government Transfers

The school division adopted the revised PS3410 Government Transfers standard in 2013. This revised standard establishes standards on how to account for and report government transfers (grants), with the most significant impact to the school division pertaining to the criteria for recognition of revenue for the government transfers it receives. The revised standard allows for either prospective or retroactive implementation. The school division has elected to apply the requirements of the revised standard on a prospective basis. Accordingly, the adoption of this revised standard did not have an impact on the school division's comparative figures but did require additional disclosures in the notes.

The adoption of the revised PS3410 standard has not resulted in any changes to the measurement and recognition of government transfers in the school division's 2013 financial statements.

21. RISK MANAGEMENT

In accordance with Provincial legislation, collection of taxes levied by the School Division is delegated to municipal authorities within the Division's designated boundaries. Accordingly, the collection of taxes receivable and related collection policies are subject to the discretion of those municipalities.

The School Division does not have a significant exposure to any single ratepayer.

The school division is exposed to financial risks from its financial assets and liabilities. These risks include credit risk, liquidity risk and market risk (consisting of interest rate risk and foreign exchange risk).

i) Credit Risk

Credit risk is the risk to the school division from potential non-payment of accounts receivable. The credit risk related to the school division's receivables from the provincial government, federal government and their agencies are considered to be minimal. For other receivables, the school division has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits in order to reduce its credit risk including close monitoring of overdue account. The school division does not have a significant exposure to any individual customer. Management reviews accounts receivable on a case by case basis to determine if a valuation allowance is necessary to reflect an impairment in collectability.

21. RISK MANAGEMENT - continued

The aging of accounts receivable as at August 31, 2013 and August 31, 2012 was:

	August 31, 2013		August 31, 2012	
	Accounts Receivable	Allowance of Doubtful Accounts	Accounts Receivable	Allowance of Doubtful Accounts
Current	3,712,272	-	2,267,622	-
30-60 days	48,761	-	-	-
60-90 days	23,203	-	-	-
Over 90 days	2,461,686	-	2,314,719	-
Total	\$ 6,245,922	\$ -	\$ 4,582,341	\$ -
Net		\$ 6,245,922		\$ 4,582,341

ii) Liquidity Risk

Liquidity risk is the risk that the school division will not be able to meet its financial obligations as they come due. The school division manages liquidity risk by maintaining adequate cash balances, budget practices and monitoring, forecasts. The following table sets out the contractual maturities of the school division's financial liabilities:

	August 31, 2013			
	Within 6 months	6 months to 1 year	1 to 5 years	> 5 years
Provincial grant overpayment	60,531	-	-	-
Accounts payable and accrued liabilities	3,110,323	-	-	-
Long term debt	52,310	341,020	408,637	452,937
Total	\$ 3,223,164	\$ 341,020	\$ 408,637	\$ 452,937

iii) Market Risk

The school division is exposed to market risks with respect to interest rates and foreign currency exchange rates, as follows:

Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The school division's interest rate exposure relates to cash and cash equivalents. The school division is exposed to interest rate price risk on its long-term debt as the interest rates are fixed. The school division also has an authorized bank line of credit of \$20,000,000 with interest payable monthly at a rate of prime less 1.00%. Changes in the bank's prime rate can cause fluctuation in interest payments and cash flows. There was no balance outstanding on the line of credit as of August 31, 2013 or August 31, 2012.

21. RISK MANAGEMENT – continued

iii) Market Risk - continued

The school division minimizes these risks by:

- holding cash in an account at a Canadian bank, denominated in Canadian currency
- investing in GICs and term deposits for short terms at fixed interest rates
- managing cash flows to minimize utilization of its bank line of credit
- managing its interest rate risk on long-term debt through the use of fixed rate terms for its long-term debt

Foreign Currency Risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The school division is exposed to currency risk on purchases denominated in U.S. dollars for which the related accounts payable balances are subject to exchange rate fluctuations; however, this risk is minimal as the school division does not make a significant amount of purchases denominated on a foreign currency. The school division did not have any financial instruments denominated in foreign currency outstanding at August 31, 2013 or August 31, 2012.

22. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the current year's presentation.